

FORRESTER®

# The Total Economic Impact™ Of Outlier AI

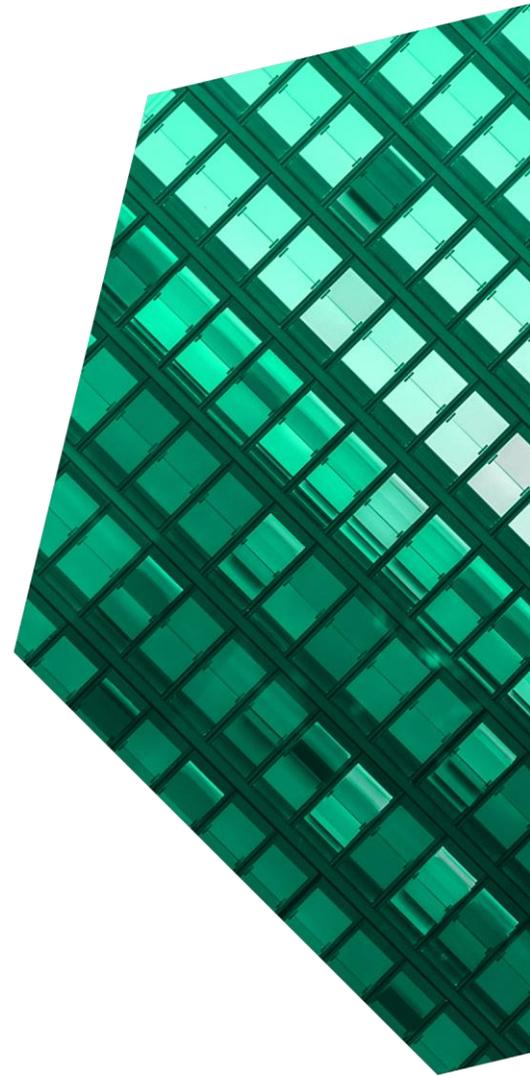
Cost Savings And Business Benefits  
Enabled By Outlier AI

JANUARY 2021

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## ABOUT FORRESTER CONSULTING

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## Executive Summary

Outlier AI provides automated business analysis to organizations' data consumers. Using Outlier AI, data scientists can each save 100 hours annually performing data analysis and building dashboards for end users. Business analysts can each save 75 hours annually on research and data manipulation. Other teams, such as product managers, may also see efficiency gains. Additionally, customers were able to improve online customer conversion by reducing bounce rates by 30% with Outlier's insights.

Outlier AI commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying [Outlier AI](#). The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Outlier AI on their organizations. Outlier AI provides an automated business analysis solution that delivers the top four to five business insights to end users daily. It leverages data-in-place analysis, so no data needs to be moved from its source or current repository.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed a global retail organization with experience using Outlier AI. Forrester used this experience to project a three-year financial analysis.

Prior to using Outlier AI, the customer used a mix of third-party data analysis solutions and proprietary back-end systems to provide data scientists with the raw data they would need to run data analyses and to build relevant dashboards for various business users. But the highly manual nature of these processes overwhelmed already time-strapped teams of data scientists and business analysts. Additionally, data would occasionally be lost from digital platforms, presenting inefficiencies in business visibility.

After the investment in Outlier AI, data scientists and business analysts were able to automate workstreams such as data cleansing, dashboard

### KEY STATISTICS



Return on investment (ROI)  
**200%**



Net present value (NPV)  
**\$815,659**

building, and data analysis. Outlier was also able to provide the marketing team with key insights needed to optimize their campaign funnels to improve bounce rates and, ultimately, customer conversions from these campaigns. Key results from the investment include increased efficiency for the data science and business analyst teams, improved conversion from strategically important marketing campaigns, improved data capture, and improved business flexibility in times of substantial market flux.

### Total benefits

**\$1,223,376**



### KEY FINDINGS

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

- **Increased efficiency of data science team valued at \$590,627.** Using Outlier AI's automation to discover and deliver important data insights directly to business users rather than relying on manual processes like research, analysis, and dashboard-building saved each data scientist a total of 100 hours annually. For the interviewed customer, that resulted in 2,000 person-hours in efficiency savings and the added possibility of using those hours for more strategic work.
- **Increased efficiency of business analyst team worth \$380,955.** The same automated features of Outlier AI delivered 1.5 hours in efficiency savings to the business analyst team, resulting in 75 hours in savings per analyst annually. That equates to 3,225 person-hours in increased efficiency that could potentially be put to more strategic use.
- **Improved conversion from campaign optimization valued at \$251,794.** Outlier's easy-to-understand stories enabled the customer's marketing team to better understand the data generated from its marketing campaigns. Outlier

notified the team of a higher-than-normal bounce rate for a campaign landing page, allowing the team to take action to solve the issue and to reduce the bounce rate for the campaign page by 30%.



