

A Forrester Total Economic Impact™
Study Commissioned By Pluralsight
October 2017

The Total Economic Impact™ Of Pluralsight

Cost Savings And Business Benefits
Enabled By Pluralsight

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Project Director:
Jeffrey North
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ABOUT FORRESTER CONSULTING

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Executive Summary

Benefits And Costs



Faster product development (PV):
\$11.3 million



Employee retention (PV):
\$6 million



Travel and tuition reduction (PV):
\$1.8 million



Internal and external instructor cost savings (PV): **\$1.1 million**



Faster new hire onboarding (PV):
\$1.8 million



Pluralsight fees (PV):
\$5.6 million

Pluralsight is an enterprise technology learning platform that helps organizations move forward with the right technology and the right skills — matched to business objectives like new product development, security enhancement, and agile customer engagement. Pluralsight enables companies to move beyond traditional tech skills teaching modes (classrooms, conferences, or ad hoc queries on the internet) to a new professional technology learning model that promises to close many skills gaps. The platform enables CIOs and CTOs to see their teams' skills gaps, see trending technologies, and create custom learning channels that all align to business objectives, moving an organization forward to capitalize on tech trends rather than be overtaken by them. Senior executives gain the capability for aligning the technical organization with business objectives by closing skills gaps, eliminating latency between demand and delivery, and proactively responding to trends in technology as they unfold.

The demand for technology skills is rising. The Forrester Data Global Business Technographics® Priorities And Journey Survey, 2017 found that more than half of respondents felt that developing or acquiring new skills was a high priority for IT — the second highest of all 17 initiatives in that question. Furthermore, Forrester has found that highly specialized skills in cyber, analytics, customer experience, mobility, and artificial intelligence (AI) will be the most in-demand skills going forward.

Training is one way to meet this demand. But in its most effective form, training is guided and self-directed and provides tools for self- and team-evaluation. It is guided in that the company can provide goals and constraints that are in sync with the direction of the company. It is self-directed in that employees can get training in specific areas, when needed and regardless of location. Finally, there are tools for self- and organization-evaluation that enable the employee and team — and their managers — to quickly identify gaps and to learn how to fill them.

Collectively, these elements provide better learning but are also a significant motivator for employees. Millennials expect to change jobs frequently during their careers. Forrester's research found that continual learning was a significant motivator of retention; employees stick around when their skills are continually refreshed.

Technology expertise is increasingly required to stay competitive while digital transformation is increasingly required to move ahead of the competition. Demand for tech talent is huge, supply is scarce, and existing tech talent needs continual renewal.

According to Pluralsight, the company's enterprise technology learning platform evaluates the technical abilities of teams, aligns learning to key business objectives, and closes skills gaps in critical areas like cloud, mobile, security, design, and data. It includes self- and guided learning, skill assessments, on-demand mentoring, a community of experts, and a large repository of technical answers.

Pluralsight commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) that enterprises may realize by deploying the company's enterprise technology learning platform. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the platform on their organizations.



ROI
295%



Benefits PV
\$22 million



NPV
\$16.4 million



Payback
< 6 months

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five customers with experience using the enterprise technology learning platform.

Key Findings

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

- › **Faster product development.** Pluralsight fosters faster, better product development due to faster talent development — via upskilling and closing the technology skills gaps quickly. A conservative three-year present value (PV) estimate of this benefit within the parameters of the study sums to \$11.3 million.
- › **Retaining employees.** Pluralsight aids in retention by offering tech staff an enrichment opportunity not available elsewhere. If employees who might otherwise depart instead decide to stay, that can be worth more than several million dollars annually — nearly \$6 million PV for our composite organization (described in detail later in this study) over three years.
- › **Avoiding the opportunity cost of internal instructors.** When senior staff are asked to teach higher-level content, not the basics, they can focus more time on their own key objectives. This is worth \$582,000 on a three-year present value basis for the model organization.
- › **Avoiding the cost of contracting with external instructors.** Reducing the number of non-employee instructors is worth \$200,000 per year, or nearly \$500,000 in present value terms over three years. This can happen as technology learning shifts from formal classroom instruction to learning via Pluralsight, which maps to team goals and is available at places and at a pace that works for each employee. Reducing the cost of offsite instruction and travel expenses cuts another \$1.8 million for the model company.
- › **Faster onboarding of junior — and experienced — new hires.** The time to get junior developers and experienced new hires ramped up and productive can be reduced from months to weeks. Over three years and with a cumulative total of 175 junior professionals and experienced new hires, the shorter learning curve is worth \$1.8 million to the composite organization described below.

