



FORRESTER®

The Total Economic Impact™ Of Salesforce Order Management

Cost Savings And Business Benefits
Enabled By Salesforce Order Management

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ABOUT FORRESTER CONSULTING

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Executive Summary

Today's consumers have massive expectations for their shopping experiences. The pandemic-fueled increase of in-home deliveries and the adoption of click-and-collect options suddenly made customer-facing inventory transparency a necessity. Retailers can leverage operational technologies, including order management systems (OMS) that support distributed order management, enterprise-level inventory visibility, customer service, and store fulfillment to deliver on the experiences that customer crave.¹

Salesforce Order Management enables retailers to streamline and manage the order lifecycle. Salesforce Order Management brings together powerful tools to manage, fulfill, and service orders, providing a single view of order and service history to deliver a seamless, omnichannel commerce experience for customers.

Salesforce commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Salesforce Order Management.² The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Salesforce Order Management on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed seven representatives across several retail verticals with experience using Salesforce Order Management. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a global retail organization with

Reduction in customer service case-handling time:

25%



KEY STATISTICS



Return on investment (ROI)
76%



Net present value (NPV)
\$876K

100 store locations, 1,000 employees, and revenues of \$250 million per year.

Prior to using Salesforce Order Management, the interviewees noted their organizations lacked sophisticated order management capabilities and relied on homegrown legacy order management solutions to support activities, including order capture, shipping and fulfillment, payment processing, and customer service. This approach left them with a lack of visibility into order status, inventory orchestration challenges, and high costs to maintain and update existing solutions. These limitations led to customer service inefficiencies, lost revenue opportunities, high IT costs, and an inability to meet customer demands for omnichannel fulfillment.

After the investment in Salesforce Order Management, the interviewees streamlined and matured their approach to order management with a solution that provided a unified view of order history

and accurate inventory data plus tools to manage the order lifecycle. Key results from the investment included customer service efficiencies, lower IT costs, and incremental revenue from omnichannel fulfillment.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Over \$228,700 in customer service efficiency gains through lower case volume, higher first call resolution (FCR) rates, and decreased call handling time.** Salesforce Order Management enables customers to self-serve and access order information, often alleviating their need to contact customer support, reducing contact volume by 10%. With Salesforce Order Management, service agents gain a comprehensive view of order and inventory data and are better equipped to handle customer requests, improving first call resolution by up to 20 percentage points and reducing call handling time by 25%. Over three years, increased customer service efficiency is worth over \$228,700 to the composite organization.
- **A 75% reduction in development time for new order management capabilities.** By moving away from a heavily customized, on-premises, and homegrown order management solution, the

composite organization utilizes prebuilt APIs and out-of-the-box (OOTB) features, reallocating two developer resources that are previously tasked with systems maintenance and reducing the time and cost to develop new capabilities. Over three years, the IT savings total over \$1.1 million.

- **Over \$690,000 in incremental profit from omnichannel fulfillment.** The composite organization gains visibility into inventory across its store locations, fulfillment centers, and warehouses, and gains the order orchestration capabilities necessary to offer fulfillment options, such as “buy online, pick up in-store” and curbside pickup, to customers. Upon pickup, 25% of click-and-collect customers make an additional in-store purchase. The incremental profit the cross-channel purchases drives are worth more than \$690,000 to the composite organization over three years.

“The capability to enable omnichannel journeys impacts revenue. The transparency towards the consumer and the ability to track the status of an order improves our responsiveness and improves the customer experience.”

CIO and digital officer, office supplies retailer

“Investing in Salesforce Order Management mitigated the risk of having a homegrown system that was bursting at the seams. It removed the risk of depending on our developers [for maintenance] ... It’s also scalable, so we are mitigating that risk as well.”

Director of technology, beauty retailer

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

- Improved returns process.
- Reduced safety stock reliance through real-time inventory information.
- Reduced IT burden because customer service agents and other staff can create their own dashboards.

- Improved customer experiences and retention.
- Transportation cost savings.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Salesforce licensing costs.** Over three years, the composite incurs \$675,000 in Salesforce Order Management transaction fees based on the volume of orders processed through the system.
- **Implementation and professional services costs.** Developers, a project manager, and a business resource work on the six-month implementation alongside a systems integrator. Over three years, implementation costs \$371,700 for the composite organization.
- **Training and ongoing management costs.** A Salesforce administrator dedicates 30% of their time to ongoing maintenance of the system. The composite organization also retains a third-party professional services firm to support ongoing maintenance. The organization's customer service agents receive training on how to use the system. Over three years, the training and ongoing management costs add up to \$111,700.

Conclusion. The representative interviews and financial analysis found that a composite organization experiences benefits of \$2.03 million over three years versus costs of \$1.16 million, adding up to a net present value (NPV) of \$876,000 and an ROI of 76%.

Forrester's Perspective: New Customer Mandates Drive OMS Market Growth

Order management has a huge impact on customer experience. Forrester's 2022 Order Management System Global Market Forecast³ finds that business investments to meet soaring customer expectations for excellent experiences drive OMS market growth, because:

- **Customer expectations for stellar experiences are surging.** For example, Forrester's September 2021 Consumer Energy Index and Retail Pulse Survey shows that 65% of US online adults and 63% of UK online adults think it's important to have in-store product availability on their website.⁴ Shopper expectations require an OMS that is responsive, agile, and in the cloud to serve today's customer needs pre-purchase — and in milliseconds.
- **Omnichannel commerce remains a top priority for digital business leaders.** Before 2020, omnichannel fulfillment options were considered "specialty" features in the market or, at least, as major differentiators for vendors. However, today's retailers commonly require support for a variety of fulfillment options — including pickup options and ship-from-store. These features are now table stakes in the market.
- **Market demand for cloud solutions will supersede on-premises license demand.** Forrester data shows that three-quarters of global software decision-makers already use software-as-a-service (SaaS) OMS — or plan to do so within the next year.⁵ Cloud-based SaaS OMS solutions reduce substantial upfront and ongoing hardware, software, maintenance, and training costs.



