

FORRESTER®

# The Total Economic Impact™ Of Quantilope

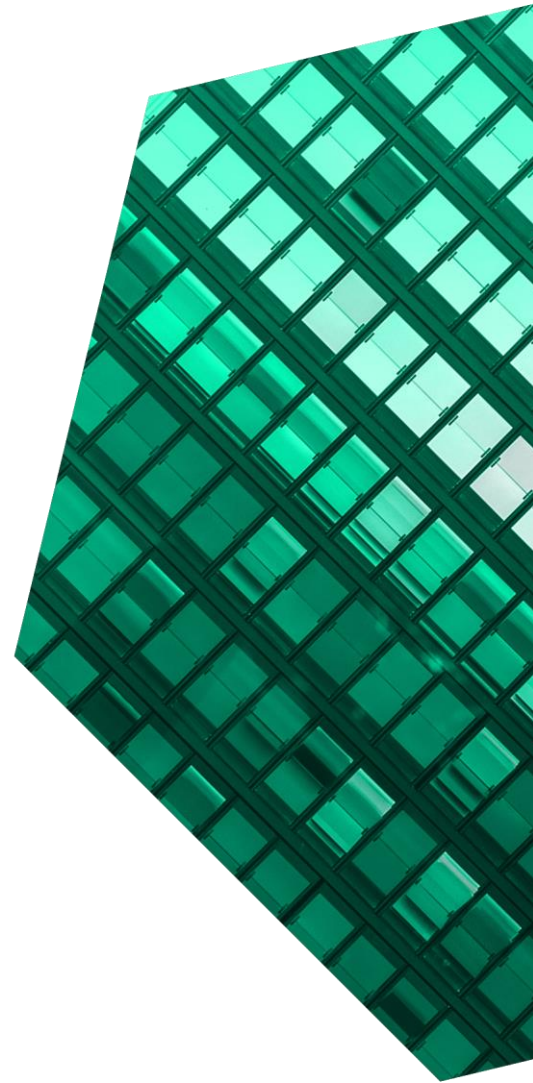
Cost Savings And Business Benefits  
Enabled By Quantilope's Insights Automation Platform

**JUNE 2021**

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## ABOUT FORRESTER CONSULTING

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## Executive Summary

Consumer-driven businesses need accurate and reliable marketing insights combined with powerful analytics to retain their competitive edge in a constantly changing consumer landscape. Quantilope offers organizations an automated insights solution that allows research teams to collaboratively and efficiently perform in-house market research studies that generate actionable insights, enabling companies to respond to their bases in real time and to convert knowledge into profit.

Quantilope is a cloud-based insights automation platform that digitizes the collection of research to help organizations better understand their customers and to make sound marketing and product-development decisions.

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

The quantilope solution offers fully customizable and automated research methodologies such as conjoint analysis, total unduplicated reach and frequency (TURF) analysis, and implicit association tests. With the intuitive platform, users can quickly create and execute market surveys and studies and receive reliable real-time responses. This allows users to accomplish more in less time compared to when using traditional market research solutions.

Quantilope streamlines brand, concept, and product research on an end-to-end platform, allowing insights teams to see and share data as it's collected. With reliable results and metric-driven analytics, consumer insights teams are equipped to quickly present evidence-based strategies and support informed decisions. By responding timely to customer and

### KEY STATISTICS



Return on investment (ROI)

**319%**



Net present value (NPV)

**\$2.70M**

market dynamics, organizations can gain a competitive edge.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four customers with experience using quantilope. For the purposes of this study, Forrester aggregated the experiences of the interviewed customers and combined the results into a single composite organization.

Prior to using quantilope, the interviewed customers relied on a combination of external market research agencies, an assortment of limited in-house tools, and market data that was usually outdated. The interviewees reported that for large projects, their organizations typically outsourced their market research. But this was costly, it would take weeks to complete, and it offered no intermediate visibility. These lengthy project cycles stifled flexibility, delayed

decision-making, and often made the results irrelevant.