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

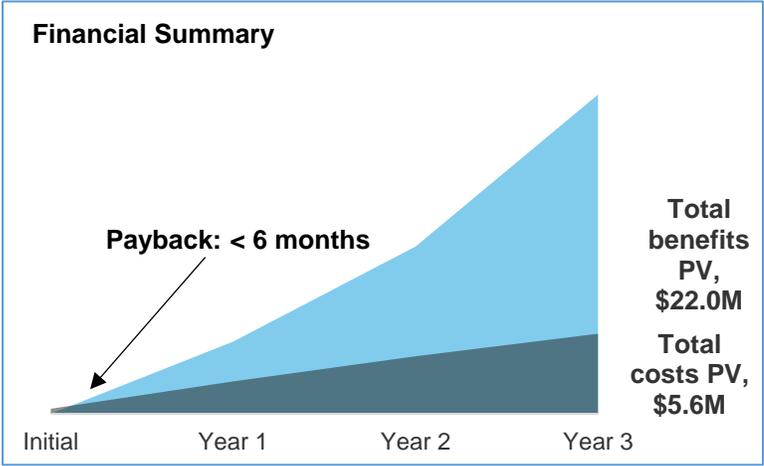
- › **Satisfaction, personal growth, and developer happiness.** See employee retention above, noting that this study quantifies only the cost of replacing departing employees. As one interviewed CIO noted, users of Pluralsight “feel like [the company] is investing in them personally and that we’re continuing to give them the tools that they need to be successful versus reminding them to either get it on their own or to not have it at all.”
- › **Course selection as a trend-spotting tool.** When employees vote with their time and effort, managers should look where they’re casting votes. Pluralsight offers analytic tools to monitor usage and spot trends to inform the company’s technology strategy.
- › **Continuous learning.** Pluralsight is an enabler of continuous, steeper learning throughout the organization, which is critical in the tech world. The alternative is competitive and organizational decline.

- › **Offerings for more than just development.** Pluralsight offerings increasingly extend into all technology teams, including the IT and design departments.
- › **Flexibility and fit.** Pluralsight offers deep and broad enterprise learning experiences that are compatible with different technology learning styles.

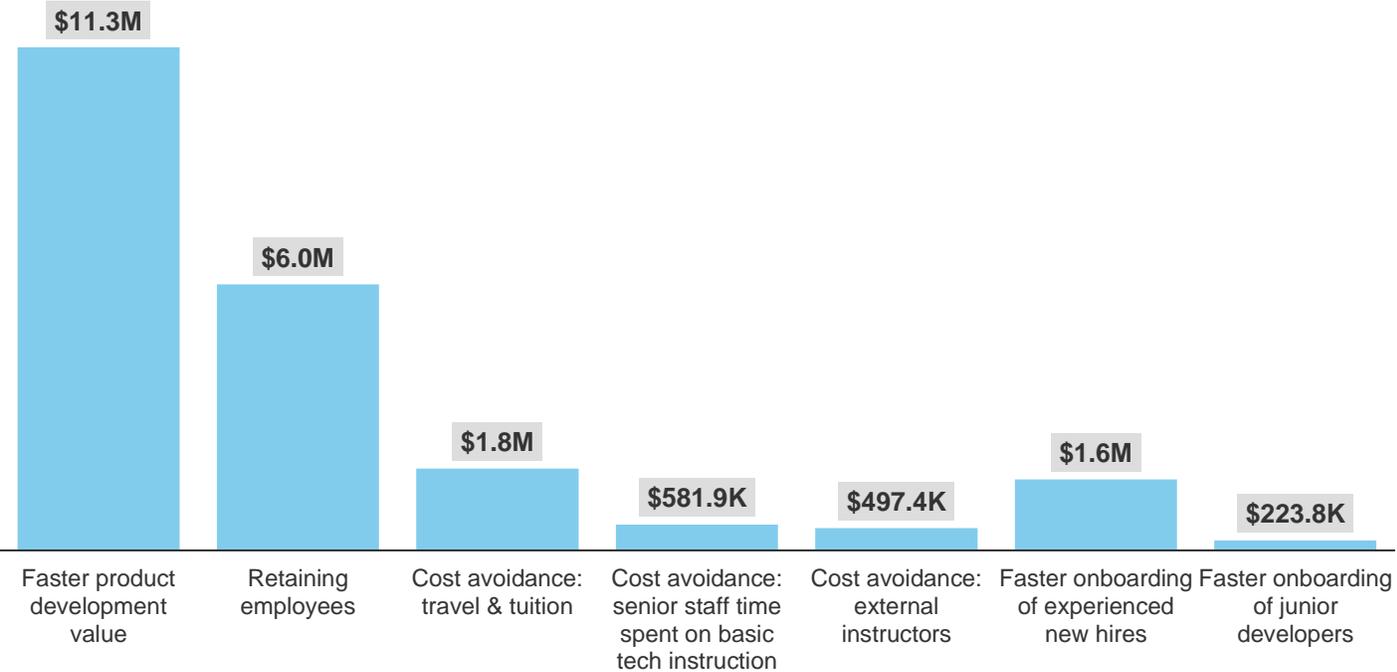
Costs. The interviewed organizations experienced the following risk-adjusted costs:

- › **Pluralsight service fee.** Pluralsight charges \$699 per user for a seat on the platform. In this seat, the user can partake in any of the learning resources on the platform. This study examines an organization that purchases 3,000 seats after an initial trial of 500 seats.
- › **Internal administration costs.** Moderate amounts of time and effort may be required to oversee the Pluralsight platform within the organization, yet this labor is less than the administration time required for learning under the status quo regimen. The net cost is less than zero.

Forrester's interviews with five existing Pluralsight customers and subsequent financial analysis found that an organization based on these interviewed organizations experienced PV benefits of nearly \$22 million over three years versus PV costs of \$5.6 million, adding up to a net present value (NPV) of \$16.4 million and an ROI of 295%.



Benefits (Three-Year)



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 interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing the Pluralsight enterprise technology learning platform.

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 Pluralsight's enterprise technology learning platform can have on an organization:



DUE DILIGENCE

Interviewed Pluralsight stakeholders and Forrester analysts to gather data relative to the Pluralsight enterprise technology learning platform.



CUSTOMER INTERVIEWS

Interviewed five organizations using the enterprise technology learning platform 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 four fundamental elements of TEI in modeling Pluralsight'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.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Pluralsight 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 the Pluralsight enterprise technology learning platform.

Pluralsight 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.

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

The Pluralsight Customer Journey

BEFORE AND AFTER THE ENTERPRISE TECHNOLOGY LEARNING PLATFORM INVESTMENT

Interviewed Organizations

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

INDUSTRY	REGION	INTERVIEWEE	SIZE
Global investment bank	Worldwide	Knowledge and learning manager	18,000 employees
Stock exchange	Headquartered in New York, NY	SVP, corporate solution technology	2,500 employees
Healthcare IT services	Worldwide	VP, engineering solutions	22,000 employees, 6,000 tech staff
HR software	North America	Manager, innovation strategy	3,700 employees, mostly tech staff
Manufacturing	Worldwide	Chief information officer	2,200 employees

Key Challenges

Prior to using Pluralsight, the enterprise technology learning platform, the customers in this study typically relied on two types of training: formally via in-house classroom instruction and conferences and informally via Google, YouTube, and Wiki- and Techopedia. Growth of the business demanded a new learning delivery mechanism that could provide current learning resources while anticipating the skills that would soon be needed.

- › **The old education system did not scale.** Growth of the business begged for a new learning delivery mechanism. Demand for technology learning inside these organizations threatened to overwhelm them with old learning infrastructures and related high costs.
- › **There was a need to bring more efficiency into learning.** Classroom and other formal learning was often off-target and outdated, which was an expensive way to acquire and enhance skills that did not fit the needs of individuals or the companies. Ad hoc look-ups were a band-aid. Retaining knowledge was much more challenging with book-classroom-instructor training. With Pluralsight, technology professionals can bookmark, “rewind,” reinforce learning via interactive lab environments, and get extra help from live Pluralsight mentors.
- › **The old education system did not anticipate the next thing.** Companies interviewed for this study described the need to fill technology skills gaps before they became apparent. Pluralsight includes the means to use the learners’ elective choices and platform analytics to indicate trends and the courses that provide the means to meet them; using Pluralsight, technology leaders can create learning channels and team learning paths to meet those needs before they are needed.

Composite Organization: “Pinnacle” Corporation

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 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, called “Pinnacle,” is a \$2 billion software development company that creates tools and applications for the world’s architects, engineers, designers, planners, and infrastructure builders. Pinnacle’s commitment to its clients extends beyond delivering robust software to encompass exceptional professional services and support. Known for its technical excellence and innovation, Pinnacle’s commitment to current and future generations of global infrastructure professionals is defined by continuous learning opportunities for 5,000 highly-skilled development and professional services colleagues around the world.

