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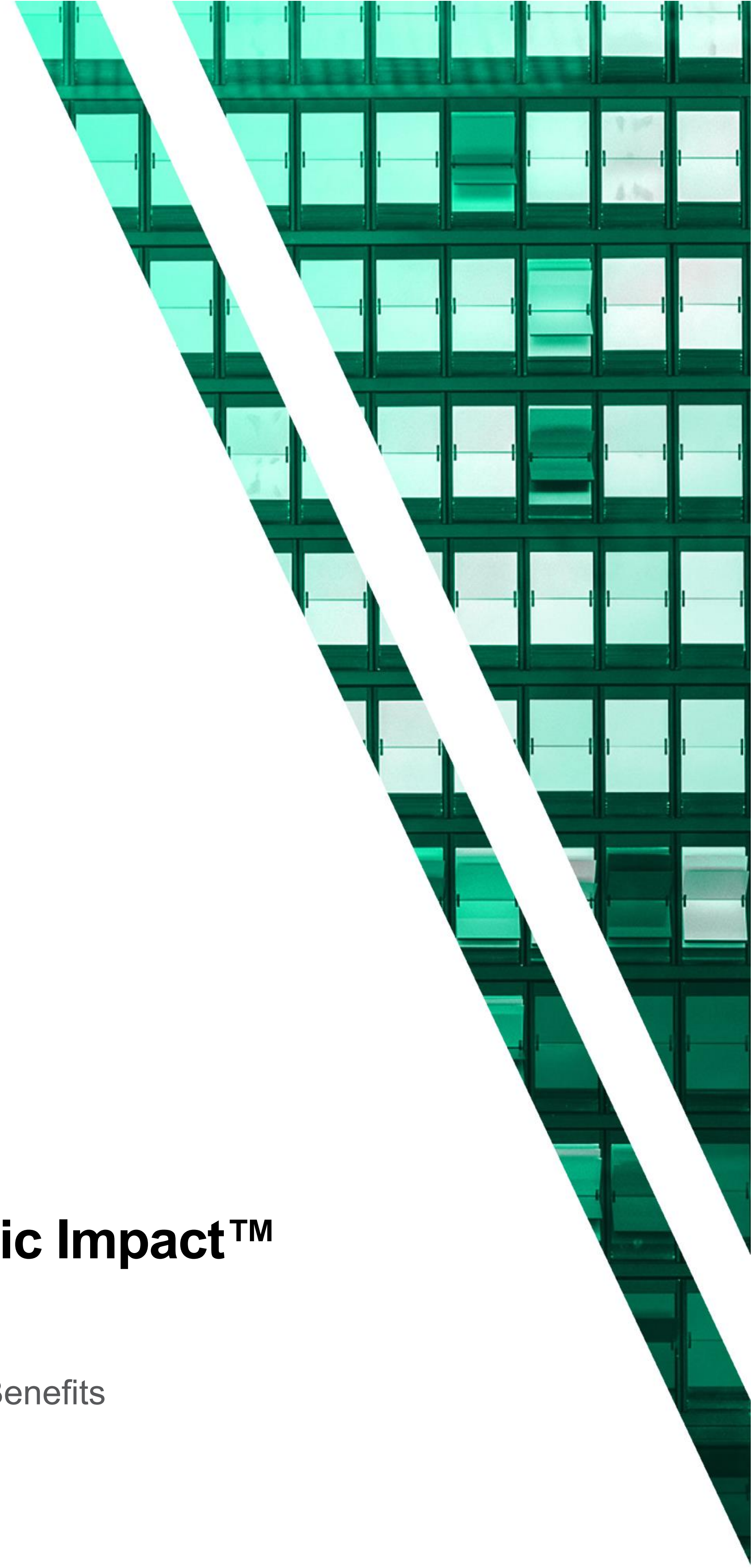