After the investment in quantilope, the customers conducted a significantly larger portion of insights projects in-house, and with the platform's ease-of use and flexibility, teams were able to conduct more spontaneous and ad-hoc do-it-yourself (DIY) projects to gather immediate consumer behavior data that was not available to them previously due to cost and inadequate tools.

External market research agency fees avoided:

**\$2.5 million**



### KEY FINDINGS

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

- **External market research agency fees avoided.** Quantilope's multifeatured platform enables the organizations to acquire valuable consumer information in real time with fewer resources. On average, the organizations previously outsourced 90 projects to agencies each year. But quantilope enables the organizations to bring 45 of those projects in-house, saving \$30,000 per project. With an annual savings of more than \$1.0 million, the three-year, risk-adjusted present value (PV) of this cost avoidance is worth more than \$2.5 million to the organizations.
- **Research fielding time efficiencies for insights teams.** Interviewees reported that the adoption of quantilope led to considerable time savings in project completion. One manager said that a full-service vendor would often need six to eight weeks to complete some projects. With quantilope, the organizations can complete the

same type of project in three to four weeks. Interviewees specifically spoke about efficiencies in research fielding time. Enabling teams to collaborate, collect, view, and collate survey responses as they are generated reduces the time previously required to field tasks by half. The combined annual time savings amount to nearly \$300,000 and results in a three-year, risk-adjusted PV of \$725,306.

"The advantage of quantilope is that my budget goes further, and I get results faster. In addition, it has enabled my team to get a lot more consumer input across more decisions than ever before."

*VP of consumer insights, commercial bakery*

- **Elimination of legacy tools for DIY projects.** Quantilope allowed the organizations to phase out insights solutions that were previously used in-house. As a consolidated platform, quantilope provides insights teams with a comprehensive, end-to-end research platform from the survey setup to fielding, data analysis, visualizations, and reporting. This eliminated the need for multiple tools with limited features. The legacy tool cost savings total an average of \$121,500, leading to a risk-adjusted PV of approximately \$300,000 over three years.

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

- **Quality research methodologies and professional panels.** Quantilope enables insights teams to perform quality studies that are customizable and automated using advanced methods such as conjoint, TURF, and implicit

studies. The organizations also benefit from quantilope's professionally managed panels. This eliminates the risk of using bot and paid survey responses. These are increasingly popular, but they fail to generate accurate and sophisticated results.

- **Immediate access to information and visualization.** The ability to program a project and see the fielding as it happens offers the user significant flexibility. They can directly edit surveys in real time and, depending on the project, they can see the complete results in hours. Interviewees noted a vast improvement over outsourcing studies to full-service vendors that typically deliver the results at the end of a project that may require weeks or even months to complete. Quantilope helped insights teams to be more responsive in much less time.
- **Cross-organizational collaboration.** Quantilope's centralized, accessible platform streamlines the processes for insights team members regardless of their location. Each member can store or access information in a transparent manner, and they can edit and make and see comments in real time. This makes each step of the project more efficient.
- **Impactful decision-making.** With an expanded toolset offering sophisticated analytics, quantilope allows organizations to make more impactful and meaningful decisions more quickly. Insights teams can present readily available consumer input to corporate leadership to help support strategic organizational goals.

**Costs.** Risk-adjusted PV costs include:

- **Total quantilope annual fees.** The composite organization pays a yearly enterprise subscription fee that includes 45 advanced methods projects, unlimited DIY usage and attitude projects, customer support hours, and panel management.

Combined, these fees lead to a three-year, risk-adjusted PV of \$775,898.

- **Internal costs.** Internal costs include internal FTE hours required for implementation and costs for training and ongoing management. The total three-year, risk-adjusted PV of internal costs is \$70,603.



Research fielding time efficiencies:  
**\$725K**

The customer interviews and financial analysis found that a composite organization experiences benefits of \$3.55 million over three years versus costs of \$846,500, adding up to a net present value (NPV) of \$2.70 million and an ROI of 319%.