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

- **Decreased time-to-value from data-in-place analysis.** Outlier AI analyzes data “in place,” meaning it does not need to be transferred to a data lake or anywhere else in order to be analyzed. Because of this data-in-place analysis, the customer saved months of time it would have otherwise spent on compliance processes to implement other solutions that would require customer data to be moved around.
- **Improved data capture.** The customer used Outlier AI to inform its platform team whenever a tag was lost. Before investing in Outlier, these

“ “ We’ve gotten massive value out of Outlier AI. It’s helped us to be more proactive and to be a state-of-the-art company. ” ”

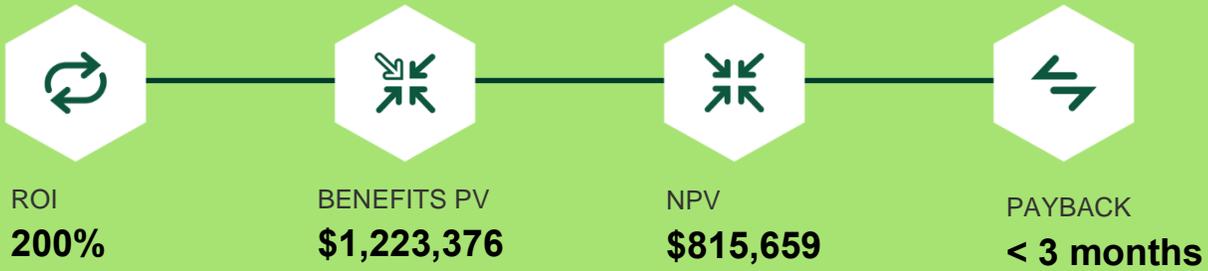
— Senior director of direct-to-consumer product sciences, retail

lost tags could go unnoticed for weeks, resulting in permanently lost customer data and a lack of business visibility from that data.

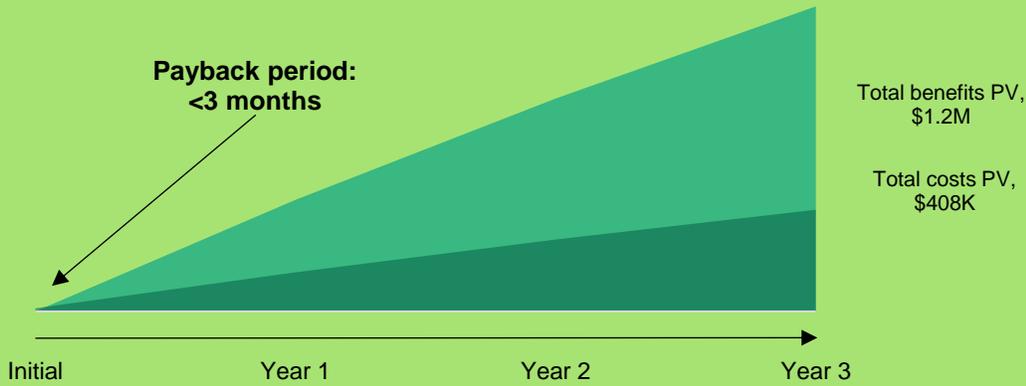
**Costs.** Risk-adjusted PV costs include:

- **Total costs of licensing, implementation, training, and ongoing management.** The customer paid \$150,000 annually for licensing. It took the customer two full business days to implement the solution, while end users incurred time costs of 1 hour each to train. One FTE spent 30 minutes each week managing the solution on an ongoing basis.