The Total Economic Impact™ Of MessageGears

Cost Savings and Business Benefits Enabled By MessageGears

SEPTEMBER 2021

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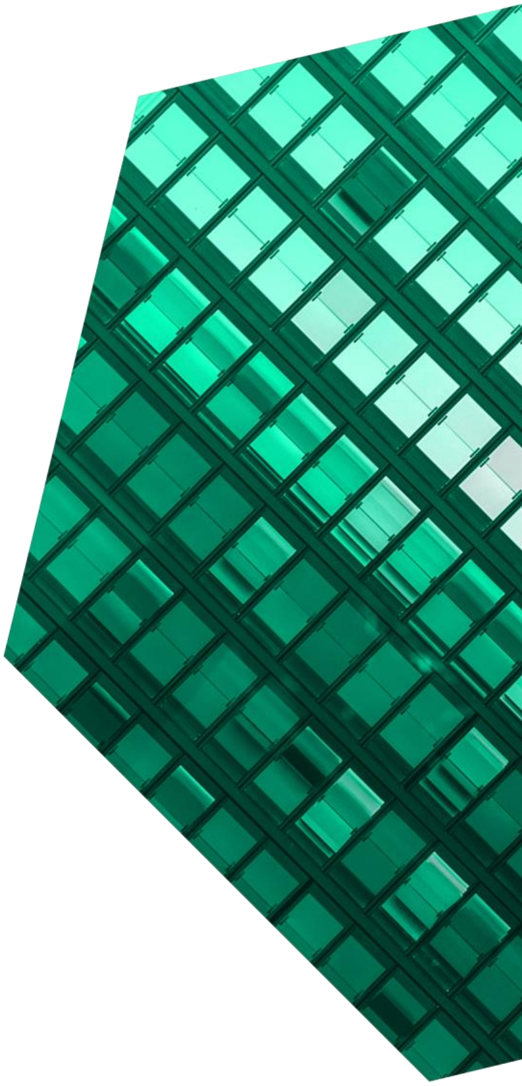


ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. For more information, visit forrester.com/consulting.

Executive Summary

Delivering consistent experiences across digital marketing touchpoints in real time is often challenging, limiting marketing teams' ability to effectively deploy marketing campaigns. MessageGears offers a platform with built-in tools designed to reach audiences in real time and scale personalized, effective messaging across multiple channels. Through MessageGears, organizations save time and money, as well as improve employee productivity.

MessageGears' platform provides audience segmentation, real-time data availability, and cross-channel message creation and delivery. The platform allows customers to create consistent experiences across digital marketing touchpoints in real time, while enhancing data integrity.

MessageGears commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying MessageGears.[1] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of MessageGears on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four decision-makers with experience using MessageGears. For the purposes of this study, Forrester aggregated the experiences of the interviewed decision-makers and combined the results into a single composite organization that sends out 208 million emails/messages per month (2.5 billion per year).

Prior to using MessageGears, these interviewees noted how their organizations used different combinations of vendor and home-grown solutions to manage and deliver marketing campaigns. However, prior attempts yielded limited success, leaving interviewees' organizations with difficulties maintaining data synchronization, reaching audiences in real time, and scaling personalized, effective messaging across multiple channels. These impediments led to the inability to execute marketing campaigns as intended. Interviewees also experienced internal coordination issues managing multiple vendor solutions.

KEY STATISTICS

Return on investment (ROI)
413%

Net present value (NPV)
$8.57M

After the investment in MessageGears, the interviewees mentioned their organizations experienced improved marketing campaign effectiveness, an increase in incremental revenue, greater operational efficiencies, less time spent on marketing campaigns, and a lower overall total cost of ownership. Key results from the investment include incremental income of $5.7 million, labor savings of $2.6 million, and savings of $2.3 million from replacing and eliminating prior solutions.

KEY FINDINGS

Quantified benefits. Risk-adjusted present value (PV) quantified benefits include:

- **Labor savings.** The increased efficiency gains from using the MessageGears platform allowed business units (e.g., CRM teams) and IT teams to be more productive and avoid hiring additional headcount (FTEs). Over three years, labor savings are worth more than $2.6 million.
- **Eliminated prior solutions.** Replacing combinations of existing vendor and home-grown solutions and consolidating them into the MessageGears platform resulted in significant cost savings for the composite organization. Over three years, cost savings from replacing prior solutions are worth more than $2.3 million.
- **Incremental income.** With the MessageGears platform, the interviewees' organizations deployed multiple marketing campaigns in real time at scale and delivered cross-channel messaging. Interviewees said their organizations sent a higher number of personalized emails and messages to their targeted audiences. This resulted in higher incremental income driven by increased open rates and increased number of orders. Over three years, incremental income for the composite organization is worth more than $5.7 million.