ROI  
**319%**



BENEFITS PV  
**\$3.55M**

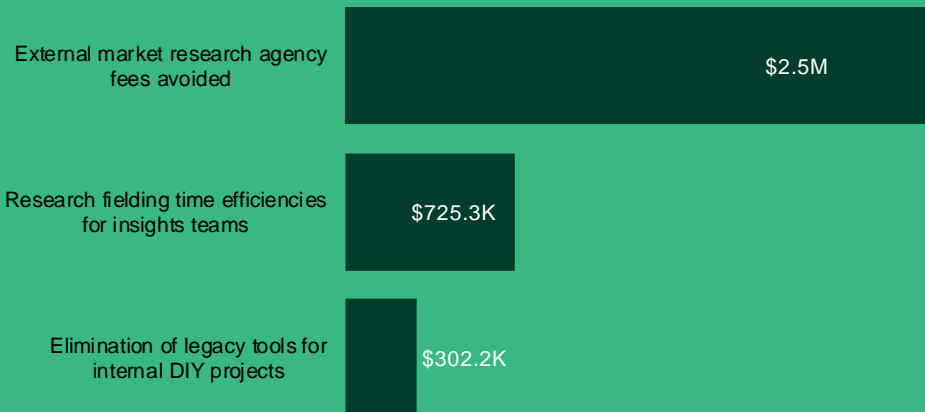


NPV  
**\$2.70M**



PAYBACK  
**<3 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 quantilope.

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 quantilope can have on an organization.

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by quantilope 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 quantilope.

quantilope 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.

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



### DUE DILIGENCE

Interviewed quantilope stakeholders and Forrester analysts to gather data relative to the quantilope solution.



### CUSTOMER INTERVIEWS

Interviewed four decision-makers at organizations using quantilope 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 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.

# The Quantilope Customer Journey

■ Drivers leading to the quantilope investment

Interviewed Organizations		
Industry	Interviewee	Organization description
Insurance and financial services	Consumer insights manager	Generates more than \$9 billion in annual revenue
Consumer electronics	Head of market and consumer insights	Operates in more than 40 countries
Commercial bakery	VP of consumer insights	Employs 10,000 people throughout the US
Global food company	Consumer and market insights manager	Has a strong multinational presence

## KEY CHALLENGES

The interviewees' organizations previously managed consumer-insights research with a combination of third-party research agencies and in-house single-solution tools designed for different types of surveys, studies, and research methods. Lacking a single streamlined system, in-house projects became unwieldy, and this led to bloated, unreliable results.

The interviewed organizations struggled with common challenges, including:

- **Cost of high-quality data.** The organizations sought a solution that would improve the quality of their studies while remaining cost-effective. Their disparate legacy tools were simple and lacked the robustness and capabilities needed to provide accurate data on which leadership could confidently make solid business decisions.
- **Inadequate metrics.** To stay competitive, researchers required access to improved metrics. Interviewees said researchers lacked the ability to run complicated and robust studies in-house. In their legacy environments, teams could not run studies that deployed specific research methods (e.g., conjoint and implicit-association testing) that would give them richer and contextualized results. To convert research into actual growth,

the organizations needed a more powerful platform.

**“We were looking to increase the number of data-driven decisions and to improve the quality of insights. The issues of speed and straightforwardness were also crucial. Quantilope was able to meet all of our criteria.”**

*Consumer and market insights manager, global food company*

- **Lengthy project cycle times.** Commissioning a typical project to an outside market research agency often required weeks of planning to define and execute the study, and then additional weeks of waiting for the results. The

**“Due to the cost-efficiencies and fast turnaround times, our first go-to question when beginning a project is: ‘Can we do this with quantilope?’”**

*Customer insights manager, insurance and financial services*

organizations lacked the agility to make timely decisions and best capitalize on new insights.

### **SOLUTION REQUIREMENTS/INVESTMENT OBJECTIVES**

The interviewed organizations searched for a solution that could:

- Provide advanced metrics and applicable results.
- Improve data quality and reliability.
- Reduce end-to-end cycle times for projects.
- Offer an easy-to-use, cloud-based platform.

### **COMPOSITE ORGANIZATION**

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the interviewees' companies, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

- The organization offers consumer goods and services in multiple countries.
- Its consumer and market insights team contributes to product development, brand development, messaging, and campaign effectiveness.
- The team implements quantilope to enhance the quality of its current market research.
- A manager of consumer and market insights oversees the collection and analysis of information.