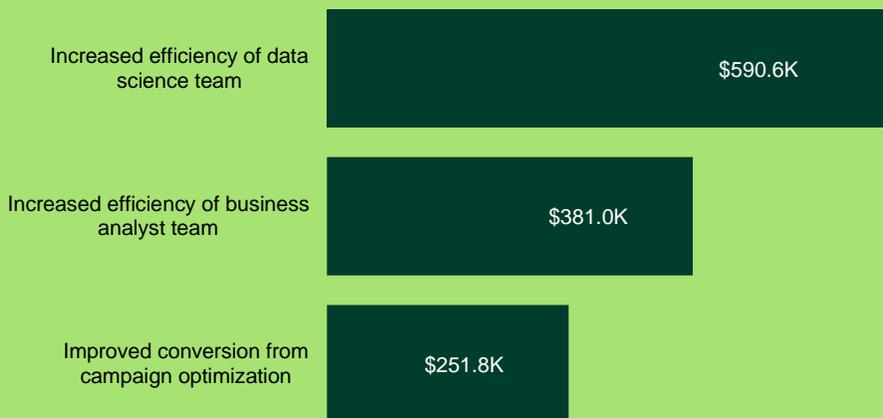
The interview and financial analysis found that this customer experiences benefits of \$1,223,376 over three years versus costs of \$407,717, adding up to a net present value (NPV) of \$815,659 and an ROI of 200%.



### Financial Summary



### 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 Outlier AI.

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 Outlier AI can have on an organization.

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Outlier AI 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 Outlier AI.

Outlier AI 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.

Outlier AI provided the customer name for the interview but did not participate in the interview.



### DUE DILIGENCE

Interviewed Outlier AI stakeholders and Forrester analysts to gather data relative to Outlier AI.



### CUSTOMER INTERVIEW

Interviewed decision-makers at an organization using Outlier AI to obtain data with respect to costs, benefits, and risks.



### FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organization.



### 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 Outlier AI Customer Journey

## ■ Drivers leading to the Outlier AI investment

### INTERVIEWED ORGANIZATION

Forrester interviewed an Outlier AI customer with the following characteristics:

- A global retailer.
- \$35 billion in revenue.
- 10,000 corporate employees.
- A team of 63 professionals leverages Outlier AI.
- \$1,000 average lifetime value of a customer.

### KEY CHALLENGES

Before investing in Outlier AI, the retailer used third-party analytics software and proprietary back-end systems to collect business and customer data across its various digital platforms. Its data scientists leveraged a business intelligence tool to build customized dashboards for end users.

The interviewed organization struggled with common challenges, including:

- **Data overload.** The organization is a data analytics leader responsible for six global digital experiences, all generating country-specific user activity data. The data science team felt overwhelmed making this massive amount of data understandable and useful to end users. The customer described: “There’s just so much

**“We were using high-paid data scientists to answer really simple questions and to dig into really simple things.”**

*Senior director of direct-to-consumer product sciences, retail*

data and so many countries and so many ways of cutting the data that it was a lot of work to make that data useful.”

- **Diverse data users and audiences.** Adding to the complexity of the mass amount of data itself was the number and variety of end users who would be making use of the data and its related insights. The customer shared: “The number of data users was huge as well: There’s people making the product, merchandising the product, and making decisions about local promotions. It was all just very complex.”

**“We needed a tool that could find trends in data and serve them up to business users without much effort.”**

*Senior director of direct-to-consumer product sciences, retail*

### USE CASE DESCRIPTION

To address these challenges, the customer deployed Outlier AI, integrating a variety of data streams from its digital experiences onto the platform. This resulted in substantial time savings to the 20 data scientists in the deployment group and 43 business analysts. Additionally, it enabled the firm to optimize digital experiences for an average of 500,000 customers per year, reducing the bounce rates of its email campaigns by 30%.

For this use case, Forrester has modeled benefits and costs over three years.

# Analysis Of Benefits

■ Quantified benefit data

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Increased efficiency of data science team	\$237,500	\$237,500	\$237,500	\$712,500	\$590,627
Btr	Increased efficiency of business analyst team	\$153,188	\$153,188	\$153,188	\$459,563	\$380,955
Ctr	Improved conversion from campaign optimization	\$101,250	\$101,250	\$101,250	\$303,750	\$251,794
	Total benefits (risk-adjusted)	\$491,938	\$491,938	\$491,938	\$1,475,813	\$1,223,376

## INCREASED EFFICIENCY OF DATA SCIENCE TEAM

**Evidence and data.** The customer experienced substantial time savings among its digital product data science team after implementing Outlier AI. This data science team was responsible for the general health of the product in terms of tracking important key performance indicators (KPIs) and conducting research on the customer journey to discover areas of friction and new strategies for driving customer engagement. Before implementing Outlier AI, the team was bogged down in analyzing vast amounts of data and building dashboards for the various end users of that data, with the end goal of making the data as useful as possible for these audiences.

