

A Forrester Total Economic Impact™  
Study Commissioned By SAP  
June 2017

# The Total Economic Impact™ Of SAP Commerce Cloud (for B2B)

Cost Savings And Business Benefits Enabled  
By SAP Commerce Cloud (for B2B)

# Table Of Contents

<b>Executive Summary</b>	<b>1</b>
Key Findings	1
TEI Framework And Methodology	4
<b>The SAP Commerce Cloud Customer Journey</b>	<b>5</b>
Interviewed Organizations	5
Composite Organization	5
Key Challenges	6
Solution Requirements	6
Key Results	7
<b>Financial Analysis</b>	<b>8</b>
Benefit 1: Increased Net-New Revenue Due to Improving AOV	8
Benefit 2: Improved Margins Due to Reduction in Order Processing and Customer Acquisition Costs	10
Benefit 3: Improved Marketing / Ecommerce Team Productivity	11
Unquantified Benefits	12
Flexibility	13
Cost 1: License or Subscription Fees	14
Cost 2: Ongoing Costs	15
Cost 3: Initial Implementation Costs	16
<b>Financial Summary</b>	<b>18</b>
<b>SAP Commerce Cloud</b>	<b>19</b>
<b>Appendix A: Total Economic Impact</b>	<b>20</b>

**Project Director:**  
Anish Shah  
June 2017

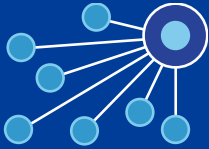
## ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit [forrester.com/consulting](http://forrester.com/consulting).

© 2017, Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to [forrester.com](http://forrester.com)

# Executive Summary

## Benefits And Costs



Increased Net-New Revenue due to Improving Average Order Value:

**\$15.9 million**



Improved margins due to Reduction in Processing Costs:

**\$7.1 million**



Increased Revenue through the Digital Channel by:

**50%**

SAP Hybris Commerce Cloud (for B2B), now part of SAP Commerce Cloud, provides the industry-leading commerce platform that enables organizations of all sizes to engage and transact with their customers via any digital and physical channels. Our commerce platform supports all go-to-market models, including B2C, B2B, and B2B2C. SAP commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying the SAP Commerce Cloud. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the SAP Commerce Cloud solution on their organizations.

SAP Commerce Cloud enables companies to deliver personalized digital commerce experiences. Our feature-rich and comprehensive commerce platform simplifies digital transformation, reduces TCO, and accelerates time-to-value which differentiates customer experiences and grows revenue. Interviewed organizations realized improved conversion rates and increased average order value from its customers by having the ability to provide customized pricing, deliver sophisticated merchandizing, incorporate increased analytics into insights, and promote more frequent and bulk ordering.

To better understand the benefits, costs, and risks associated with this investment, Forrester surveyed and interviewed 40 customers with years of experience using SAP Commerce Cloud. To reflect the Total Economic Impact that SAP Commerce Cloud could have on an organization, Forrester developed a composite or representative organization based on benefits and cost data gathered from the customer surveys and interviews. The composite organization profile is comprised of the characteristics of the companies Forrester surveyed and interviewed, and is used to present the aggregate financial analysis in this study.

Prior to using SAP Commerce Cloud, the composite organization delivered a large portion of their sales via account managers assigned to specific regions; however, each market had its own backend system for invoicing, collecting data, and processing orders. This made reconciliation between different systems a manual effort, and led to inconsistent user interface and experience for customers. Additionally, customers started expecting the composite organization to develop an Ecommerce platform to match the experience, usability, and features of B2C Ecommerce platforms.

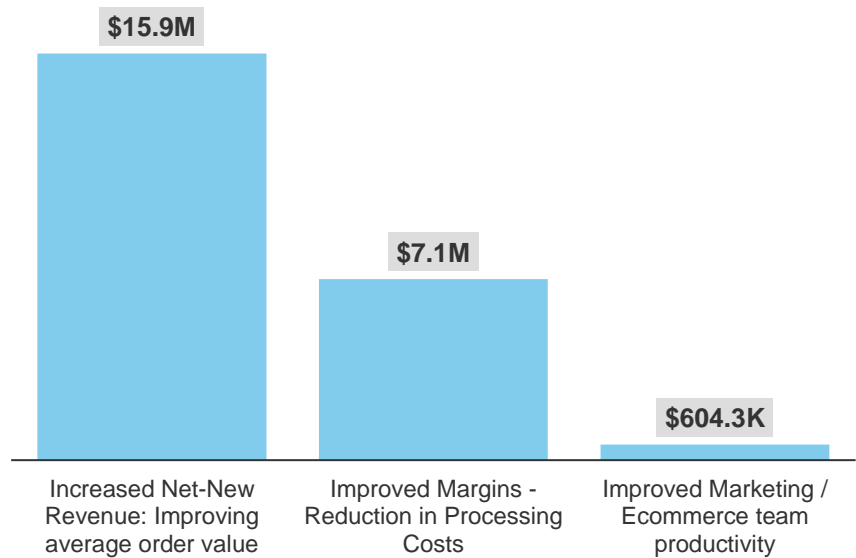
## Key Findings

**Quantified benefits.** The following risk-adjusted quantified benefits are representative of those experienced by the organizations surveyed and interviewed, and reflect the financial analysis associated with the composite organization. All values are reported in three-year Net Present Value (NPV):