#### **Key assumptions**

- **45 projects completed with quantilope each year**
- **5 FTEs assigned to each project**
- **Market research agency fees are \$30,000 per project**

# 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	External market research agency fees avoided	\$1,012,500	\$1,012,500	\$1,012,500	\$3,037,500	\$2,517,938
Btr	Research fielding time efficiencies for insights teams	\$291,656	\$291,656	\$291,656	\$874,969	\$725,306
Ctr	Elimination of legacy tools for internal DIY projects	\$121,500	\$121,500	\$121,500	\$364,500	\$302,153
	Total benefits (risk-adjusted)	\$1,425,656	\$1,425,656	\$1,425,656	\$4,276,969	\$3,545,397

## EXTERNAL MARKET RESEARCH AGENCY FEES AVOIDED

**Evidence and data.** Interviewees reported the following:

- The deployment of quantilope allowed their organizations to reduce the number of projects that required outsourcing. The consolidated platform and comprehensive toolset enabled team members to efficiently perform projects collaboratively, which garnered reliable results.
- Interviewees said their organizations can do more with less by using quantilope, and most use the time and budget savings to create new studies and gather additional consumer insights. One manager said: “I saved two-thirds of my budget moving projects in-house with quantilope. I now have \$1 million to use on other priorities.”

**Modeling and assumptions.** For the financial analysis, Forrester assumes that:

- The composite organization completes 45 projects in-house each year with quantilope.
- The average cost of an outsourced project through a market research agency is \$30,000.

**Risks.** Avoided agency fees will vary depending on:

- The number of studies conducted annually.
- The complexity of the executed projects.

To account for these risks, Forrester adjusted this benefit downward by 25%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$2,517,938.

**“With quantilope, we have been able to eliminate other vendors while doing more projects than [we previously could]. Our costs are about one-quarter of what they used to be. We are averaging \$6,600 [for a] study that used to cost us \$30,000 to \$40,000.”**

*Consumer insights manager, insurance and financial services*

### External Market Research Agency Fees Avoided

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Number of previously outsourced quantilope projects per year	Interviews	45	45	45
A2	Market research agency fee per project	Interviews	\$30,000	\$30,000	\$30,000
At	External market research agency fees avoided	A1*A2	\$1,350,000	\$1,350,000	\$1,350,000
	Risk adjustment	↓25%			
Atr	External market research agency fees avoided (risk-adjusted)		\$1,012,500	\$1,012,500	\$1,012,500
<b>Three-year total: \$3,037,500</b>			<b>Three-year present value: \$2,517,938</b>		

### RESEARCH FIELDING TIME EFFICIENCIES FOR INSIGHTS TEAMS

**Evidence and data.** Interviewees reported the following:

- Quantilope eliminated the considerable project turnaround times that third-party market research vendors require, but interviewees were unable to financially quantify the total project-completion time savings. However, they were able to quantify the significant efficiencies their organizations gained in research fielding time due to the ability to create and execute projects from one centralized, accessible platform. Instead of waiting weeks or months for results from outside agencies, consumer insights teams can see the results as they are posted. One manager said: “We are flying blind with full-service vendors. I cannot see early returns at all. With quantilope, I can tap into the dashboard and pull a couple of charts to get a top-line read on the questions we are asking.”
- The dashboard provided real-time visibility and access to standardized features required to be efficient throughout the entire life of the project. One interviewee said: “By having everything in one place, you can directly see which steps can

be standardized for every project and where efficiencies previously laid dormant.”

**Modeling and assumptions.** For the financial analysis, Forrester assumes that:

- The composite organization conducts 45 quantilope projects each year.
- Quantilope allows its consumer insights team to reduce the fielding time needed per project from two weeks to one week.
- Each project requires five insights analysts with an average fully loaded annual salary of \$79,300.