After investing in Outlier, the data science team no longer had to spend as much time cleaning up raw data and building these various dashboards. Outlier AI automated this process for the data science team, saving each data scientist approximately 100 hours annually. As the customer described: “Not only were the business users getting more insights than before, but they were also getting these in an automated fashion. We no longer had to have an expensive data scientist working to generate each insight.”

Total data scientist person-hours saved annually

2,000



**Modeling and assumptions.** Based on the customer interviews, Forrester estimates for the organization:

- A digital product data science team of 20.
- Each digital product data scientist saves 2 hours weekly from use of Outlier AI.
- A fully burdened hourly rate per data scientist of \$125.

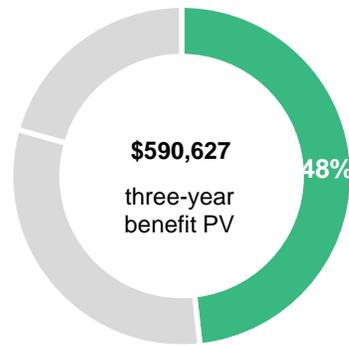
**“The top benefit for us of Outlier AI has been time savings. Our digital product data scientists are each saving about 2 hours a week thanks to Outlier.”**

*Senior director of direct-to-consumer product sciences, retail*

**Risks.** The actual improvement in data scientist efficiency may vary based on:

- The total number of data scientists supporting digital products.
- The amount of time currently spent on data analysis and dashboard building per data scientist.
- The fully burdened hourly rate per data scientist.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$590,627.



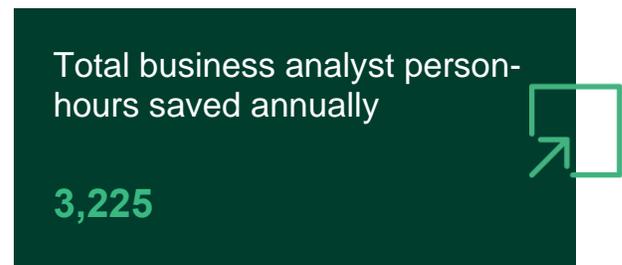
**Increased efficiency of data science team: 48% of total benefits**

Increased Efficiency Of Data Science Team					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Hours saved per data scientist per week	Interview	2	2	2
A2	Number of data scientists	Interview	20	20	20
A3	Data scientist fully burdened annual rate		\$125	\$125	\$125
At	Increased efficiency of data science team	A1*50*A2*A3	\$250,000	\$250,000	\$250,000
	Risk adjustment	↓5%			
Atr	Increased efficiency of data science team (risk-adjusted)		\$237,500	\$237,500	\$237,500
<b>Three-year total: \$712,500</b>			<b>Three-year present value: \$590,627</b>		

**INCREASED EFFICIENCY OF BUSINESS ANALYST TEAM**

**Evidence and data.** Digital product business analysts spread across the firm’s various global regions saw similar efficiency gains. This team was responsible for leveraging business and customer data unique to each region to make merchandising and promotional decisions that would drive the business there. This group was therefore composed of consumers of data insights rather than generators of data insights like digital product data scientists.

Before implementing Outlier, business analysts were engaged in time-consuming research and data



manipulation using dashboards and business intelligence tools the digital product data scientists provided. With Outlier, much of this manual work was automated, and each analyst received the most important insights relevant to them. The customer shared: “There has been huge benefit for us in the

ability of having a global team like the data science team provide a tool to our various [regions] and letting them tweak it themselves for their own purposes. It's really scalable.”

**Modeling and assumptions.** For the organization, Forrester assumes:

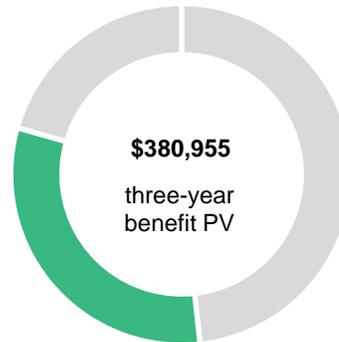
- A digital product business analyst team of 63.
- Each digital product business analyst saves 1.5 hours weekly from use of Outlier AI.
- A fully burdened hourly rate per business analyst of \$50.