Three-year incremental income

$5.7 Million

Unquantified benefits. Benefits that are not quantified for this study include:

- **Simplified data management and connectivity.** The MessageGears platform sits on top of the interviewees' organizations' existing data warehouses and allows these organizations to deploy marketing campaigns without needing to transfer data to vendors.
- **Fast and simple integration.** Interviewees reported their organizations experienced a swift and simple integration when they adopted the MessageGears platform.
- **Real-time access to data.** Interviewees had access to real-time data which supported timely, personalized marketing campaigns.
- **Intuitive platform.** Interviewees explained that the platform and its tools are user friendly and team members who do not have technical backgrounds can use them.

> **We wanted to personalize messages to customers and do cross-channel messaging. MessageGears has allowed us to do all this in a more seamless manner, and we are able to reach the customer faster. Our speed-to-market has improved significantly since we've started working with MessageGears.**
>
> — Senior manager of marketing operations, big box retail

- **Multiple deployments at once.** The platform allowed interviewees' organizations to deploy multiple marketing campaigns simultaneously.
- **Multiple users can work on marketing campaigns concurrently**. Different team members could work concurrently on the same marketing campaigns without disrupting each other's work.

Costs. Risk-adjusted PV costs include:

- **Total implementation costs.** The implementation took two months to complete for the composite organization and the total costs, including internal effort and professional service fees, are worth $92,400.
- **Total ongoing license costs.** Over three years, total ongoing MessageGears license costs for the composite organization amount to $1.9 million.

The decision-maker interviews and financial analysis found that a composite organization experiences benefits of $10.64M over three years versus costs of $2.08M, adding up to a net present value (NPV) of $8.57M and an ROI of 413%.

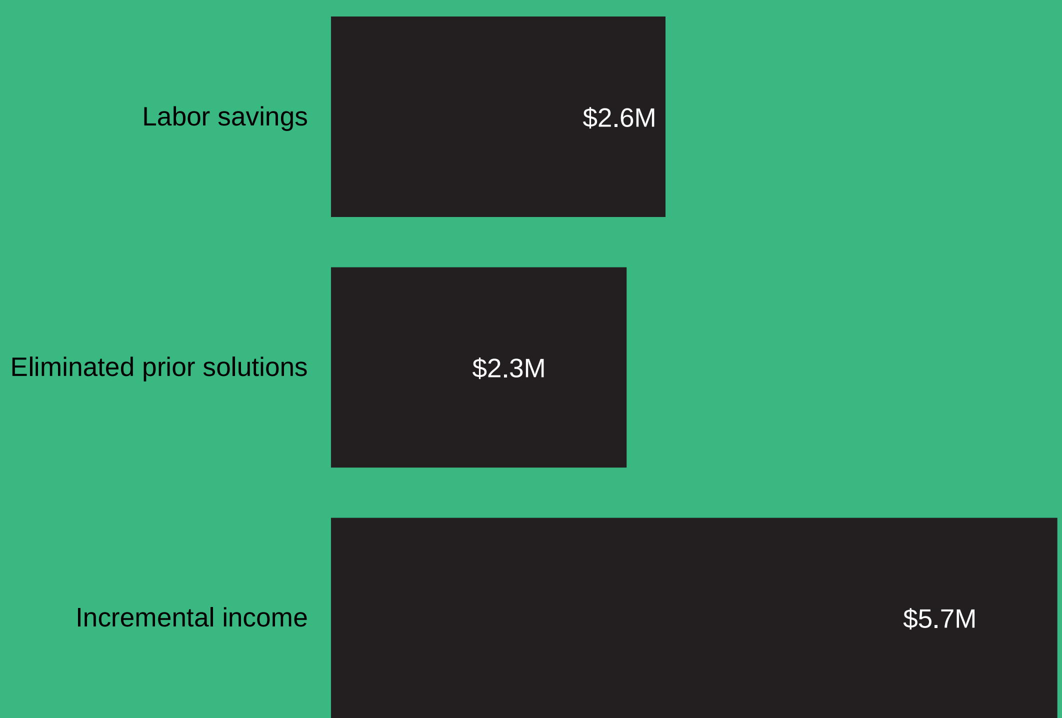
ROI
413%

BENEFITS PV
$10.64M

NPV
$8.57M

PAYBACK
<6 months

Benefits (Three-Year)



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in MessageGears.