**“With quantilope, we get the research results right away. [This allows] us to make decisions much faster. We have really benefitted from that. Our time-to-market has been reduced by at least 30%.”**

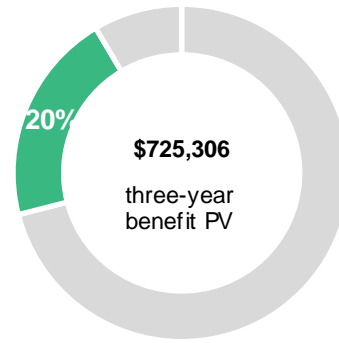
*Head of market and consumer insights, consumer electronics*

**Risks.** Research fielding time efficiencies will vary with:

- The number of projects conducted per year.

- The salary of insights analysts based on location and skill level.
- The skill levels of internal insights team members.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$725,306.



### Research Fielding Time Efficiencies For Insights Teams

Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Number of quantilope projects per year	Interviews	45	45	45
B2	Time saved per project (weeks)	Interviews	1	1	1
B3	Number of consumer insights analysts per project	Interviews	5	5	5
B4	Fully loaded annual salary of consumer insights analyst	Assumption	\$79,300	\$79,300	\$79,300
Bt	Research fielding time efficiencies for insights teams	$B1 * (B2/52) * B3 * B4$	\$343,125	\$343,125	\$343,125
	Risk adjustment	↓15%			
Btr	Research fielding time efficiencies for insights teams (risk-adjusted)		\$291,656	\$291,656	\$291,656
<b>Three-year total: \$874,969</b>			<b>Three-year present value: \$725,306</b>		

### ELIMINATION OF LEGACY TOOLS FOR INTERNAL DIY PROJECTS

**Evidence and data.** Interviewees reported the following:

- The organizations replaced their collection of in-house legacy tools with quantilope’s streamlined and metrics-focused platform. One manager said, “With quantilope, we are now accomplishing more in-house projects than ever, and in a fraction of the time.”
- By shifting to quantilope, insights teams quickly embraced the functionality of a single insights solution with advanced capabilities to conduct meaningful in-house studies. One insights

manager said: “We now have advanced metrics at our fingertips. We can create a report, edit it, and then see the results as they come on the dashboard. This is something we didn’t have before.”

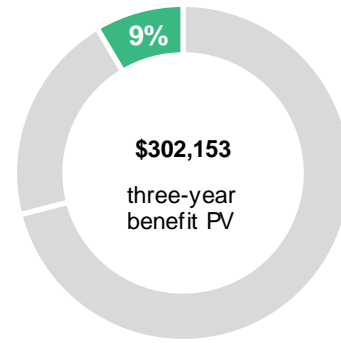
**Modeling and assumptions.** For the financial analysis, Forrester assumes that the composite organization saves \$121,500 on legacy tools that are no longer needed.

**Risks.** The total cost savings through the elimination of legacy tools will vary with:

- The number and cost of legacy tool subscriptions.

- The capabilities and usefulness of legacy tools.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$302,153.



### Elimination Of Legacy Tools For Internal DIY Projects

Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Annual subscription cost of internal legacy tools	Interviews	\$135,000	\$135,000	\$135,000
Ct	Elimination of legacy tools for internal DIY projects	C1	\$135,000	\$135,000	\$135,000
	Risk adjustment	↓10%			
Ctr	Elimination of legacy tools for internal DIY projects (risk-adjusted)		\$121,500	\$121,500	\$121,500
<b>Three-year total: \$364,500</b>			<b>Three-year present value: \$302,153</b>		

### UNQUANTIFIED BENEFITS

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

- Quality research methodologies and professional panels.** Consumer insights teams rely on high quality research methodologies (e.g., conjoint, TURF, and implicit studies) and professionally managed panels to garner reliable results. Through panel-provider alliances, quantilope offers organizations access to specific applicable panels that fit their needs. One interviewee said: “Quantilope definitely provides panels that we would not have considered otherwise. [Its] plurality and neutrality lead to higher validity with the results.” Another interviewee said: “Panel quality is very important, and it is becoming more important all the time. It is critical that we have a close eye on the quality of the people who are taking our surveys. I know

the sample suppliers leveraged by quantilope are at the forefront of the industry.”