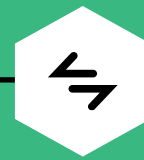
ROI
76%



BENEFITS PV
\$2.03M

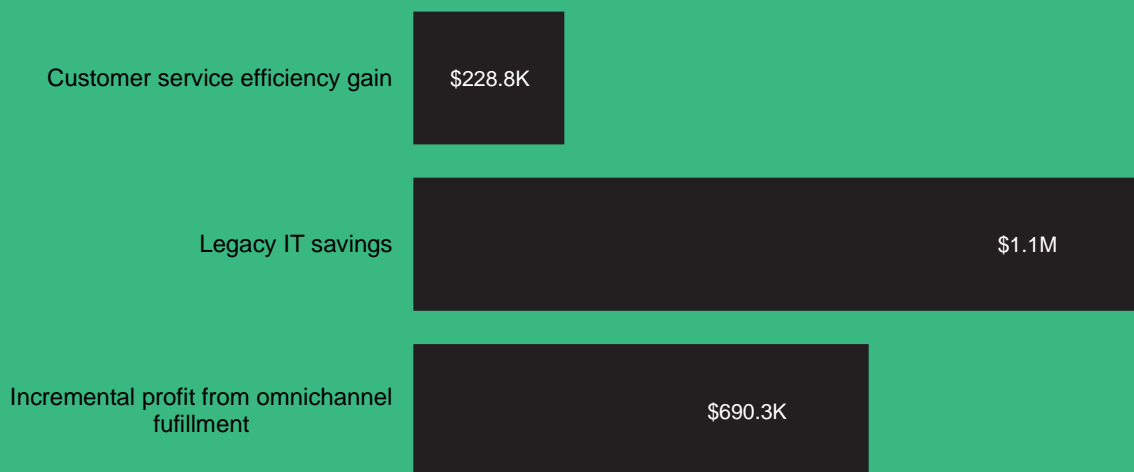


NPV
\$876K



PAYBACK
13 months

Benefits (Three-Year)



“We are investing in delighting customers. When you delight a customer, it builds brand loyalty. You can’t delight them if you’re not meeting them where they are.”

— Director, digital transformation, apparel retailer

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 Salesforce Order Management.

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 Salesforce Order Management can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Salesforce 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 Salesforce Order Management.

Salesforce 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.

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



DUE DILIGENCE

Interviewed Salesforce stakeholders and Forrester analysts to gather data relative to Salesforce Order Management.



INTERVIEWS

Interviewed seven representatives at organizations using Salesforce Order Management 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 interviewees.



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 Salesforce Order Management Customer Journey

■ Drivers leading to the Salesforce Order Management investment

| Interviews | | | |
|------------------------------------|---------------------|--|------------------------|
| Role | Retail type | Region | Revenue |
| SVP of e-commerce and marketing | Accessories | Headquartered in the US, operations in NA and EMEA | \$1.5 billion |
| Director of digital transformation | Apparel | Headquartered in the US, global operations | \$1 billion |
| Director of technology | Beauty | Headquartered in Canada, global operations | \$460 million |
| VP of engineering | Health and wellness | Headquartered in the US, US operations | \$250 million |
| CIO and digital officer | Office supplies | Headquartered in EMEA, global operations | €150 million |
| Chief digital officer | Sporting goods | Headquartered in the US, US operations | \$100 to \$200 million |
| General manager | Jewelry | Headquartered in Spain, Global operations | €40 million |

KEY CHALLENGES

The interviewees described a mix of environments prior to adopting Salesforce Order Management. The majority of the interviewees' organizations used customized, homegrown solutions to orchestrate order management. One interviewee shared that their organization lacked any form of order management solution. Another interviewees' organization used paper-based processes to manage orders.

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

- **Lack of visibility into inventory and order data.** Prior order management solutions integrated poorly with commerce, warehouse management system (WMS), point of sale (POS), and enterprise resource planning (ERP) systems, preventing the organizations from gaining real-time visibility into inventory and order information across selling channels. The SVP of e-commerce and marketing at the accessories retailer said: "There was no central data system to log in to. There weren't reports on orders that were stuck. We had a lot of challenges in our distribution

center with orders that might not go through because of poor integrations. Orders would go through and get stuck that weren't being processed. There was no reporting on that. It was a black hole."

- **Inability to provide omnichannel fulfillment options to customers.** Without a dependable view of inventory across store and distribution centers (DC) and without sophisticated order orchestration capabilities, the organizations were unable to provide convenient fulfillment options to their customers, such as click-and-collect (e.g., "buy online, pick up in-store" [BOPIS]) and ship from store. The director of digital transformation at the apparel retailer noted that their organization's homegrown system couldn't integrate with BOPIS orchestration tools. Additionally, the SVP of e-commerce and marketing at the accessories retailer shared that their organization could not offer pickup from store inventory, noting: "Our BOPIS option that we had was shipping from our distribution center. So, basically, a customer would go online, place

a BOPIS order, and we would ship it from our DC to the store.”

- **Customer service inefficiencies.** Two of the interviewees noted their organizations experienced friction in the customer service experience due to the agents’ poor visibility into order information. The director of technology at the beauty retailer shared that their customer service agents had to switch between multiple systems to access information required to serve a customer. The SVP of e-commerce and marketing at the accessories retailer noted how their homegrown solution was challenging to use due to customization and poor integration, explaining: “Agents couldn’t do anything before because [the systems] didn’t work. The customer service agent was not able to do anything. [Fixes] had to go through one or two people who actually understood how to use the legacy system.”

“Agents had to switch between systems. They had to use the email of the customer as the link between both systems, which didn’t always work because the email the customer used to place the order was different than the same as they contacted service with. It was a lot of switching from system to system. Agents also had to go very often to the payment provider system to validate certain questions that the customer was asking.”

Director of technology, beauty retailer

fulfillment center was not all of the available stock. So, there were a lot of products that were only available at the stores and since we didn’t have that stock on the website, we were losing sales.”

- **High costs to maintain the legacy system.** Several of the interviewees’ organizations highlighted high maintenance costs as a challenge with their legacy order management systems. The SVP of e-commerce and marketing at the accessories retailer shared that their customized legacy solution needed daily fixing, driving maintenance costs that were higher than the fees to license it. The director of digital transformation at the apparel retailer noted costs associated with maintaining integrations. They said, “One hundred percent of the developers’ time was spent on maintaining the homegrown system and that’s what ends up happening when you have a homegrown system.”
- **Slow time to value for new features stifled agility.** Due to the highly customized nature of their prior solutions, many of the representatives’ organizations faced complexity in developing new capabilities, making it difficult to adapt to customer and business needs. For example, the VP of engineering at the health and wellness retailer said: “Just the ability to move faster [was a challenge]. The ability to adapt things like reports and dashboards took a long time to create and then any code updates took longer than they should.”