**Risks.** The improved efficiency of the business analyst team will vary with.

- The total number of business analysts supporting digital products.
- The amount of time currently spent researching and manipulating data using dashboards per business analyst.

- The fully burdened hourly rate per business analyst.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$380,955.



**Increased efficiency of business analyst team: 31% of total benefits**

Increased Efficiency Of Business Analyst Team					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Hours saved per business analyst per week	Interview	1.5	1.5	1.5
B2	Number of business analysts	Interview	43	43	43
B3	Business analyst fully burdened hourly rate		\$50	\$50	\$50
Bt	Increased efficiency of business analyst team	$B1 * 50 * B2 * B3$	\$161,250	\$161,250	\$161,250
	Risk adjustment	↓5%			
Btr	Increased efficiency of business analyst team (risk-adjusted)		\$153,188	\$153,188	\$153,188
<b>Three-year total: \$459,563</b>			<b>Three-year present value: \$380,955</b>		

**IMPROVED CONVERSION FROM CAMPAIGN OPTIMIZATION**

**Evidence and data.** The customer also reported that Outlier’s simple, understandable data stories enabled its marketing team to uncover previously unknown friction within its funnel for certain campaigns.

Although such campaigns had high click-through rates, it was not until the marketing team integrated its data with Outlier that the team learned of the higher-than-normal bounce rate of customers clicking through to the campaigns’ landing pages.

Upon further investigation, the marketing team was able to discover that the load time of the landing page was significantly higher than those of other landing pages due to the abundance of content there. The discovery of this error enabled the marketing team to optimize one campaign landing page to improve its load time, reducing the bounce rate from 90% to 60%. The firm discovered and applied similar insights to a variety of future campaigns as well.

The customer shared: “Outlier is just much more user-friendly for our marketing team than other solutions. It provides real-time data that [the team] can use immediately to see the impact of its campaigns and take action to fix them if necessary. It gives [the team] insights in an easy-to-understand format.”

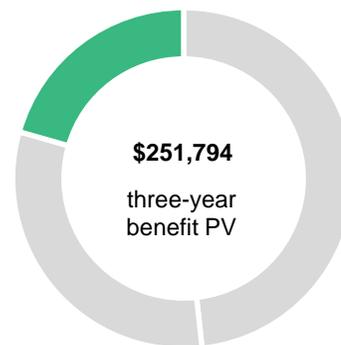
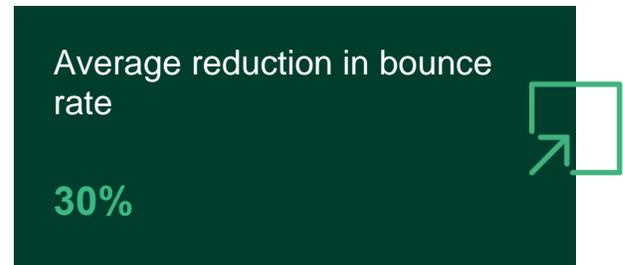
**Modeling and assumptions.** For the organization, Forrester assumes:

- Each year, an average of 500,000 customers click through from various email campaigns that are optimizable with Outlier’s insights.
- A 30% average reduction in landing page bounce rate from optimization with help from Outlier.
- Average conversion rate of 3%.
- Average customer lifetime value of \$1,000.
- 50% of the benefit is attributable to Outlier, with the other 50% attributable to employee skill.
- Net profit margin of 5%.

**Risks.** The improved efficiency of the business analyst team will vary with.

- The average click-through rate of optimizable campaigns.
- The reduction in bounce rate from optimization.
- The average conversion rate.
- The average customer lifetime value.
- The net profit margin.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$251,794.



**Improved conversion from campaign optimization: 21% of total benefits**

Improved Conversion From Campaign Optimization					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Average annual campaign click-throughs optimizable with help from Outlier	Assumption	500,000	500,000	500,000
C2	Average reduction in bounce rate from optimization	Interviews; From 90% to 60% bounce rate	30%	30%	30%
C3	Incremental visitors from optimization	C1*C2	150,000	150,000	150,000
C4	Incremental customers from campaign optimization	Conversion rate of 3%	4,500	4,500	4,500
C5	Average lifetime value of a customer	Interviews	\$1,000	\$1,000	\$1,000
C6	Percent benefit attributable to Outlier		50%	50%	50%
C7	Net profit margin		5%	5%	5%
Ct	Improved conversion from campaign optimization	C4*C5*C6*C7	\$112,500	\$112,500	\$112,500
	Risk adjustment	↓10%			
Ctr	Improved conversion from campaign optimization (risk-adjusted)		\$101,250	\$101,250	\$101,250
<b>Three-year total: \$303,750</b>			<b>Three-year present value: \$251,794</b>		