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 MessageGears can have on an organization.

DUE DILIGENCE

Interviewed MessageGears' stakeholders and Forrester analysts to gather data relative to MessageGears.

CUSTOMER INTERVIEWS

Interviewed four decision-makers at organizations using MessageGears to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' 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 decision-makers.

CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides 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 MessageGears 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 study to determine the appropriateness of an investment in MessageGears.

MessageGears 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.

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

The MessageGears Customer Journey

Drivers leading to the MessageGears investment

Interviewed Decision-Makers			
Interviewee	**Industry**	**Region**	**Number of emails and messages sent per month**
Senior CRM operations manager	Telecommunications	North America	63 million
VP, retention marketing	Internet retail	Global	400 million
Senior team lead, CRM	Restaurants	North America	85 million
Senior manager of marketing operations	Big box retail	North America	300 million

KEY CHALLENGES

Prior to using MessageGears, the interviewees noted their organizations were not able to deploy marketing campaigns quickly at scale or reach targeted audiences in a timely manner. Interviewees' organizations also experienced internal coordination issues managing multiple vendor and in-house solutions, which became complex and costly to operate.

The interviewees noted how their organizations struggled with common challenges, including:

- **High costs of maintaining multiple vendor and in-house solutions.** Decision-makers encountered increasing ongoing costs for both licenses and internal labor from using multiple vendors and attempting to build in-house solutions.
- **Technical issues with vendor solutions.** Interviewees experienced technical issues when working with vendors, including slow delivery of marketing campaign messaging and other vendors' limitations handling larger volumes of emails and messages.

> **"It seemed like with our previous vendor; they would always break down when we had high-visibility campaigns going out. So, we were constantly having to get technical support on the line to help with these issues."**
>
> *Senior CRM operations manager, telecommunications*

- **Challenges maintaining data synchronization.** The interviewees encountered challenges maintaining data synchronization, which caused data accuracy and inconsistency issues and eventual delays in deploying marketing campaigns.

> **"We experienced the challenge of maintaining data synchronization. When our system did not produce a batch file or files that we were sending over to the ESP (Email service provider), or there was a problem with the file transfer or ingestion of that data, then our member profile data would go out of sync. So, then we had to figure out where things went awry and start to remediate those issues."**
>
> *Senior CRM operations manager, telecommunications*

SOLUTION REQUIREMENTS / INVESTMENT OBJECTIVES

The interviewees' organizations searched for a solution that could:

- Provide real-time access to data and help reduce data friction.
- Provide tools that support advanced customer segmentation and message personalization.
- Handle larger volumes of messaging and multiple deployments at once.
- Help reduce costs and increase marketing campaign efficiency.

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and a ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four decision-makers that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a global organization with more than 10,000 global employees. It is based in North America with a business-to-consumer (B2C) business model. The organization has a strong brand, global operations, a large customer base, and a strong online and offline presence.

Deployment characteristics. The organization has global operations and sends out 208 million emails and mobile-marketing messages per month (2.5 billion on an annual basis). It has been a MessageGears' customer for three years, uses all three MessageGears platform tools (Segment, Message, Engage), and sends out high volumes of highly customized messages.

Key assumptions

- **Global organization based in North America**
- **10,000+ global employees**
- **B2C business model**
- **2.5 billion emails and mobile-marketing messages sent per year**

Analysis Of Benefits

Quantified benefit data as applied to the composite

Total Benefits

Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Labor savings	$1,054,800	$1,054,800	$1,054,800	$3,164,400	$2,623,131
Btr	Eliminated prior solutions	$891,000	$936,000	$981,000	$2,808,000	$2,320,594
Ctr	Incremental income	$1,402,500	$2,805,000	$2,805,000	$7,012,500	$5,700,620
	Total benefits (risk-adjusted)	$3,348,300	$4,795,800	$4,840,800	$12,984,900	$10,644,345

LABOR SAVINGS

Evidence and data. Prior to MessageGears, decision-makers hired additional headcount to help manage and support marketing campaigns. The senior manager of marketing operations at a big box retailer said: “Before MessageGears, we had to hire four additional data architects on the CRM side to help manage all of our marketing campaign work. This does not include a senior IT analyst we had to hire for other tasks.”