- **Lost revenue opportunities.** Two organizations shared experiences of missed sales opportunities due to their prior environments’ limitations. The general manager at the jewelry retailer said: “We were losing sales because what we had at the

WHY SALESFORCE ORDER MANAGEMENT?

The prior environment limitations around order management and failure to meet customer expectations drove decision-makers to look for a new order management solution. They evaluated other order management solutions but chose Salesforce Order Management for the following reasons:

- **Out-of-the-box features enable faster speed to market.** Many interviewees highlighted that they wanted to move away from custom development to an order management system to enhance their organizations' agility and reduce time-to-value for new features. Salesforce's flexible, OOTB features, including prebuilt workflows and APIs, stood out as a fit for their needs. The director of technology at the beauty retailer said: "We wanted to avoid creating custom integration. We also saw how flexible it is. So, even when we wanted to embrace standard procedures, we could configure the order management system within Salesforce to adapt to the needs of the organization."
- **Integration with existing Salesforce investments.** Before the Salesforce Order Management investment, all the organizations had other Salesforce solutions, such as Service Cloud, Commerce Cloud, and Marketing Cloud already deployed, or launched one or more of the solutions in tandem with Salesforce Order Management.

Two of the interviewees highlighted how Salesforce Order Management could extend the benefits of their existing Salesforce ecosystem. The SVP of e-commerce and marketing at the accessories retailer, which had existing Commerce Cloud and Marketing Cloud deployments and plans to launch Service Cloud, said: "Salesforce is going to be a long-term strategic partner for us. With Salesforce Order Management, we'd gain the full pitch of Salesforce Customer 360, integrations, faster

speed-to-market, and be able to leverage a lot of out of box functionality."

The office supplies retailer had existing investments in Marketing Cloud and Service Cloud and deployed Salesforce Order Management in parallel with Commerce Cloud. The CIO and digital officer at the organization shared that adding Salesforce Order Management to the ecosystem would aid in the organization's aim to provide omnichannel journeys for their customers.

"We wanted to make sure that we put ourselves in a position to scale easily as opposed to having to develop everything in house."

Director of technology, beauty retailer

"In a nutshell, we embarked in a companywide digital transformation process to replace our homegrown tools with standard systems in the market. We identified Salesforce as one of the big partners because they have such a wide offering, particularly in the e-commerce domain. We were already using Marketing Cloud but then we decided to migrate our website to Commerce Cloud, and then it was a natural decision to use the order management system from the same platform."

Director of technology, beauty retailer

INVESTMENT OBJECTIVES

The interviewees searched for a solution that could:

- **Support omnichannel experiences for customers.** The interviewees highlighted the number one goal of their investments were to gain the inventory visibility and order management capabilities required to support omnichannel fulfillment. They noted that Salesforce Order Management would be a key tool to support fulfillment options, including click-and-collect and endless aisle.
- **Reduce IT costs and accelerate innovation and new feature development.** Another top objective across the interviewees was to reduce IT costs and effort associated with ongoing maintenance and custom feature development and to improve time-to-value for new capabilities. Interviewee sentiment was that Salesforce's OOTB features and prebuilt APIs alleviated the challenges of their highly customized prior environments. The SVP of e-commerce and marketing at the accessories retailer said: "Speed-to-market was important. If we wanted to do 'buy online, ship from store,' we could do it in a couple months [with Salesforce Order Management] versus turning it into a one-year project."
- **Provide greater order status transparency to customers and improve customer service.** The CIO and digital officer at the office supplies retailer noted that a key driver for investment was improving customer experience through providing better visibility into order status and improving the speed and precision of service agents.

"For the things that we were envisioning for omnichannel, we needed a cloud-based, integrated OMS with inventory orchestration. We were going to try 'buy online, ship from store.' We only have one fulfillment center but that's not really true in our eyes. We actually have 401: We have 400 stores plus a distribution center."

Director, digital transformation, apparel retailer

"We wanted to enable an omnichannel ecosystem and an order management system will be really key to succeed that."

CIO and digital officer, office supplies retailer

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 seven interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The organization is a global retailer that is headquartered in the US with \$250 million in annual revenue, 30% of which e-commerce drives. It has 100 stores, 1000 total employees, and an average order value of \$150.

Deployment characteristics. The retailer's 35 customer service agents use Salesforce Order Management at an outsourced call center, which handles approximately 500,000 customer support cases for the organization annually. Salesforce Order Management processes the organization's annual order volume of 1.5 million. Salesforce Commerce Cloud, Service Cloud, and MuleSoft are used with Salesforce Order Management.

Key Assumptions

- **Retailer**
- **\$250 million annual revenues; 30% from e-commerce**
- **1.5 million annual order volume**
- **\$150 average order value**
- **1000 employees; 35 outsourced customer service agents**

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 | Customer service efficiency gains | \$77,296 | \$92,562 | \$109,162 | \$279,020 | \$228,781 |
| Btr | Legacy IT savings | \$396,331 | \$451,942 | \$507,552 | \$1,355,825 | \$1,115,138 |
| Ctr | Incremental profit from omnichannel fulfillment | \$189,844 | \$271,477 | \$390,508 | \$851,829 | \$690,341 |
| | Total benefits (risk-adjusted) | \$663,471 | \$815,981 | \$1,007,222 | \$2,486,674 | \$2,034,260 |

CUSTOMER SERVICE EFFICIENCY GAINS

Evidence and data. The interviewees shared that Salesforce Order Management provided customers with better access to order information which enabled them to answer many of their own questions through self-service. Calls that still went to a service agent were addressed more quickly, correctly, and effectively. As a result of these improvements, organizations experienced a reduction in call volume as questions were diverted to self-service, and there was higher first call resolution and a decrease in case handling time, driving customer service cost savings for the organizations.