- Immediate access to information and visualization.** Interviewees said quantilope allows insights teams to view each step of a project and quickly adapt to generate the most accurate and optimal results. One customer insights manager said: “Just recently, I had a survey out in the field, and I wanted to add an additional question. With quantilope, I was able to quickly make the change and see results within a day.”
- Cross-organizational collaboration.** Insights teams can collaborate regardless of location or department. Team members have visibility into live project activity, and they can help resolve issues in real time. One insights manager said, “The quantilope platform allows instant team

communication on the platform, guaranteeing transparency and seamless knowledge transfer.”

- **Impactful decision-making.** Generating accurate, reliable, and higher-quality results, consumer insights teams are better prepared to deliver useful and timely information to decision-makers. One interviewee said: “Quantilope has given the consumer a seat at the table as we make decisions. We are able to get answers quickly and affordably about everything from packaging, claims we put on packaging, and understanding features to product innovation. It has empowered our marketing folks to be more consumer-friendly.”

## FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement quantilope and later realize additional uses and business opportunities, including:

- **Versatility.** In addition to helping with larger planned projects, quantilope allows organizations to run spontaneous, ad-hoc studies to gather real-time market information to support unexpected business questions and objectives. One consumer insights executive said: “Above all, quantilope has increased the quality of the studies, as there are no extraneous issues ... and we can keep any study concentrated and focused on the topic, **regardless of the size.**” Another manager said, “Everything is integrated and, therefore, you have the speed and flexibility to run something on the fly or to make quick adjustments to a live study.”
- **Dynamic partnership.** Interviewees said the responsiveness of the quantilope team has exceeded their expectations. One interviewee said: “The agility and mindset of the quantilope team is refreshing, and it has brought benefit to our internal insights team. [The quantilope team] has helped us develop our own set of tools specific to our business needs.” Another

interviewee said: “[The quantilope team] not only listened to our specific requests, but they offered meaningful input, giving us different ways to address issues regarding consumer perspective. There was collaboration between research and marketing that seldom happens with other vendors.”

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

# 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 quantilope annual fees	\$0	\$312,000	\$312,000	\$312,000	\$936,000	\$775,898
Etr	Internal costs	\$36,875	\$13,563	\$13,563	\$13,563	\$77,563	\$70,603
	Total costs (risk-adjusted)	\$36,875	\$325,563	\$325,563	\$325,563	\$1,013,563	\$846,501

## TOTAL QUANTILOPE ANNUAL FEES

**Modeling and assumptions.** For the financial analysis, Forrester assumes that:

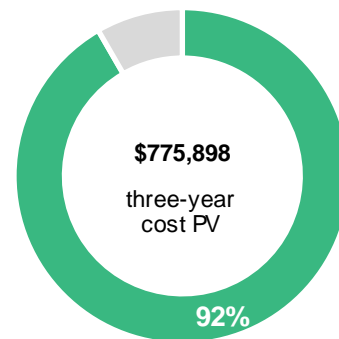
- The composite organization conducts approximately 45 projects per year at a total cost of \$260,000.
- The annual enterprise subscription fee for the composite organization includes advanced methods and basic usage and attitude studies, customer success support, and panel fees.
- The organization's DIY usage and attitude projects are unlimited with the subscription.

**Risks.** Total annual fees will vary with:

- The number of advanced method projects an organization runs through quantilope each year.

- The number of studies that require professional customer support from quantilope.

To account for these risks, Forrester adjusted this cost upward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$775,898.



Total Quantilope Annual Fees							
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3	
D1	Annual quantilope subscription fees	Interviews	\$0	\$260,000	\$260,000	\$260,000	
Dt	Total quantilope annual fees	D1	\$0	\$260,000	\$260,000	\$260,000	
	Risk adjustment	↑20%					
Dtr	Total quantilope annual fees (risk-adjusted)		\$0	\$312,000	\$312,000	\$312,000	
<b>Three-year total: \$936,000</b>			<b>Three-year present value: \$775,898</b>				

### INTERNAL COSTS

**Modeling and assumptions.** For the financial analysis, Forrester assumes that:

- The composite organization’s implementation requires five senior-level FTEs working at 20% time for a period of six weeks.
- The fully loaded annual salary of a senior-level FTE is \$169,000.