- Interviewees reported that their organizations incurred high labor costs. The senior manager of marketing operations at a big box retailer noted: “Prior to MessageGears, on average, we were paying around $135 per hour for a single data architect, which was much higher than we anticipated. And we ended up using several data architects to help us with our marketing campaigns.”
- There were interviewees who reported that prior to adopting MessageGears, their organizations spent several more hours on each marketing campaign.

Modeling and assumptions. Forrester makes the following assumptions for the financial model:

- An increase in efficiency of 30% as marketing campaigns take less time to run after the adoption of MessageGears.
- A fully burdened salary of $140,000 per year for a CRM team member.
- A 50% productivity recapture because not all hours gained from efficiency translate into additional work being completed.
- A fully burdened salary of $150,000 per year for an IT team member.
- In addition to the productivity benefit, the CRM team avoided adding four additional (FTEs).
- The IT team avoided adding one additional (FTE).

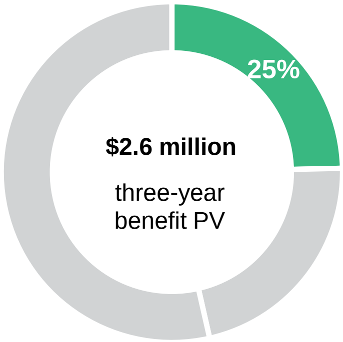
“I know that working with our previous vendor was cumbersome, and we were spending about twice the amount of time getting the same campaigns done.”

Senior CRM operations manager, telecommunications

Risks. There are potential risks that can impact the total labor savings benefit.

- Decrease in efficiency rate.
- Decrease in productivity capture.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $2,623,131.



Labor Savings					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Team size before MessageGears	Interviews	22	22	22
A2	Increased efficiency	Interviews	30%	30%	30%
A3	Total team efficiency gains (hours)	A1*A2*2,080 hours	13,728	13,728	13,728
A4	CRM team member fully burdened cost (annual)	Assumption	$140,000	$140,000	$140,000
A5	Team efficiency benefit	A3*A4/2,080 hours	$924,000	$924,000	$924,000
A6	Productivity capture	Assumption	50%	50%	50%
A7	CRM team net benefit from efficiency gains	A5*A6	$462,000	$462,000	$462,000
A8	CRM team avoided added headcount (FTEs)	A1*20%	4	4	4
A9	CRM team avoided added headcount costs (annual)	A4*A8	$560,000	$560,000	$560,000
A10	CRM team total labor savings	A7+A9	$1,022,000	$1,022,000	$1,022,000
A11	IT team avoided added headcount (FTEs)	Interviews	1	1	1
A12	IT team member fully burdened cost (annual)	Assumption	$150,000	$150,000	$150,000
A13	IT team total labor savings	A11*A12	$150,000	$150,000	$150,000
At	Labor savings	A10+A13	$1,172,000	$1,172,000	$1,172,000
	Risk adjustment	↓10%			
Atr	Labor savings (risk-adjusted)		$1,054,800	$1,054,800	$1,054,800
	Three-year total: $3,164,400		**Three-year present value: $2,623,131**		

ELIMINATED PRIOR SOLUTIONS

Evidence and data. Interviewees shared challenges managing vendor and in-house solutions. The senior manager of marketing operations at a big box retailer said: "Our vendor told us to send them all our data. And then we had data delays and fragmented data. So, later we ended up rebuilding all our campaigns natively in the cloud. We built the segmentation, wrote the business rules and testing controls, but this resulted in problems and workload issues. We ended up hiring a lot more data architects and contractors. So, this solution came at a pretty high cost."

- The VP, retention marketing at the internet retailer told Forrester: "MessageGears is 30% cheaper than all other prior solutions combined."
- The senior CRM operations manager at a telecommunications company said: "We knew that our previous vendor was not going to be able to handle the volume and scale to the level we were planning for. The execution with that vendor was what I would deem as very linear. We would only be able to deploy one thing at a time, so we would have to order all of the campaigned appointments in such a way that we would not overload them with volume."
- The senior CRM operations manager at a telecommunications company added: "When we worked with the previous vendor, we were spending a significantly higher amount, at least 25% more than what we are spending with MessageGears. From a cost perspective it did not make sense to continue with those prior solutions."