Financial Analysis

QUANTIFIED BENEFIT AND COST DATA AS APPLIED TO THE COMPOSITE

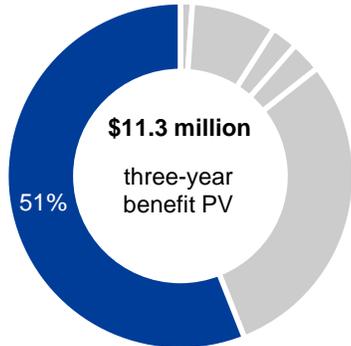
Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Faster product development value	\$1,200,000	\$3,600,000	\$9,600,000	\$14,400,000	\$11,278,738
Btr	Retaining employees	\$2,400,000	\$2,400,000	\$2,400,000	\$7,200,000	\$5,968,445
Ctr	Cost avoidance: travel and tuition	\$675,000	\$742,500	\$810,000	\$2,227,500	\$1,835,838
Dtr	Cost avoidance: senior staff time spent on basic tech instruction	\$234,000	\$234,000	\$234,000	\$702,000	\$581,923
Etr	Cost avoidance: external instructors	\$200,000	\$200,000	\$200,000	\$600,000	\$497,370
Ftr	Faster onboarding of experienced new hires	\$640,000	\$640,000	\$640,000	\$1,920,000	\$1,591,585
Gtr	Faster onboarding of junior developers	\$90,000	\$90,000	\$90,000	\$270,000	\$223,817
Total benefits (risk-adjusted)		\$5,439,000	\$7,906,500	\$13,974,000	\$27,319,500	\$21,977,716

Faster Product Development Value

Forrester learned that by using Pluralsight, employees can not only hone skills for their current jobs, but they can also anticipate the skills they will need next. As they explore these new capabilities, Pluralsight serves as a catalyst that can spur new ideas and innovation to the business. These innovations would not occur if not for the presence of Pluralsight. One study organization, for example, described a soon-to-be-released mobile app that utilized a technology that was not well-known internally. Pluralsight had a plethora of learning resources on the new technology, which allowed that team to build an entirely new app for iOS and Android and get it off the ground and running, from whiteboard to app store, in less than a year.

Additionally, Pluralsight’s usage and analytics capabilities prove valuable as a trend-spotting tool. This dashboard’s insight into technology trends brings new technical approaches into the organizations sooner than a more reactive response would have. “We encourage people to learn things that we think are important for them to learn without stifling their choices of what would they like to learn,” noted one interviewee, “because we’ve seen a number of instances where people just go and learn whatever they’re interested in. And then they come back with different and new ideas of how we drive our architecture and platforms forward.” Another study participant explained: “We want to get anyone access who’s in a technical role, who has demonstrated that they’re going to use it. We are being more deliberate in monitoring the usage patterns and doing things like setting up learning channels specific to the team to which specific technologies are relevant.”



Product development: speed and quality: **51%** of total benefits

Another interviewee told Forrester that when the engineering staff sits down to talk about building a new product or functionality, they no longer spend time discussing how various technologies work and which technologies are best. Instead, the conversation is already advanced to the business value that needs to be executed, with common understanding of which technologies are going to be in play. “That is where you *start* to see the speed of development begin to increase because the baseline knowledge is already there, and that’s not something that needs to be hashed out when you’re trying to start a new project.”

Development quality accompanies speed. Pluralsight drives greater value — faster. As one senior executive explained to Forrester: “The quality of code and architecture goes up when — instead of everybody using different ways of learning things, relying on non-validated different sources and bad information — we are drinking from the same fountain, learning from the same educators with the same opinions, and it’s something that we have previewed already. We’ve filtered out the bad ingredients.”

Another noted: “We see more revenue from current and then prospective customers. Acquiring new customers . . . makes us head and shoulders above our competition, and then from a current customer perspective, they see the product evolving and changing and getting better over time, so keeping them around and keeping that revenue around is a big advantage.”

For the composite organization, Forrester assumes:

- › Two hundred and fifty key development engineers in Year 1 (500 in Year 2, 1,000 in Year 3) will become faster and better and contribute within their teams to deliver more software products, with more innovations, faster. This will affect just a portion of total revenue.
- › Revenue per technical resource (\$2 billion revenue/5,000 tech employees) equals \$400,000.
- › The organization will accelerate product development by 5% initially, growing to 10% in Year 3, which is worth a contribution margin of \$2 million in Year 1 and \$16 million in Year 3, equal to nearly \$11.3 million over three years in present value terms.

This category of benefit will vary with:

- › The character of the overall product development process.
- › The size of the skills gap that Pluralsight must address.
- › External uncertainties in competitor and market dynamics.

To account for these risks, Forrester adjusted this benefit downward by 40%, yielding a three-year risk-adjusted total PV of \$11.3 million, as shown in the summary table on page 8.

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 nearly \$22 million.