- With Salesforce Order Management, customers had better access to their own order information and history, such as shipping status and delivery timing, avoiding the need to call into customer support. The SVP of e-commerce and marketing at the accessories retailer, said: “It was a 10% reduction in calls. We have better capabilities with order tracking and email links. We can advise customers on when orders are ready for pickup and all of the things that a traditional retailer would do. They’re getting much better real-time information about the timing of their delivery.”

- Interviewees noted significant improvements to their service agents’ ability to handle customer support requests. Instead of needing to shift between multiple systems, order information and workflows were integrated into a centralized service portal, enabling agents to look up information, provide order updates, and handle customer requests, such as cancellations and returns, faster. With improved visibility and workflow efficiency for agents, the organization experienced improved first call resolution (FCR) and a reduction in call handling time.

The CIO and digital officer at the office supplies retailer shared: “[With Salesforce Order Management], order information is transparent so agents can provide an answer to the customer when they’re asking for a status update much more precisely and faster than before. So, customer service efficiency is improving.”

Modeling and assumptions. For the composite, Forrester assumes the following:

- The hourly burdened cost of a service agent is \$20.25.
- The organization receives 500,000 customer support cases in Year 1. Case volume increases organically by 5% each year.

- Eighty percent of customer support cases are related to returns, inventory availability, and order status.
- Call volume is reduced by 10% due to improved customer visibility into order information.
- Prior to Salesforce Order Management, the composite's FCR rate is 60%. With the Salesforce Order Management investment, FCR increases to 70% in Year 1, 75% in Year 2, and 80% in Year 3. The increase is driven by ongoing optimizations to how the composite uses Salesforce Order Management and what types of information is made available to service agents.
- Handling time for a follow-up call is an additional five minutes.
- The composite's average call handling time prior to Salesforce Order Management is 6.5 minutes.
- The composite organization provides service agents with the relevant order-related information within their Service console and reduces call handling time by 25%.
- Thirty percent of the savings from customer service efficiency gains is attributed to Salesforce Order Management. This attribution takes into consideration the additive efficiency improvements of Salesforce Service Cloud.

Risks. Forrester recognizes that these results may not be representative of all experiences, and the benefit will vary depending on:

- An organization's customer support case volume and year-over-year growth trends.
- An organization's case handling times and FCR rates prior to the Salesforce Order Management investment.
- The degree to which customers can access order information prior to the Salesforce Order Management investment.
- Customer service agent costs.

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 \$229,000.

“Salesforce Order Management has enabled us to drive very high first call resolution because a significant portion of our contacts don’t require escalation. They don’t require a hand-off to somebody else in accounting or a supervisor with access to the right system to do it. That first contact resolution allows us to deliver five-star customer service, which is part of our core values as a company.”

Chief digital officer, sporting goods retailer

| Customer Service Efficiency Gains | | | | | |
|-----------------------------------|---|--------------------------|-------------------------------------|-----------|-----------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| A1 | Hourly burdened cost of service agent | Composite | \$20.25 | \$20.25 | \$20.25 |
| A2 | Number of customer support cases before Salesforce Order Management | Composite | 500,000 | 525,000 | 551,250 |
| A3 | Percent of cases related to returns, inventory availability, and order status | Composite | 80% | 80% | 80% |
| A4 | Case volume reduction as a result of better case visibility for customers | Interviews | 10% | 10% | 10% |
| A5 | Avoided support cases with Salesforce Order Management | A2*A3*A4 | 40,000 | 42,000 | 44,100 |
| A6 | Subtotal: Reduction in case volume savings (rounded) | A1*A5*A14/60 minutes | \$87,750 | \$92,138 | \$96,744 |
| A7 | Support cases related to returns, inventory availability, and order status that still occur | (A2*A3)-A5 | 360,000 | 378,000 | 396,900 |
| A8 | First call resolution without OMS and Service Cloud integration | Interviews | 60% | 60% | 60% |
| A9 | First call resolution with Salesforce Order Management and Service Cloud integration | Interviews | 70% | 75% | 80% |
| A10 | Support call escalations avoided | A9-A8 | 10% | 15% | 20% |
| A11 | Follow-up call handling time (minutes) | Composite | 5.0 | 5.0 | 5.0 |
| A12 | Subtotal: Savings from higher first call resolution rates (rounded) | A1*A7*A10*A11/60 minutes | \$60,750 | \$95,681 | \$133,954 |
| A13 | Number of cases resolved on first contact | A7*A9 | 252,000 | 283,500 | 317,520 |
| A14 | Call handling time prior to OMS investment (minutes) | Interviews | 6.5 | 6.5 | 6.5 |
| A15 | Reduction in call handling time due to OMS and Service Cloud integration | Interviews | 25% | 25% | 25% |
| A16 | Call handling time with Salesforce (minutes) | A14*(1-A15) | 4.88 | 4.88 | 4.88 |
| A17 | Time saved per support call (minutes) | A14-A16 | 1.62 | 1.62 | 1.62 |
| A18 | Subtotal: Savings from faster resolution | A1*A13*A17/60 minutes | 137,781 | 155,004 | 173,604 |
| A19 | Total customer service efficiencies | A6+A12+A18 | \$286,281 | \$342,823 | \$404,302 |
| A20 | Attribution to Salesforce Order Management | Assumption | 30% | 30% | 30% |
| At | Customer service efficiency gains (rounded) | A19*A20 | \$85,884 | \$102,847 | \$121,291 |
| | Risk adjustment | ↓10% | | | |
| Atr | Customer service efficiency gains (risk-adjusted) | | \$77,296 | \$92,562 | \$109,162 |
| Three-year total: \$279,020 | | | Three-year present value: \$228,781 | | |

LEGACY IT SAVINGS

Evidence and data. The most significant quantified benefit of the Salesforce Order Management investment aligned with the interviewees' objectives to reduce costs associated with ongoing management and new feature development while also improving time-to-market for new capabilities. By moving away from highly customized, homegrown order management solutions to Salesforce Order Management, the interviewees' organizations reallocated IT resources previously dedicated to maintaining often unstable systems and updating integrations. They also took advantage of OOTB functionalities, including features released three times per year from Salesforce, to reduce development efforts.