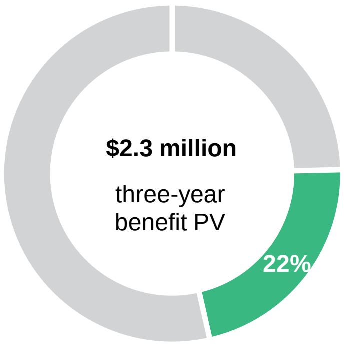
Modeling and assumptions. Forrester makes the following assumptions for the financial model:

- The amount the composite organization pays MessageGears for a volume of 2.5 billion emails/messages sent per year is approximately $760,000. In Year 1, however, people learn to use the system and optimize campaigns.
- Eliminated prior solutions cost 30% more than MessageGears.

Risks. There are potential risks that can impact the total replaced prior solutions benefit.

- The difference between MessageGears and other solutions is less than 30%.
- Other (prior) solutions become less expensive, thereby the savings would be lower than 30%.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $2,320,594.



Eliminated Prior Solutions

Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Eliminated prior solutions	E1+30%	$990,000	$1,040,000	$1,090,000
Bt	Eliminated prior solutions	B1	$990,000	$1,040,000	$1,090,000
	Risk adjustment	↓10%			
Btr	Eliminated prior solutions (risk-adjusted)		$891,000	$936,000	$981,000
	Three-year total: $2,808,000		**Three-year present value: $2,320,594**		

INCREMENTAL INCOME

Evidence and data. Interviewees reported that prior to using MessageGears their organizations were experiencing challenges sending out higher numbers of targeted emails.

- When using prior vendor solutions, decision-makers shared open rates and click-through rates were not increasing due to delays in deploying marketing campaigns. The VP, retention marketing at the internet retailer stated: “It used to take a long time to import the list and then process and send the campaigns out on other providers. Our email campaigns used to go out later and we did not have much flexibility.”
- The VP, retention marketing at the internet retailer added: “We have seen an increase in open rates of at least 2%.”
- The interviewees shared that adopting MessageGears has allowed their organization to deploy marketing campaigns much faster and deploy multiple campaigns at once.

Modeling and assumptions. Forrester makes the following assumptions for the financial model:

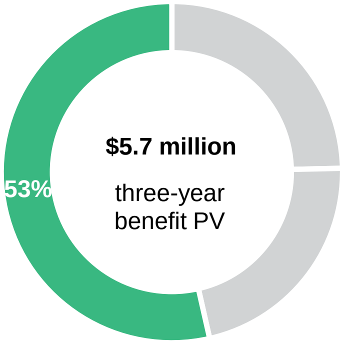
- The number of emails and messages sent per year by the composite organization is 2.5 billion.
- After adopting the MessageGears platform, there is a 1% increase in open rates in Year 1, which grows to a 2% increase in Year 2 and Year 3 as people learn to use the system and optimize campaigns.
- Three percent of opened emails result in orders.
- The average order value is $20.
- The operating margin is 11%, based on our review of the interviewees’ organizations’ average operating margin, which reveals the bottom-line impact to the composite organization.

After adopting the MessageGears platform, there is an increase in **open rates of 2%.**

Risks. There are potential risks that can impact the incremental income benefit.

- The percentage increase in the open rate is less than 2%.
- The percentage of opened emails that result in orders is less than 3%.
- The average order value is less than $20.
- The operating margin is less than 11%.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $5,700,620.



Incremental Income					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Number of emails and messages sent per year	Interviews	2,500,000,000	2,500,000,000	2,500,000,000
C2	Increase in open rate	Interview s	1%	2%	2%
C3	Increased number of opened emails per year	C1*C2	25,000,000	50,000,000	50,000,000
C4	Percent of opened emails that resulted in orders	Interviews	3%	3%	3%
C5	Increased number of orders	C3*C4	750,000	1,500,000	1,500,000
C6	Average order value	Interviews	$20	$20	$20
C7	Increased revenue	C5*C6	$15,000,000	$30,000,000	$30,000,000
C8	Operating margin	Assumption	11%	11%	11%
Ct	Incremental income	C7*C8	$1,650,000	$3,300,000	$3,300,000
	Risk adjustment	↓15%			
Ctr	Incremental income (risk-adjusted)		$1,402,500	$2,805,000	$2,805,000
	Three-year total: $7,012,500		**Three-year present value: $5,700,620**		