- › **Improving Average Order Value (AOV), resulting in increased net-new revenue of \$15.9 million.** SAP Commerce Cloud created a seamless system interface across all product areas for their B2B clients. For example, B2B clients were now able to view past orders, automate recurring orders, and view recommended products. This benefit in effect resulted in improved AOV.

- › **Improving margins by reducing ordering processing costs by \$7.1 million.** The composite organization realized a 70% reduction of processing costs due to better system integration and increased sales via digital channels.
- › **Improved marketing / ecommerce team efficiencies, resulting in \$604k of productivity gains.** SAP Commerce Cloud pulls in data relatively quickly for updates to their many product Stock Keeping Units (SKUs), and this led to increased productivity of their marketing / ecommerce teams.

### Benefits (Three-Year)



**Unquantified benefits.** The interviewed organizations experienced additional benefits that were not quantified for this study due to lack of data. However, tracking the appropriate metrics would allow quantification of these additional benefits:

- › Improved customer experience and customer loyalty due to better and easier buying experience.
- › A centralized platform for all their B2B partners.
- › Improved data capture and facilitated data exchange with external systems.
- › Differentiation from other companies that do not offer digital channels.
- › Reduced IT costs by consolidating systems into one platform to manage B2B Commerce.
- › Improved ability to support multiple business models and synchronize all channels and markets resulting in improving sales.



**ROI**  
**307%**



**Benefits PV**  
**\$23.5 million**



**NPV**  
**\$17.7 million**



**Payback**  
**< 1 year**

**Costs.** The following risk-adjusted cost is representative of those experienced by the companies interviewed, and reflect the financial analysis associated with the composite organization. All values are reported in three-year NPV:

- › **License or subscription fees, totaling \$1.3 million.** These are based on the number of core processors using the SAP Commerce Cloud platform.
- › **Ongoing costs, totaling \$3.6 million.** The ongoing costs were modeled as 12 internal FTEs to support SAP Commerce Cloud, and ongoing professional services to maintain the solution.
- › **Initial implementation costs, totaling \$880k.** Implementation took 8 months for 20 staff at 30% utilization, with annual fully-burdened salaries of \$100,000 each, in addition to professional services totaling \$400,000.

Forrester's surveys and interviews with 40 existing clients and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of \$23.5 million over three years versus costs of \$5.8 million, adding up to a net present value (NPV) of \$17.7 million and an ROI of 307%.

The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

## TEI Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing SAP Commerce Cloud.

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 SAP Commerce Cloud can have on an organization:



### **DUE DILIGENCE**

Interviewed SAP Customer Experience stakeholders and Forrester analysts to gather data relative to SAP Commerce Cloud.



### **CUSTOMER INTERVIEWS**

Surveyed and interviewed 40 organizations using SAP Commerce Cloud or SAP Commerce Cloud for B2B to obtain data with respect to costs, benefits, and risks.



### **COMPOSITE ORGANIZATION**

Designed a composite organization based on characteristics of the interviewed organizations.



### **FINANCIAL MODEL FRAMEWORK**

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



### **CASE STUDY**

Employed four fundamental elements of TEI in modeling SAP Commerce Cloud's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

## DISCLOSURES

Readers should be aware of the following:

This study is commissioned by SAP Customer Experience 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 SAP Commerce Cloud.

SAP Customer Experience 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.

SAP Customer Experience provided the client names for the interviews but did not participate in the interviews.