Faster Product Development Value: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Annual revenue per technical staff	\$2 billion/5,000	\$400,000	\$400,000	\$400,000
A2	Number of senior Pluralsight users		250	500	1,000
A3	Annual revenue portion affected	A1*A2	\$100,000,000	\$200,000,000	\$400,000,000
A4	Acceleration factor		5%	7.5%	10%
A5	Gross margin		40%	40%	40%
At	Faster product development value	A3*A4*A5	\$2,000,000	\$6,000,000	\$16,000,000
	Risk adjustment	↓40%			
Atr	Faster product development value (risk-adjusted)		\$1,200,000	\$3,600,000	\$9,600,000

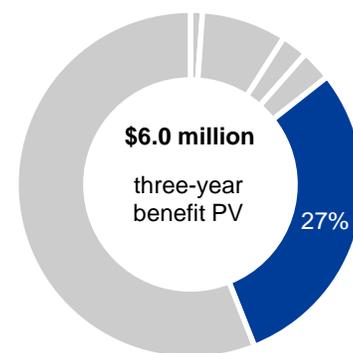
Retaining Employees

Pluralsight offers enterprise technology professionals an opportunity for enrichment and a double-edged source of satisfaction: They acquire new skills and deliver more results. Organizations in the study explained how Pluralsight engenders a great deal of “developer happiness” when employees see that their organization invests in them and demonstrates a commitment to ongoing education. And when a company is committed to a host of other positive values — like training an existing employee using Pluralsight to close a skills gap rather than hiring someone from outside — employees enjoy a sense of goodwill associated with their company. The result is higher retention when the company is committed to investing in its employees.

“It’s expensive to go find new people,” noted one CIO interviewed for this study. “And it’s expensive to have people say, ‘You know what? I’m getting stale here. I’ve got to go someplace else just to get more experience.’” Getting stale is the bane of the tech workers’ existence: If they are not learning but rather lapsing in their knowledge, then the development staff are “like the produce section of the grocery store,” according to one study participant, “and their knowledge is as perishable as a head of lettuce.” Yet Pluralsight, “if used properly, can create an environment where employees are on the leading edge of technology rather than trying to catch up on the slow train.”

Pluralsight aids in employee retention by offering tech staff an enrichment opportunity not available elsewhere. For the composite organization, Forrester assumes, conservatively, that:

- › There are 25 technical employees retained who would otherwise depart.
- › Each of these employees earns a salary of \$80,000 and remains with the company rather than seeking career development by changing jobs.
- › The cost to replace these employees is 1.5 times their salary, including recruiting costs and time for a replacement to reach full productivity.



Employee retention: **27%**
of total benefits

A downward risk adjustment factor of 20% takes into consideration the potential for overestimating this benefit, yielding a three-year risk-adjusted total PV of nearly \$6 million, shown in the table on page 8.

Retaining Employees: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Number of employees retained		25	25	25
B2	Cost to replace employee	1.5*\$80,000	\$120,000	\$120,000	\$120,000
Bt	Retaining employees	B1*B2	\$3,000,000	\$3,000,000	\$3,000,000
	Risk adjustment	↓20%			
Btr	Retaining employees (risk-adjusted)		\$2,400,000	\$2,400,000	\$2,400,000

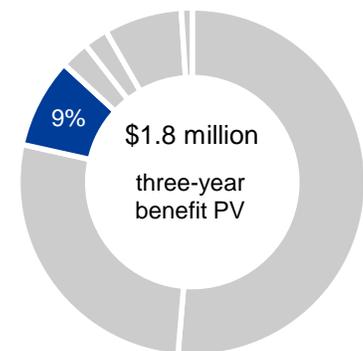
Cost Avoidance: Travel And Tuition

With Pluralsight, fewer employees travel to offsite locations to attend classroom training and conferences.

To quantify this benefit category, Forrester assumes:

- › There are 250 trips to courses and conferences annually.
- › The cost is \$3,000 per trip, including air, lodging, and fees or tuition for technical employees.
- › Not included is the value to the organization of lost work time while staff are away on course and conference travel. Forrester assumes that employees complete much of their work and communication remotely.

A downward risk adjustment factor of 10% takes into consideration the potential for overestimating this benefit, yielding a three-year risk-adjusted total PV of nearly \$1.8 million, shown in the table on page 8.



Travel and tuition cost savings: **9%** of total benefits

Cost Avoidance: Travel And Tuition: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Number of trips to conferences, etc.		250	275	300
C2	Cost per trip	Air, hotel, fees	\$3,000	\$3,000	\$3,000
Ct	Cost avoidance: travel and tuition	C1*C2	\$750,000	\$825,000	\$900,000
	Risk adjustment	↓10%			
Ctr	Cost avoidance: travel and tuition (risk-adjusted)		\$675,000	\$742,500	\$810,000

Cost Avoidance: Senior Staff Time Spent On Basic Tech Instruction

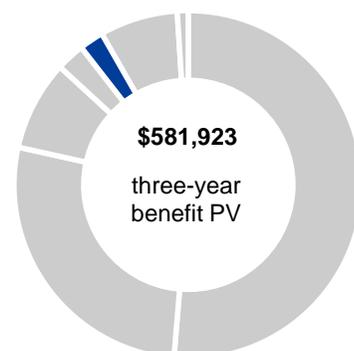
The enterprise organizations interviewed for this study described how Pluralsight changes some roles inside their companies, including the instructional duties often performed by senior development and engineering staff who taught other employees as part of their roles. With Pluralsight, senior engineers can avoid the classroom or “lunch-and-learn” sessions, focus on their main jobs, and teach higher-level, company-specific material.