**UNQUANTIFIED BENEFITS**

Additional benefits that the customer experienced but was not able to quantify include:

- Decreased time-to-value from data-in-place analysis.** Because Outlier AI leverages data-in-place analysis, there is no need to transfer data from any of the various sources or repositories that currently exist to a new location or to Outlier’s servers. Customers can point Outlier at the data source or repository directly and save valuable time-to-insight generation. This also saves time avoiding lengthy compliance procedures focused on data privacy. The customer said: “Outlier’s use of data-in-place analysis was low risk. We could skip a lot of the compliance steps we would normally have had to follow if moving data around, preventing months of inactivity.”

**“Outlier promised a really fast turnaround time in terms of getting value out of the tool. We were hesitant, but that was one of the most amazing things: It was true.”**

*Senior director of direct-to-consumer product sciences, retail*

- Improved data capture.** The customer’s platform team, responsible for data collection and ingestion, has also leveraged Outlier AI to alert the team regarding incorrect data capture or the accidental loss of a tag. Historically, the digital product team could go weeks without noticing the loss of a tag, permanently losing any data from that tag. The customer explained: “When tags drop, we can never recover that information. And

that results in a lack of visibility into our business.”

**“Outlier’s help monitoring tags has had a big advantage. We’ve seen more efficient personalization and model building and we have gained better visibility into the successes and failures of our digital products.”**

*Senior director of direct-to-consumer product sciences, retail*

## FLEXIBILITY

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

- **Increased efficiency of product managers.** Although data scientists and business analysts were the only groups currently experiencing efficiency gains, the customer shared that product managers would also begin seeing these benefits soon: “The product managers felt they would begin to save time once they configured and customized their specific dashboards more. They just are not there yet.”
- **Increased value-to-cost ratio at scale.** The customer shared that one of the core drivers of future value for their firm was Outlier’s business model. Because it charges per data integration rather than per seat, the customer could broadly provide Outlier at scale across various business groups and receive the associated efficiency gains in each group while not necessarily growing its costs. The customer said: “Our core focus moving forward is getting Outlier active in more business groups. Because you pay per integration, you get more value the more users there are.”

**“Whenever we introduce Outlier to a new team, we always hear back, ‘How can we get these six more people on it?’ Or ‘Can we add this data or that data?’ There are always requests for more — more users, and more data integrations. We’re taking all of that and figuring out how to prioritize a global rollout.”**

*Senior director of direct-to-consumer product sciences, retail*

- **Flexibility during times of crisis.** The customer emphasized how Outlier AI made their business more flexible specifically during the COVID-19 pandemic. The customer shared: “By watching customer behavior in Outlier, we were able to see how behaviors changed around the globe as the pandemic hit and were able to adjust our strategy accordingly in [regions] where the pandemic had not yet arrived or did so only recently.”

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

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Ctr	Total costs of licensing, implementation, training, and ongoing management	\$12,121	\$159,075	\$159,075	\$159,075	\$489,346	\$407,717
	Total costs (risk adjusted)	\$12,121	\$159,075	\$159,075	\$159,075	\$489,346	\$407,717

## TOTAL COSTS OF LICENSING, IMPLEMENTATION, TRAINING, AND ONGOING MANAGEMENT

**Evidence and data.** The customer reported experiencing the following costs associated with use of Outlier AI:

- **Licensing costs.** Licensing costs are determined by the number of data integrations the customer requests. These integrations represent the data sources or repositories that Outlier will access to generate insights. The cost per integration decreases as the number of integrations increases. The customer reported paying \$150,000 annually for its data integrations.
- **Planning and implementation costs.** The customer said the planning and implementation process was relatively simple: “We had planning, but it was really just Outlier introducing the tool to us. [Outlier] gave us three implementations to try, and we were getting insights in 10 minutes or so.” The full process to then roll out the data integrations and to provide access to the two teams took three FTEs a total of 16 hours to complete.
- **Time cost of training.** The customer said users were able to use and get value out of Outlier after about an hour of use. Other than this self-service, it required no formal training.