- Interviewees shared that the stability, scalability, and ease of integration with Salesforce Order Management reduced maintenance costs and enabled their organizations' IT resources to focus on new feature development. The SVP of e-commerce and marketing at the accessories retailer explained: "In our legacy systems, you would have people monitoring inventory management jobs trying to make sure that stuff is working okay. Whereas now, they're focused on feature enablement, such as 'buy online, ship from store.' It's not maintaining, it is creating things. There's a difference in the resources and how we're utilizing them now versus before."
- Adopting Salesforce Order Management also enabled the organizations to take advantage of OOTB features and quickly create processes and integrations using prebuilt workflows and APIs, reducing development time for new capabilities, and enabling greater agility to meet customer needs. For example, the director of technology at the beauty retailer shared that their organization reduced development time for features, such as reshipments, from two months down to two weeks.

"We had a much bigger development team before [the Salesforce Order Management investment] and were able to cut our development costs by having Salesforce do the hosting and upgrades. We had 12 [IT resources] plus an agency supporting the staff before and now its 8 plus the agency while our sales volume has increased dramatically due to COVID-19."

VP of engineering, health and wellness retailer

Modeling and assumptions. For the composite, Forrester assumes the following:

- Two developer FTEs are responsible for maintenance in the prior environment. These resources are reallocated with Salesforce Order Management to innovative tasks.
- Development time for a new capability is eight weeks in the legacy environment, involving two developer FTEs, one data architect, and one UI designer.
- The burdened weekly cost of a developer FTE is \$2,596.
- The burdened weekly cost of a data architect FTE is \$3,375.
- The burdened weekly cost of a UI designer FTE is \$2,337.
- Development time for new order management capabilities with Salesforce is two weeks, a 75% reduction in comparison to the legacy environment.

- Three, four, and five new capabilities are developed in Year 1, Year 2, and Year 3, respectively.

Risks. Forrester recognizes that these results may not be representative of all experiences, and the benefit will vary depending on:

- The number of developers required to maintain the legacy environment.
- The number and complexity of new capabilities.

- Development speed in the legacy environment.
- The burdened cost of developer, data architect, and UI designer resources.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$1.12 million.

| Legacy IT Savings | | | | | |
|-------------------------------|---|-------------------------|---------------------------------------|-----------|-----------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| B1 | Developer FTEs responsible for prior environment maintenance reallocated after OMS investment | Interviews | 2 | 2 | 2 |
| B2 | Burdened annual cost of developer | Composite | \$135,000 | \$135,000 | \$135,000 |
| B3 | Subtotal: Avoided maintenance costs with Salesforce Order Management | B1*B2 | \$270,000 | \$270,000 | \$270,000 |
| B4 | Development time for new OMS capability in the prior environment (weeks) | Interviews | 8 | 8 | 8 |
| B5 | Developer FTEs required to build a new OMS capability | Interviews | 2 | 2 | 2 |
| B6 | Data architect FTE required to build a new OMS capability | Interviews | 1 | 1 | 1 |
| B7 | UI designer FTE required to build a new OMS capability | Interviews | 1 | 1 | 1 |
| B8 | Burdened weekly cost of developer | \$135,000/52 weeks | \$2,596 | \$2,596 | \$2,596 |
| B9 | Burdened weekly cost of data architect | \$175,500/52 weeks | \$3,375 | \$3,375 | \$3,375 |
| B10 | Burdened weekly cost of UI designer | \$121,500/52 weeks | \$2,337 | \$2,337 | \$2,337 |
| B11 | Labor costs to develop a new OMS capability in the prior environment | (B5*B8+B6*B9+B7*B10)*B4 | \$87,232 | \$87,232 | \$87,232 |
| B12 | Percent reduction in development time with Salesforce Order Management | Composite | 75% | 75% | 75% |
| B13 | Development labor costs avoided with Salesforce Order Management | B11*B12 | \$65,424 | \$65,424 | \$65,424 |
| B14 | Number of new features and capabilities developed | Composite | 3 | 4 | 5 |
| B15 | Subtotal: Avoided configuration costs for new features | B13*B14 | \$196,272 | \$261,696 | \$327,120 |
| Bt | Legacy IT savings | B3+B15 | \$466,272 | \$531,696 | \$597,120 |
| | Risk adjustment | ↓15% | | | |
| Btr | Legacy IT savings (risk-adjusted) | | \$396,331 | \$451,942 | \$507,552 |
| Three-year total: \$1,355,825 | | | Three-year present value: \$1,115,138 | | |

INCREMENTAL PROFIT FROM OMNICHANNEL FULFILLMENT

Evidence and data. Interviewees highlighted that Salesforce Order Management enabled their organizations to offer omnichannel fulfillment options that were not possible with their prior tools. With Salesforce Order Management, organizations gained near real-time visibility into inventory availability at the location level across their fulfillment channels. The enhanced visibility enabled the organizations to provide customers with convenient store fulfillment options, such as “buy online, pick up in-store,” curbside, and ship from store, and access to inventory across fulfillment channels. Through creating seamless, omnichannel experiences for customers, the organizations improved customer satisfaction and unlocked opportunities to drive incremental profit.

- Interviewees shared that Salesforce Order Management provided shoppers with accurate, up-to-date inventory availability information through the e-commerce storefront and identified store locations where they could conveniently pick up orders if they could not meet free shipping thresholds or needed items quickly.
- The SVP of e-commerce and marketing at the accessories retailer explained: “When you go online and are looking at a product, it’s going to tell you whether delivery and ‘buy online, pick up in-store’ is available. That is like a silent salesperson telling you right away that you can go into your store and pick it up today and then you can check out online and pick it up in two hours or less.”
- Offering click-and-collect order fulfillment increased foot traffic to stores and improved in-store conversion rates. The interviewees at the accessories retailer and apparel retailer both shared that 30% of customers who visited a store to pick up a click-and-collect order make an additional in-store purchase.

“We melded the omnichannel world [with Salesforce Order Management]. It improved our customer satisfaction, going back to delighting the customer. It also improved our in-store conversion because now everyone’s walking around the store to pick up their order.”

Director, digital transformation, apparel retailer

- The general manager at the jewelry retailer noted how their organization gained the ability to offer ship-from-store fulfillment, which increased online sales. Before the Salesforce Order Management investment, inventory available to customers online was limited to items that were in the fulfillment center as the retailer lacked a solution that could integrate stocks of the store into the website catalogue. This organization experienced a significant increase in its online sales and conversion rates by expanding real-time inventory visibility and availability with Salesforce Order Management. The general manager noted: “Twenty percent of the online orders are being fulfilled through the stores, which is something that we didn’t have before. So, that is 20% additional sales that Salesforce Order Management is bringing.”