According to one company’s manager of innovation strategy: “Pluralsight challenges our educators to *not* cover the basics, but to go in-depth, which is way more interesting. Lunch-and-learns are now more in-depth. Our learning team can bring in bigger experts. Also, they can track people and understand how employees navigate the curriculum and what those implications are.”

For the composite organization, Forrester assumes that:

- There are 200 internal “instructors.”
- These instructors save 20 hours per year.
- At a fully burdened compensation rate of \$65 per hour (\$130,000 annual salary plus benefits), these savings are worth \$234,000 per year after risk adjustment or nearly \$582,000 on a three-year present value basis.

A downward risk adjustment factor of 10% takes into consideration any propensity to overestimate this benefit.



Avoiding the cost of internal instructors: **3%** of total benefits

Cost Avoidance: Senior Staff Time Spent On Basic Tech Instruction: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
D1	Number of senior staff as instructors		200	200	200
D2	Hourly rate per person (fully burdened)		\$65	\$65	\$65
D3	Number of hours saved		20	20	20
Dt	Cost avoidance:	$D1 * D2 * D3$	\$260,000	\$260,000	\$260,000
	Risk adjustment	↓10%			
Dtr	Cost avoidance: senior staff		\$234,000	\$234,000	\$234,000

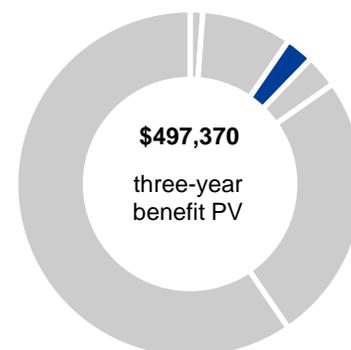
Cost Avoidance: External Instructors

Traditional classroom instruction become less important and less frequent as Pluralsight delivers more learning resources to individuals in small increments to consume at their convenience. This has implications for internal as well as external instructors.

For the composite organization, Forrester assumes that:

- › Ten external instructors per year will not be required, compared with the situation before Pluralsight.
- › This amounts to \$20,000 in savings for each instructor or \$200,000 per year and \$497,370 on a three-year present value basis.

Forrester did not adjust this benefit category for risk as the amounts are modest and relatively easy to forecast.



Avoiding the cost of external instructors: **2%** of total benefits

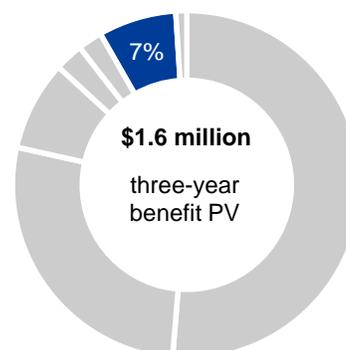
Cost Avoidance: External Instructors: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
E1	Number of external instructors		10	10	10
E2	Cost per external instructor		\$20,000	\$20,000	\$20,000
Et	Cost avoidance: external instructors	E1*E2	\$200,000	\$200,000	\$200,000
	Risk adjustment	0%			
Etr	Cost avoidance: external instructors (risk-adjusted)		\$200,000	\$200,000	\$200,000

Faster Onboarding Of Experienced New Hires

A primary need for each of the interviewed organizations, albeit a latent need for many, was the ability to broaden the pool of potential candidates for various technical positions. Using Pluralsight, an organization can look at more candidates, including some whose resumes do not list every item on the job requirements list.

“In hiring experienced engineers,” explained one study participant, “one of the things we run into and that sometimes messes up the interview process is a situation in which a candidate doesn’t know about this or that specific technology. They don’t know this program or language or they don’t know that design pattern. Pluralsight lessens the blow of that because then we can say, ‘Well, they’ve got some of the X factors we want (which is probably the harder thing to find in the first place), they look like people that we’d really want to work with, but they’re lacking some piece of education. But it’s something that we can just give them via access to Pluralsight, get them educated in this programming language or that design pattern, get them up to speed quickly.’ . . . Pluralsight closes the gap on being able to find good talent and not disqualify them if they don’t have some requirement for the job. We have a tool in our back pocket that we can utilize to get them trained up on languages or design patterns very quickly.”



Faster onboarding of experienced hires: **7%** of total benefits

For the composite organization, Forrester assumes that:

- › There are 100 new hires per year.
- › These new hires earn a fully burdened salary of \$100,000 a year or \$50 per hour.
- › Pluralsight saves four weeks or 160 hours for each employee in becoming fully productive, which is worth \$640,000 per year after risk adjustment or nearly \$1.6 million over three years in present value terms.