- **Ongoing management costs.** It takes one full-time employee approximately 30 minutes each week to manage Outlier on an ongoing basis.

**Modeling and assumptions.** Forrester estimates for the organization include:

- A total licensing cost of \$150,000 annually.
- A team of 3 FTEs at a fully burdened hourly rate of \$125 does 16 hours of planning and implementation.
- One hour to train each of the 63 end users at an average fully burdened hourly rate of \$88.
- One FTE managing Outlier AI on an ongoing basis for 30 minutes weekly at a fully burdened hourly rate of \$60.

**Risks.** The costs of Outlier AI will vary with:

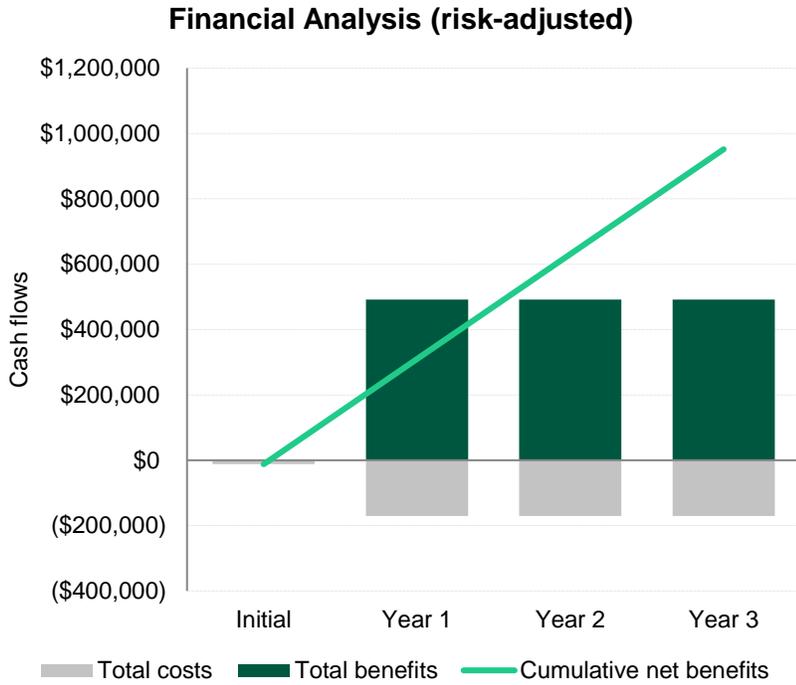
- The number of data integrations required.
- The fully burdened hourly rates of the FTEs involved in planning and implementation, training, and ongoing management.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$436,440.

Total Costs of Licensing, Implementation, Training, and Ongoing Management						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
C1	<b>Subtotal cost of licensing</b>			\$150,000	\$150,000	\$150,000
C2	Total person-hours to plan and implement	16 hours* 3 FTEs	48			
C3	Team member fully burdened hourly rate		\$125			
C4	<b>Subtotal cost of planning and implementation</b>	C2*C3	\$6,000			
C5	Total person-hours for training	1 hour* (A2+B2)	63			
C6	Average fully burdened rate per team member (showing rounded value)	(A3+B3)/2	\$88			
C7	<b>Subtotal time cost of training</b>	C5*C6	\$5,544			
C8	Total weekly person hours spent on ongoing management	0.5 hour per week*1 FTE		0.5	0.5	0.5
C9	Fully burdened hourly rate per FTE			\$60	\$60	\$60
C10	<b>Subtotal cost of ongoing management</b>	C8*50*C9		\$1,500	\$1,500	\$1,500
Ct	Total costs of licensing, implementation, training, and ongoing management	C1+C4+C7+C10	\$11,544	\$151,500	\$151,500	\$151,500
	Risk adjustment	↑5%				
Ctr	Total costs of licensing, implementation, training, and ongoing management (risk-adjusted)		\$12,121	\$159,075	\$159,075	\$159,075
<b>Three-year total: \$489,346</b>			<b>Three-year present value: \$407,717</b>			

# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the 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	(\$12,121)	(\$159,075)	(\$159,075)	(\$159,075)	(\$489,346)	(\$407,717)
Total benefits	\$0	\$491,938	\$491,938	\$491,938	\$1,475,813	\$1,223,376
Net benefits	(\$12,121)	\$332,863	\$332,863	\$332,863	\$986,466	\$815,659
ROI						200%
Payback						< 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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