Modeling and assumptions. For the composite, Forrester assumes the following:

- In Year 1, 10% of orders are completed through click-and-collect, 13% in Year 2, and 17% in Year 3.
- Twenty-five percent of shoppers that pick up an order through click-and-collect make an additional in-store purchase.
- An average order value of \$150.

- A profit margin of 7.5%
- Half of the incremental profit from click-and-collect fulfillment is attributed to Salesforce Order Management. This attribution takes into consideration other factors that contribute to consumers' decision to make an in-store purchase, such as pricing, product availability, store associate influence, and advertising, marketing, or promotional efforts that shape a consumer's awareness, perceptions, and preferences for a product.

Risks. Forrester recognizes that these results may not be representative of all experiences, and the benefit will vary depending on:

- An organization's number of store locations, order volume, average order value, and profit margin.
- The availability of stock across fulfillment centers and store locations.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$690,000.

“We are able to fulfill to clients that would have had to wait for the website to have [product] references back in stock before. That usually took a lot of time. Now, they will have that product within 24 hours. Client satisfaction has also increased through the OMS [investment].”

General manager, jewelry retailer

| Incremental Profit From Omnichannel Fulfillment | | | | | |
|---|---|------------|-------------------------------------|-------------|--------------|
| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
| C1 | Volume of orders processed through Salesforce Order Management | Composite | 1,500,000 | 1,650,000 | 1,815,000 |
| C2 | Percent of orders completed through click-and-collect | Interviews | 10% | 13% | 17% |
| C3 | Incremental number of orders driven by click-and-collect | C1*C2 | 150,000 | 214,500 | 308,550 |
| C4 | Percent of click-and-collect pickups that make additional in-store purchase | Interviews | 25% | 25% | 25% |
| C5 | Average order value | Composite | \$150 | \$150 | \$150 |
| C6 | Incremental revenue created by cross-channel purchases | C3*C4*C5 | \$5,625,000 | \$8,043,750 | \$11,570,625 |
| C7 | Profit margin | Composite | 7.5% | 7.5% | 7.5% |
| C8 | Attribution to OMS | Assumption | 50% | 50% | 50% |
| Ct | Incremental profit from omnichannel fulfillment (rounded) | C6*C7*C8 | \$210,938 | \$301,641 | \$433,898 |
| | Risk adjustment | ↓10% | | | |
| Ctr | Incremental profit from omnichannel fulfillment (risk-adjusted) | | \$189,844 | \$271,477 | \$390,508 |
| Three-year total: \$851,829 | | | Three-year present value: \$690,341 | | |

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not quantified for this study include:

- **Improved returns process.** Salesforce Order Management reduced manual steps required for the processing of returns, improving speed and reducing the chance of human error. The director of digital transformation at the apparel retailer shared that improved integration between Salesforce Order Management and the organization's retail ecosystem reduced manual data entry for returns processing. The interviewee explained: "[Salesforce] Order Management already has the information that the return is coming, and the warehouse staff just have to acknowledge that it has been received. Speed has increased, but more than anything, it has eliminated steps. And when you eliminate steps, you eliminate errors."
- **Reduced safety stock reliance through real-time inventory information.** Salesforce Order Management provided inventory availability in nearly real-time, enabling the apparel retailer to reduce the need to hold safety stock in case of inventory errors. The director of digital transformation at the apparel retailer shared: "Because we didn't have full visibility into our inventory, we would leave the safety stock at five items, which is a disaster because a product would be shown as sold out, but we really had five extra. We've brought that down. I think right now, it's at two and our goal is to get it down to zero."
- **Reduced IT burden because customer service agents and other staff can create their own dashboards.** Interviewees highlighted how Salesforce Order Management empowered customer support teams and other business users to create reports and dashboards to support their work without IT intervention. Democratizing data reduced costs and enabled

agility. The VP of engineering at the health and wellness retailer said: "We've given customer service leads the ability to create dashboards and reports in Salesforce that are self-service. It's been a huge decrease IT burden and correlating cost. And then the correlation is a better understanding of where we are with our customers so we can get extra help if we need it."

"In the order management system, the comm team and the consumer happiness team, which is our customer support team, can modify the system and customize it to their needs without having to engage IT to do so, which is crucial in order to provide them agility and to allow them to contribute to the development of the ecosystem."

Director of technology, beauty retailer

- **Improved customer experiences and retention.** Interviewees believed that Salesforce Order Management played a part in enabling their organizations to provide better brand experiences to customers, as a result of greater transparency into available inventory, order updates, and fulfillment options. The SVP of e-commerce and marketing at the accessories retailer noted that Salesforce Order Management supported customer loyalty, stating: "We are winning customers back, retaining customers, and it's a better brand experience. It's a reflection of our company and an overall better omnichannel experience."
- **Transportation cost savings.** Two organizations experienced cost savings related to more efficient delivery and order transportation. The director of technology at the beauty retailer

noted that Salesforce Order Management integrated with courier systems, enabling better communication with couriers about cancelled orders to avoid fees that the organization previously incurred for holding shipping labels. The general manager at the jewelry retailer shared how Salesforce Order Management enabled order fulfillment from the location closest to the customer, driving cost savings. They said: “Before having an integrated order management system, if a sale was completed on the French website, the product would be shipped from the Spanish fulfillment center. Now, through Salesforce Order Management, for any sale made in France, if the shops in Paris have stock, we are able to fulfill it from those [shops] and, therefore, we have reduced costs in time and shipping.”

FLEXIBILITY

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

- **More omnichannel fulfillment opportunities.** Interviewees recognized Salesforce Order Management as a key component in their organizations’ future roadmap for omnichannel transformation and expansion of fulfillment options for customers. The director of digital transformation at the apparel retailer detailed two ways in which they envisioned Salesforce Order Management supporting his organization’s omnichannel vision of meeting customers where they are.

The director of digital transformation noted how Salesforce Order Management could provide an endless aisle experience in-stores, explaining: “We have 400 stores that provide a great immersive experience. We want to really leverage that through things like endless aisle. If

a customer finds a t-shirt they want but it’s not available in their size, we can say, ‘Don’t leave here, pay for it now and we’ll ship it to you.’ So, we are able to capture the sale. But more importantly, we were able to delight the customer and avoid them leaving empty-handed or disappointed.”