UNQUANTIFIED BENEFITS

Additional benefits that interviewees experienced but were not able to quantify include:

- **Simplified data management and connectivity.** The MessageGears platform sits on top of the interviewees' organizations' existing data warehouses. These organizations deployed marketing campaigns without needing to transfer data to a vendor. The senior manager of marketing operations at a big box retailer stated: "We wanted a solution that was going to sit with our data. We did not want to send massive amounts of data to a vendor and then have data delays and fragmented data. With MessageGears, we can access our data directly and deploy our campaigns much faster."

- **Fast and simple integration.** Interviewees reported their organizations experienced a swift and simple integration when they adopted the MessageGears platform. The senior CRM operations managers at a telecommunications organization stated: "With MessageGears there was no heavy data ingestion. The data integration process was really fast and simple."

- **Real-time access to data.** Interviewees had access to real-time data which supported timely, personalized marketing campaigns. The VP, retention marketing at an internet retailer noted: "Before MessageGears we could get at the data, albeit very slowly with a lot of friction. By adopting MessageGears, we were able to get quicker access to the data and give faster, easier access to the marketing side without having to rely on data engineering and our development team."

- **Intuitive platform.** Interviewees said that the platform is user friendly, intuitive, and that even users who do not have technical backgrounds were able to leverage its tools. The VP, retention marketing at an internet retailer stated: “I can use MessageGears’ intuitive tool to create and label our audiences. I can create a personalization attribute for each user based on their customer journey without needing an analyst or a data engineer, and deliver those customer audiences to any endpoint, whether it’s social, whether it’s for direct mail, those are all available to me.”

- **Multiple deployments at once.** The platform allowed interviewees’ organizations to deploy multiple marketing campaigns simultaneously. The senior CRM operations manager at a telecommunications organization stated: “One of the things that we really like about MessageGears is the fact that we can have multiple deployments at once. We don’t have to line them up and do one at a time. We can do multiples at a time, and the platform can handle it.”
- **Multiple users can work on marketing campaigns concurrently**. Different team members across the interviewees’ organizations can work concurrently on the same marketing campaigns without disrupting each other’s work. Users can set up profiles, build out segmentations, build templates, and make modifications to the templates, if needed, all at the same time. Users can work simultaneously on any campaign, reducing bottlenecks.

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement a solution and later realize additional uses and business opportunities. Some examples include increasingly using one of MessageGears tools (Segment, Message, Engage), leveraging it after the initial implementation, and extending its use across more employees in the organization.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A). Flexibility benefits were not included in the financial analysis.

Analysis Of Costs

Quantified cost data as applied to the composite

Total Costs							
Ref.	**Cost**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Dtr	Total implementation costs	$92,400	$0	$0	$0	$92,400	$92,400
Etr	Total ongoing license costs	$4,000	$760,000	$798,000	$837,900	$2,399,900	$1,983,940
	Total costs (risk-adjusted)	$96,400	$760,000	$798,000	$837,900	$2,492,300	$2,076,340

TOTAL IMPLEMENTATION COSTS

Evidence and data. Decision-makers reported that they needed internal resources to implement the MessageGears solution.

- Interviewees needed between 2 and 3 FTEs to assist with the implementation.
- They explained that it took approximately two months to implement MessageGears.
- Decision-makers paid MessageGears approximately $30,000 in professional service fees.

Modeling and assumptions. Forrester makes the following assumptions for the financial model:

- It takes 2.5 FTEs to implement MessageGears.
- It takes two months to implement MessageGears.
- The annual fully burdened cost of an FTE working on the implementation is $140,000.
- A customer will pay MessageGears approximately $30,000 in professional service fees.

Risks. There are potential risks that can impact the total implementation cost.

- The organization needs more than 2.5 FTEs to implement.
- It takes more than two months to implement MessageGears.
- The fully burdened cost of a marketing (FTE) is more than $140,000 per year.
- Customers will pay MessageGears more than $30,000 in professional service fees.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $92,400.