This category of benefit will vary with:

- › The quality of the overall hiring process.
- › The size and uncertainty of the skills gap that Pluralsight will address.

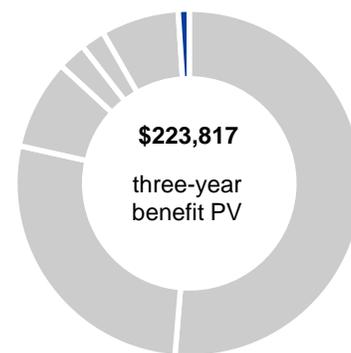
To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of \$1.6 million.

Faster Onboarding Of Experienced New Hires: Calculation Table					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
F1	Number of experienced new hires		100	100	100
F2	Hourly rate per new hire		\$50	\$50	\$50
F3	Number of hours saved		160	160	160
F4	Percent captured		100%	100%	100%
Ft	Faster onboarding of experienced new hires	$F1 * F2 * F3 * F4$	\$800,000	\$800,000	\$800,000
	Risk adjustment	↓20%			
Ftr	Faster onboarding of experienced new hires (risk-adjusted)		\$640,000	\$640,000	\$640,000

Faster Onboarding Of Junior Developers

Another example of closing a skills gap comes in the form of one company’s internship program, from which many full-time permanent hires are chosen. One study interviewee explained the new career development path for junior professionals: “We are not sending them books [before the start of their internship] anymore. Hey, who reads the books? Not many. We give them access to Pluralsight, and we know that 85% or 90% of them use that to get a jump-start before they even get here. They know that they can start taking these courses and getting a leg up before they even walk in the door.” Furthermore, the company can immerse junior professionals from the start in the very skills paths that were aligned with the company’s business objectives.

“The time-to-immediate-contribution for the new engineering staff is unparalleled. These are your professionals who are coming in, they’re hungry, they’re ready to hit the ground running, and if you bog them down with a month-long boot camp on how to develop software? It’s demoralizing. So I would say . . . bringing [time-to-contribution] down and making it something that they enjoy through Pluralsight is just an immediate boost to revenue right off the bat.”



Faster onboarding of junior developers: 1% of total benefits

For the composite company, Forrester assumes:

- › There are 75 junior developers earning \$25 per hour for a \$50,000 fully burdened annual salary.
- › Their onboarding time is shortened by 60 hours (one and a half weeks), which is worth \$90,000 after risk adjustment.

Risks include:

- › Possible overestimation of this benefit category.
- › Any mismatch between the assigned Pluralsight learning content and the actual project work that junior professionals first encounter.

To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of nearly \$224,000, as shown in the table on page 8.

Faster Onboarding Of Junior Developers: Calculation Table					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
G1	Number of junior developers		75	75	75
G2	Hourly rate per junior developers		\$25	\$25	\$25
G3	Number of hours saved		60	60	60
G4	Percent captured		100%	100%	100%
Gt	Faster onboarding of junior developers	$G1 * G2 * G3 * G4$	\$112,500	\$112,500	\$112,500
	Risk adjustment	↓20%			
Gtr	Faster onboarding of junior developers (risk-adjusted)		\$90,000	\$90,000	\$90,000

Unquantified Benefits

This study attempts to quantify those benefits that are most compellingly articulated by the Pluralsight customers who participated in the research. Some benefits, listed below, are more speculative and may be evaluated and quantified in the future as customers gain more experience with Pluralsight. Forrester states these benefits in the form of questions like these:

- › How much goodwill is accrued when a company invests in upskilling an employee instead of bringing in an external candidate? What is the value of gaining the reputation as an organization that uncovers and polishes the brilliance of its existing teams? How often is the team with the greatest potential the one that you have now?
- › What is the benefit of not firing employees with older skill sets and training them instead, thus layering new skills onto that institutional knowledge?
- › What is the value of rapidly shifting from adapting results to existing skills, to adapting skills to expected results?
- › What is the value of strengthening the security posture of the organization by making security part of the curriculum?

- › What is the value of helping employees identify their strengths and aligning them to projects and teams where their contributions and resulting satisfaction will be optimized?

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 Pluralsight and later realize additional uses and business opportunities, including:

- › **Stronger business-IT linkage.** This can potentially occur via future opportunities for capitalizing on the new and improved technology learning model to “deliver more quickly and unblock the business.” By reducing the latency between needs expressed by the business and the technical organization’s response, need and response can overlap; IT and business can become partners versus operating in a vendor/client relationship. One suggestion was to use Pluralsight courses to teach technology concepts to business staff and thus “onboard” the business new hires and managers like the way in which tech staff are onboarded.
- › **Extending Pluralsight access and usage to other teams in the organization.** This is a perennial, real option for customers.
- › **New skills, analytics, and advisory services from Pluralsight.** These have not yet been explored, much less exploited, by most Pluralsight client organizations.