The interviewee also saw Salesforce Order Management as an important tool to enable third parties and partners to sell the organization’s products, sharing: “We want our mobile app, through headless commerce, to be able to pull up inventory in a store, not just on the Commerce Cloud site. We want folks outside of the US to be able to have visibility into our inventory information so they can then sell that product through an affiliate link, knowing and having confidence that the product will be in stock.”

- **Flexibility from distributed order management.** Organizations can use Salesforce Order Management to realize the benefits of distributed order management (DOM). Distributed order management is highlighted by Forrester as one of the four pillars of order management. Forrester senior analyst Emily Pfeiffer writes, “[Distributed order management provides] functionality that allows for configurable order routing and logic such as synchronizing with suppliers for efficient routing from all locations. DOM logic manages and optimizes fulfillment processes and is clever enough to prioritize shipping cost, time in transit, or other priorities.”⁶

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 | Salesforce licensing costs | \$0 | \$247,500 | \$272,250 | \$299,475 | \$819,225 | \$675,000 |
| Etr | Implementation and professional services costs | \$371,731 | \$0 | \$0 | \$0 | \$371,731 | \$371,731 |
| Ftr | Training and ongoing management costs | \$1,155 | \$44,462 | \$44,462 | \$44,462 | \$134,541 | \$111,725 |
| | Total costs (risk-adjusted) | \$372,886 | \$291,962 | \$316,712 | \$343,937 | \$1,325,497 | \$1,158,456 |

SALESFORCE LICENSING COSTS

Evidence and data. Licensing costs for Salesforce Order Management are calculated based on the volume of orders processed through the software. All the interviewees' organizations utilized the Growth plan offering of Salesforce Order Management, which included order life cycle management tools in addition to distributed order management capabilities for up to 500 locations.

Modeling and assumptions. For the composite, Forrester assumes the following:

- The annual order volume increases organically by 10% each year with 1,500,000 orders processing through Salesforce Order Management in Year 1, 1,650,000 in Year 2, and 1,815,000 in Year 3.

- The composite uses the growth plan with a fee of \$0.15 per order.

Pricing may vary. Contact a Salesforce representative for additional details.

Risks. Forrester recognizes that these results may vary depending on:

- An organization's annual order volume.
- Pricing variables, such as the pricing plan chosen, an organization's investments in other Salesforce products, discount rates, and corporate agreements that impact actual costs.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$675,000.

| Salesforce Licensing Costs | | | | | | |
|-----------------------------|--|--|-------------------------------------|-----------|-----------|-----------|
| Ref. | Metric | Source | Initial | Year 1 | Year 2 | Year 3 |
| D1 | Volume of orders processed through Salesforce Order Management | Y1: Composite Y2 and Y3: D1 _{PY} +10% growth | | 1,500,000 | 1,650,000 | 1,815,000 |
| D2 | Transaction fee per order (Growth plan) | Composite | | \$0.15 | \$0.15 | \$0.15 |
| Dt | Salesforce licensing costs | D1*D2 | | \$225,000 | \$247,500 | \$272,250 |
| | Risk adjustment | ↑10% | | | | |
| Dtr | Salesforce licensing costs (risk-adjusted) | | \$0 | \$247,500 | \$272,250 | \$299,475 |
| Three-year total: \$819,225 | | | Three-year present value: \$675,000 | | | |

IMPLEMENTATION AND PROFESSIONAL SERVICES COSTS

Evidence and data. The organizations incurred costs associated with the implementation of Salesforce Order Management.

- Interviewees cited implementation timelines ranging from three to eleven months with further optimizations and expansions of the product in the implementation road map.
- Implementation efforts included integration of Salesforce Order Management into the organizations' other non-Salesforce business solutions, such as ERP, POS, product information management, and warehouse management tools. All interviewees utilized other Salesforce solutions, such as B2C Commerce Cloud, Service Cloud, and Marketing Cloud, which also required integration with Salesforce Order Management.
- Both business and technical resources were involved in the implementation, including developers, project managers, members of the digital commerce team.
- The interviewees shared that their organizations leveraged system integrators to support the implementation.

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- The implementation spans six months, involving two developer FTEs with a burdened monthly cost of \$14,625, half of a project manager FTE with a burdened monthly cost of \$10,688, and half of an internal business resource FTE with a burdened monthly cost of \$10,125.
- Systems integrator services implementation fees are \$100,000.

Risks. Forrester recognizes that these results may vary depending on:

- The complexity, integration requirements, and length of the implementation.
- The amount and cost of FTE efforts dedicated to the implementation.
- Systems integrator costs.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$372,000.

Implementation And Professional Services Costs

| Ref. | Metric | Source | Initial | Year 1 | Year 2 | Year 3 |
|-----------------------------|---|-----------------------------|-------------------------------------|--------|--------|--------|
| E1 | Months required for Salesforce OMS implementation | Interviews | 6 | | | |
| E2 | Number of internal developer FTEs dedicated to implementation | Interviews | 2.0 | | | |
| E3 | Number of internal project manager FTEs dedicated to implementation | Interviews | 0.5 | | | |
| E4 | Number of internal business resource FTEs dedicated to implementation | Interviews | 0.5 | | | |
| E5 | Fully burdened monthly cost of developer | \$135,000/12 months | \$14,625 | | | |
| E6 | Fully burdened monthly cost of project manager | \$128,250/12 months | \$10,688 | | | |
| E7 | Fully burdened monthly cost of business resource | \$121,500/12 months | \$10,125 | | | |
| E8 | Systems integrator services implementation fees | Interviews | \$100,000 | | | |
| Et | Implementation and professional services costs | $E1*(E2*E5+E3*E6+E4*E7)+E8$ | \$337,938 | | | |
| | Risk adjustment | ↑10% | | | | |
| Etr | Implementation and professional services costs (risk-adjusted) | | \$371,731 | \$0 | \$0 | \$0 |
| Three-year total: \$371,731 | | | Three-year present value: \$371,731 | | | |

TRAINING AND ONGOING MANAGEMENT COSTS

Evidence and data. The interviewees' organizations incurred costs associated with training users and ongoing management of the system.