Total Implementation Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
D1	Number of FTEs	Interviews	2.5			
D2	Implementation time (months)	Interviews	2			
D3	FTE fully burdened cost (monthly)	$140,000/12 months	$11,667			
D4	Internal resources costs	C1*C2*C3	$58,000			
D5	MessageGears professional service fees	Interviews	$30,000			
Dt	Total implementation costs	C4+C5	$88,000	$0	$0	$0
	Risk adjustment	↑5%				
Dtr	Total implementation costs (risk-adjusted)		$92,400	$0	$0	$0
		Three-year total: $92,400		**Three-year present value: $92,400**		

TOTAL ONGOING LICENSE COSTS

Evidence and data. Interviewees reported that they pay an ongoing license fee to MessageGears.

- The amount each interviewees' organization paid is based on volume of emails/messages sent on an annual basis.
- Interviewees mentioned that they paid a small upfront set up fee of $4,000.

Modeling and assumptions. Forrester makes the following assumptions for the financial model:

- The composite organization pays an upfront set up fee of $4,000.
- The composite organization pays MessageGears $760,000 for a volume of 2.5 billion annual marketing messages/emails sent.
- This price increases by 5 (%) year-over-year because of an increase volume of emails and messages sent.

Risks. There are potential risks that can impact the total ongoing license cost.

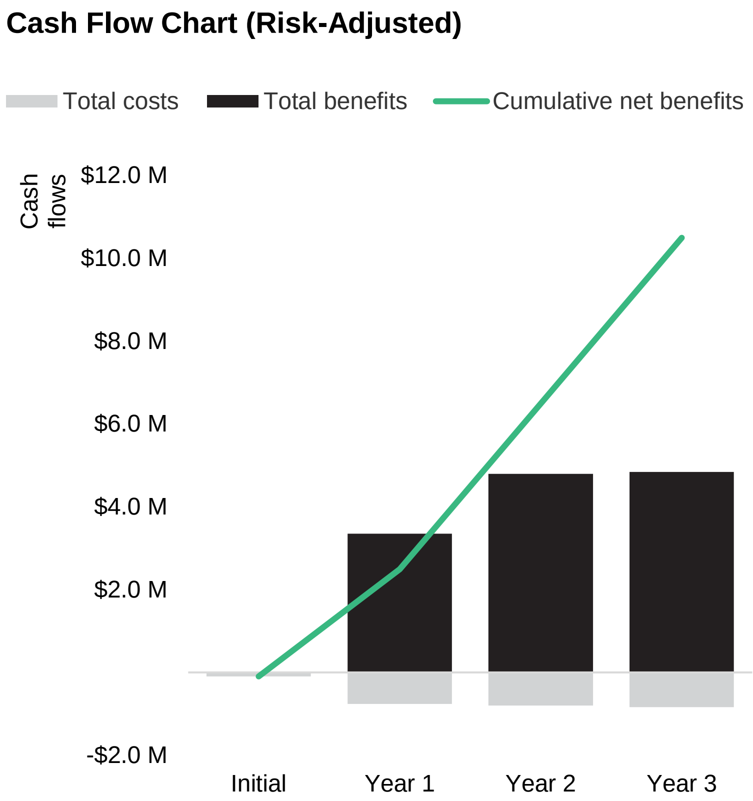
- Lower volumes result in higher license costs related to the benefits.

Results. Because list price was used, no risk-adjustment was applied, yielding a three-year, risk-adjusted total PV of $1,983,940.

Total Ongoing License Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
E1	Ongoing license costs	5% YOY growth	$4,000	$760,000	$798,000	$837,900
Et	Total ongoing license costs	E1	$4,000	$760,000	$798,000	$837,900
	Risk adjustment	0%				
Etr	Total ongoing license costs (risk-adjusted)		$4,000	$760,000	$798,000	$837,900
		Three-year total: $2,399,900		**Three-year present value: $1,983,940**		

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS



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 Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($96,400)	($760,000)	($798,000)	($837,900)	($2,492,300)	($2,076,340)
Total benefits	$0	$3,348,300	$4,795,800	$4,840,800	$12,984,900	$10,644,345
Net benefits	($96,400)	$2,588,300	$3,997,800	$4,002,900	$10,492,600	$8,568,005
ROI						413%
Payback period (months)						<6

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.

Appendix B: Endnotes

[1] 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.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