# The SAP Commerce Cloud Customer Journey

## BEFORE AND AFTER THE SAP COMMERCE CLOUD INVESTMENT

### Interviewed Organizations

For this study, Forrester surveyed and interviewed 40 clients using SAP Commerce Cloud or SAP Commerce Cloud. Interviewed clients include the following:

INDUSTRY	REGION	INTERVIEWEE	Key Goals
Polymers	International Organization based in Europe	Senior Software Engineer	<ul style="list-style-type: none"><li>• Provide a centralized platform for all your B2B partners</li><li>• Improve customer experience</li><li>• Reduce operational costs</li></ul>
Biotechnology	International Organization based in Europe	Head of Digital Accelerator IT	<ul style="list-style-type: none"><li>• Improve user experience</li><li>• Streamline processing and order fulfillment</li></ul>
Ophthalmology	International Organization based in North America	Head of Global Digital	<ul style="list-style-type: none"><li>• Deliver increased revenue through digital channel</li><li>• Reduce integration and IT costs</li></ul>
Retail	Organization based in North America	Director of Customer Intelligence and Marketing Analytics	<ul style="list-style-type: none"><li>• Provide customers with personalized interface, navigation, and search capabilities</li><li>• Capture data and facilitate data exchange with external systems</li></ul>

### Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the 40 companies that Forrester surveyed and interviewed and is used to present the aggregate financial analysis in the next section. The composite organization that Forrester synthesized from the client surveys and interviews has the following characteristics:

- › **Description of composite.** The composite organization is an international organization based in North America, with \$1 billion in annual revenues and 200k customers. Prior to implementing SAP Commerce Cloud, each market had its own backend system for invoicing, collecting data, and processing orders; a large portion of their sales were delivered by account managers and sales reps within their specific regions. B2B organizations invest highly in field sales reps to make relationships and process orders, and the clients surveyed and interviewed are looking to taking that and transfer to an online environment similar to the B2C approach. The composite organization had an AOV of \$5k, with 30% of their revenue coming via their digital sales channel.



#### Key assumptions

200,000 customers

\$5000 AOV

30% revenue via digital sales channel prior to SAP Commerce Cloud

- › **Deployment characteristics.** The composite organization used SAP Commerce Cloud to create a consistent system interface across their functional products, allowing their B2B customers to experience a B2C customer experience (e.g., viewing past orders, automate recurring orders, view recommended products, etc.).

## Key Challenges

Prior to their investment in SAP Commerce Cloud, the composite organization had the following challenges:

- › Each market has its own backend system for invoicing, collecting data, and processing orders. This made for an overly complicated system, and there were missed opportunities to consolidate and act on customer data.
- › High training costs and challenges with customer relationship building due to sales team attrition.
- › Smaller B2B customers receiving a low frequency of touchpoints compared to the large B2B customers.
- › Managing cost of errors from the field service representatives (order entry, invoicing, etc.).
- › Inconsistent user interface and experience for customers.
- › Inconsistent content and pricing across all channels.
- › Bulky order management and fulfillment process.
- › Low customer loyalty and retention rates.
- › Inefficient and sluggish metrics availability to inform business decisions.

## Solution Requirements

The composite organization searched for a solution that could:

- › Provide a single, consolidated, and consistent platform for back-end processes.
- › Provide a B2C experience for their B2B clients.
- › Manage ecosystem of suppliers, distributors, and partners.
- › Provide a centralized platform for all their B2B customers and partners.
- › Ensure there is content and pricing consistency across all channels.
- › Streamline order management and fulfillment processes.
- › Reduce burden on internal resources to continually updated database with new product SKUs, features, and pricing.
- › Help reduce errors due to manual processes.
- › Improve margins and average order value of each sale.

“Our customers can now buy something when they need something. They do not have to wait for the sales rep to call and take their order. SAP Commerce Cloud makes it easy, convenient, and transparent for our customers to do business with us.”

*Head of IT Digital Accelerator,  
Biotechnology Company*



“We have been able to almost completely move away from manual invoicing due to SAP Commerce Cloud. This saves our resources time, reduces errors, and helps us deliver a better customer experience.”

*Software Engineer, Polymers  
Organization*





- › Capture data and facilitate data exchange with multiple internal and external systems.
- › Develop fast reporting and metrics to share results and make improved business decisions.

## Key Results

Key quantified results from the SAP Commerce Cloud investment for the composite organization include:

- › Increased net-new revenue due to improved AOV.
- › Improved margin due to reduced processing costs.
- › Increased productivity due to improved marketing / ecommerce team efficiencies.

“Hands down SAP Commerce Cloud provides the best B2B Ecommerce solution. It is analogous to what Amazon has done for the B2C market.”