- The main recipients of training were customer service agents. Interviewees shared that training effort for this group was minimal, ranging from 30 minutes to eight hours. The VP of engineering from the health and wellness organization noted that individuals from finance and operations also received training on Salesforce Order Management as it pertains to integrations with the financial management system and returns processes.
- Internal ongoing management efforts were also minimal. The chief digital officer at the sporting goods retailer shared that there were no internal IT resources dedicated to supporting Salesforce Order Management within the organization. The

SVP of e-commerce and marketing at the accessories retailer noted that one internal Salesforce administrator that dedicated 30% to 40% of their time to ongoing management.

- The majority of the interviewees' organizations retained ongoing relationships with third-party professional services firms to manage ongoing maintenance and integrations between Salesforce Order Management and their third-party commerce tools.

Modeling and assumptions. For the composite organization, Forrester assumes the following:

- One internal Salesforce administrator FTE dedicates 30% of their time to ongoing management.
- The Salesforce administrator has an annual fully burdened salary of \$100,000.

- Ongoing professional services costs are \$10,000 per year.
- All 35 customer service agents participate in training on Salesforce Order Management in the initial period. Fourteen customer service agents participate in training each following year, accounting for turnover. The fully burdened hourly cost of a customer service agent is \$20.

Risks. Forrester recognizes that these results may vary depending on:

- The number of customer service agents.
- The number of Salesforce Order Management features that are deployed and utilized.
- An organization's integration requirements.
- The actual burdened costs of Salesforce administrator and customer service agent resources.

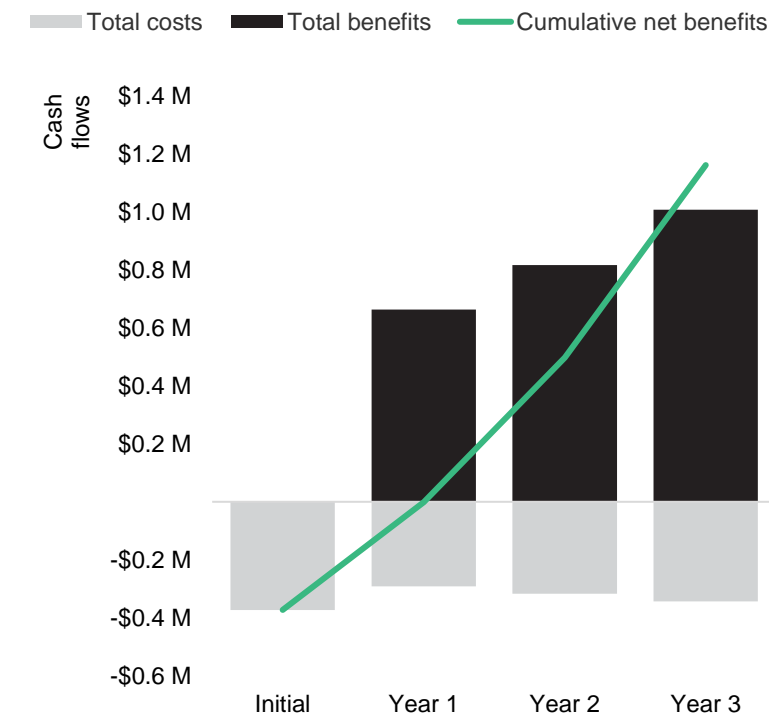
Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$112,000.

| Training And Ongoing Management Costs | | | | | | |
|---------------------------------------|---|-------------------------------|-------------------------------------|-----------|-----------|-----------|
| Ref. | Metric | Source | Initial | Year 1 | Year 2 | Year 3 |
| F1 | Number of Salesforce administrators dedicated to OMS | Composite | | 1 | 1 | 1 |
| F2 | Percent of time dedicated to ongoing maintenance | Interviews | | 30% | 30% | 30% |
| F3 | Annual fully burdened salary for Salesforce admin | Composite | | \$100,000 | \$100,000 | \$100,000 |
| F4 | Ongoing professional services costs | Interviews | | \$10,000 | \$10,000 | \$10,000 |
| F5 | Subtotal: Ongoing management costs | $F1 \times F2 \times F3 + F4$ | | \$40,000 | \$40,000 | \$40,000 |
| F6 | Number of customer service agents participating in OMS training | Composite + 40% turnover | 35 | 14 | 14 | 14 |
| F7 | Training time per service agent (hours) | Interviews | 1.5 | 1.5 | 1.5 | 1.5 |
| F8 | Fully burdened hourly cost of customer service agent | Composite | \$20 | \$20 | \$20 | \$20 |
| F9 | Subtotal: Training costs | $F6 \times F7 \times F8$ | \$1,050 | \$420 | \$420 | \$420 |
| Ft | Training and ongoing management costs | $F5 + F9$ | \$1,050 | \$40,420 | \$40,420 | \$40,420 |
| | Risk adjustment | ↑10% | | | | |
| Ftr | Training and ongoing management costs (risk-adjusted) | | \$1,155 | \$44,462 | \$44,462 | \$44,462 |
| Three-year total: \$134,541 | | | Three-year present value: \$111,725 | | | |

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 | (\$372,886) | (\$291,962) | (\$316,712) | (\$343,937) | (\$1,325,497) | (\$1,158,456) |
| Total benefits | \$0 | \$663,471 | \$815,981 | \$1,007,222 | \$2,486,674 | \$2,034,260 |
| Net benefits | (\$372,886) | \$371,509 | \$499,269 | \$663,285 | \$1,161,177 | \$875,804 |
| ROI | | | | | | 76% |
| Payback period (months) | | | | | | 13 |

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 Source: “Retailers Create Trust Through Inventory And Delivery Visibility,” Forrester Research, Inc., May 27, 2022.

² 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.

³ Source: “2022 Order Management System Market Forecast, Global,” Forrester Research, Inc., March 11, 2022

⁴ Source: “September 2021 Consumer Energy Index And Retail Pulse Survey,” Forrester Research, Inc., September, 2021.

⁵ Source: “Forrester Analytics Business Technographics® Software Survey, 2020,” Forrester Research. Inc., December 2020.

⁶ Source: Emily Pfeiffer, “Order Management And Retail: A Love Story (Or: Key Findings From The 2021 OMS Forrester Wave™),” Forrester Blogs.

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