- The organization incurs \$10,000 in initial training costs and continues to incur an ongoing training cost of \$5,000 per year.
- The organization requires six FTE hours per month to manage and maintain the platform.

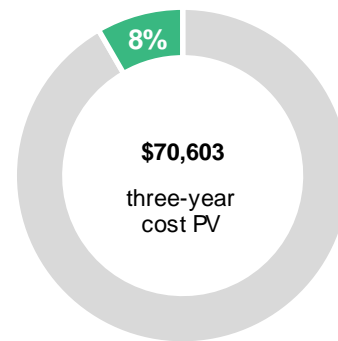
**Risks.** Internal costs will vary with:

- The size of the organization and the complexity of its market research needs.
- Salary levels, depending on skill level and geographical location.

To account for these risks, Forrester adjusted this cost upward by 25%, yielding a three-year, risk-adjusted total PV of \$70,603.

“As the confidence and comfort level of the account team has grown, we actually spend more time meeting with quantilope because it is still much more economical to do sophisticated studies with a bigger sample, more consulting hours, and more analytical techniques than it would be with external agencies.”

*VP of consumer insights, commercial bakery*

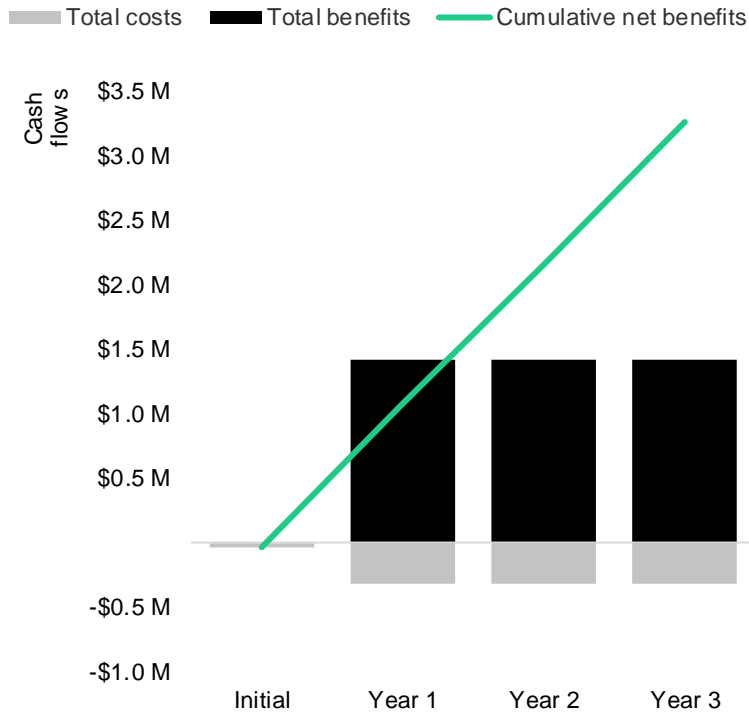


Internal Costs						
Ref	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Implementation costs	Composite	\$19,500	\$0	\$0	\$0
E2	Training costs	Assumption	\$10,000	\$5,000	\$5,000	\$5,000
E3	Ongoing management costs	Composite	\$0	\$5,850	\$5,850	\$5,850
Et	Internal costs	E1+E2+E3	\$29,500	\$10,850	\$10,850	\$10,850
	Risk adjustment	↑25%				
Etr	Internal costs (risk-adjusted)		\$36,875	\$13,563	\$13,563	\$13,563
<b>Three-year total: \$77,563</b>			<b>Three-year present value: \$70,603</b>			

# 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 Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$36,875)	(\$325,563)	(\$325,563)	(\$325,563)	(\$1,013,563)	(\$846,501)
Total benefits	\$0	\$1,425,656	\$1,425,656	\$1,425,656	\$4,276,969	\$3,545,397
Net benefits	(\$36,875)	\$1,100,094	\$1,100,094	\$1,100,094	\$3,263,406	\$2,698,896
ROI						319%
Payback period (months)						<3 months

# 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."



## 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.

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