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.

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Htr	Pluralsight fees	\$349,500	\$2,097,000	\$2,097,000	\$2,097,000	\$6,640,500	\$5,564,429
	Total costs (risk-adjusted)	\$349,500	\$2,097,000	\$2,097,000	\$2,097,000	\$6,640,500	\$5,564,429

Pluralsight Fees

The principal cost for bringing Pluralsight into the enterprise is the license fee, priced by seat. For the composite company, this amount is \$699 per user for an all-you-can-learn, unlimited-use basis. The model organization started with a pilot program in which 500 seats were purchased for a trial period. Initial success and user feedback justified a larger commitment to the enterprise technology learning platform.

Resources for the ongoing management of the company's use of the enterprise technology learning platform will come from the office of the CIO. The time is assumed to be reallocated from time and effort formerly dedicated to the old education model.

Forrester did not adjust this cost category for risk as the amounts are relatively easy to forecast and lock in contractually.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs). Over three years, the composite organization expects risk-adjusted total costs to be a PV of nearly \$5.6 million.

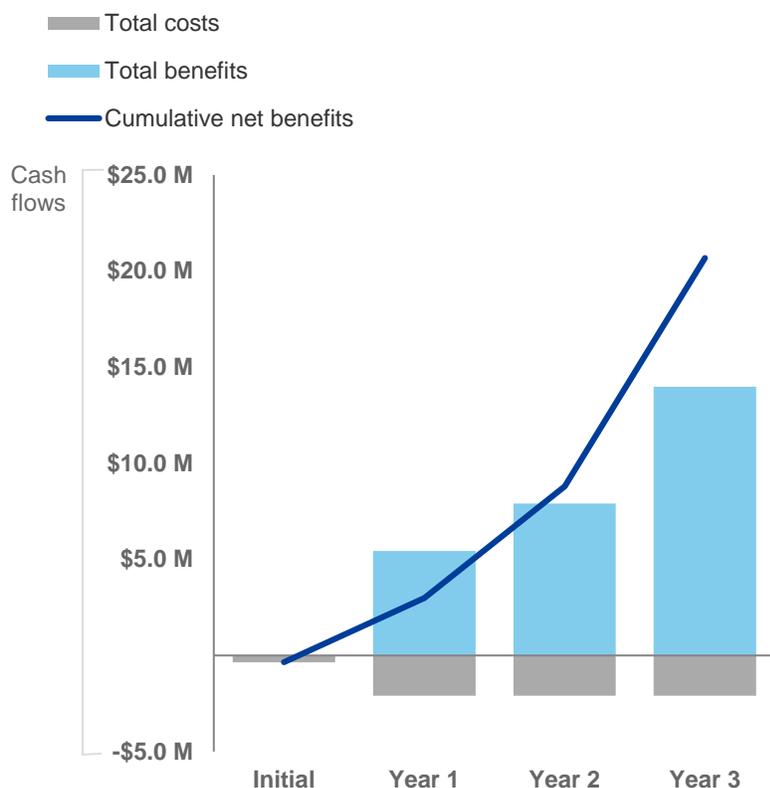
Pluralsight Fees: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
H1	Number of seats		500	3,000	3,000	3,000
H2	Price per seat		\$699	\$699	\$699	\$699
Ht	Pluralsight fees	H1*H2	\$349,500	\$2,097,000	\$2,097,000	\$2,097,000
	Risk adjustment	0%				
Htr	Pluralsight fees (risk-adjusted)		\$349,500	\$2,097,000	\$2,097,000	\$2,097,000

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.



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	(\$349,500)	(\$2,097,000)	(\$2,097,000)	(\$2,097,000)	(\$6,640,500)	(\$5,564,429)
Total benefits	\$0	\$5,439,000	\$7,906,500	\$13,974,000	\$27,319,500	\$21,977,716
Net benefits	(\$349,500)	\$3,342,000	\$5,809,500	\$11,877,000	\$20,679,000	\$16,413,287
ROI						295%
Payback period						< 6 months

The Pluralsight Enterprise Technology Learning Platform: Overview

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

Pluralsight is an enterprise technology learning platform for organizations that need to enhance the expertise of their technologists to keep up with the pace of technological change and deliver key innovations on time, on budget, and securely. With Pluralsight, organizations can evaluate the technical abilities of their teams, align learning to key business objectives, and close skills gaps in critical areas like cloud, mobile, security, design, and data. With the largest network of expert technologists in the world, more than 6,000 courses, and the ability to quantify impact and performance, Pluralsight is helping enterprise technology leaders succeed in the digital age.

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.