*Director of Customer Intelligence and Marketing Analytics, Retail Company*



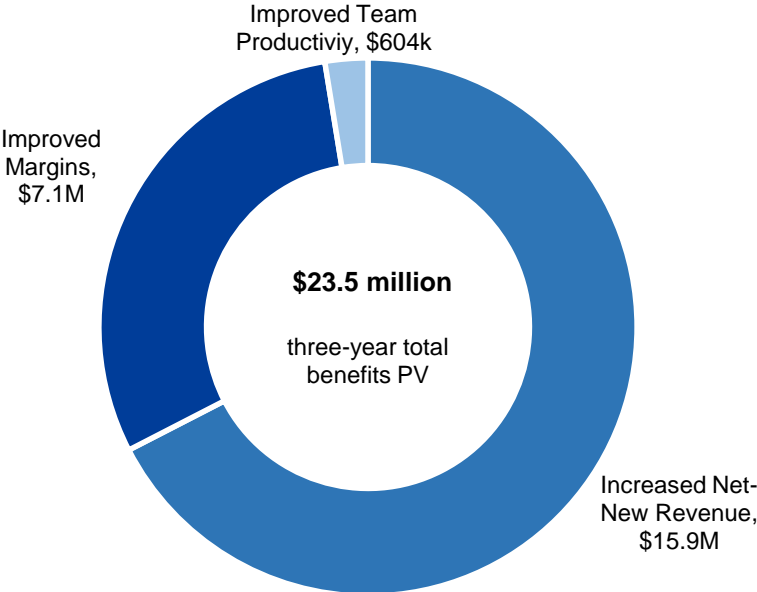
# Financial Analysis

## QUANTIFIED BENEFIT AND COST DATA AS APPLIED TO THE COMPOSITE

### Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Increased net-new revenue: improving average order value	\$6,375,000	\$6,375,000	\$6,375,000	\$19,125,000	\$15,853,681
Btr	Improved margins - reduction in processing and customer acquisition costs	\$2,835,000	\$2,835,000	\$2,835,000	\$8,505,000	\$7,050,225
Ctr	Improved marketing / Ecommerce team productivity	\$243,000	\$243,000	\$243,000	\$729,000	\$604,305
<b>Total benefits (risk-adjusted)</b>		<b>\$9,453,000</b>	<b>\$9,453,000</b>	<b>\$9,453,000</b>	<b>\$28,359,000</b>	<b>\$23,508,212</b>

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to have a PV of \$23.5 million.



### Benefit 1: Increased Net-New Revenue Due to Improving AOV

The interviewed organizations revealed that one of the goals in implementing SAP Commerce Cloud was to create a B2C experience for their B2B clients. For the composite organization, SAP Commerce Cloud created a seamless system interface across all product areas for their B2B clients. For example, B2B clients were now able to view past orders, automate recurring orders, and view recommended products. Promoting

bulk ordering, recurring orders, and identifying complementary products resulted in an improved AOV.

Customers interviewed and surveyed for this study noted an increase in the average order value (AOV) of sales from their investment in SAP Commerce Cloud. The AOV gains were driven by the following factors:

- › Promoting bulk ordering, recurring orders, and providing complimentary products to customer visits.
- › Improved ability to support multiple business models and driving consistency across all channels and markets.
- › Reduced reliance on relationship with account reps.

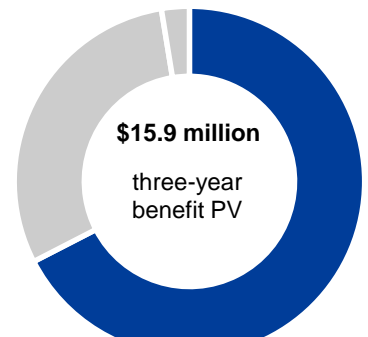
**For the composite organization, Forrester assumes:**

- › \$1 billion in annual revenue. For calculations, Forrester has kept the revenue constant. However, the interviewed organizations expect to realize a 10% YOY revenue growth rate.
- › 30% or \$300 million of revenue is generated through digital channels.
- › Prior to SAP Commerce Cloud, the composite organization estimates 60,000 orders through the digital channel at AOV of \$5,000 per order.
- › After SAP Commerce Cloud, the composite organization was able to see an increase in AOV by 5% or \$250 per transaction.
- › The composite organization attributes 50% of the increase in AOV to their investment in SAP Commerce Cloud.

**Increase in net-new revenue and AOV can be influenced by:**

- › The types of relationships with Account / Sales reps.
- › The geographic markets where the customers reside and the customer profiles and their affinity to purchase online.

To account for this, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of \$15.9 million.



**Increased net-new revenue due to improving AOV: 67% of total benefits**

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

## Increased Net-New Revenue: Improving Average Order Value Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Annual revenue	Client Interviews / Survey	\$1,000,000,000	\$1,000,000,000	\$1,000,000,000
A2	Number of orders	Client Interviews / Survey	200,000	200,000	200,000
A3	Average order value	Client Interviews / Survey	\$5,000	\$5,000	\$5,000
A4	Percentage of revenue through digital channel - prior to SAP Commerce Cloud	Client Interviews / Survey	30%	30%	30%
A5	Revenue through digital channel - prior to SAP Commerce Cloud	A1*A4	\$300,000,000	\$300,000,000	\$300,000,000
A6	Average number of orders through digital channel	Client Interviews / Survey	60,000	60,000	60,000
A7	Incremental increase in AOV with SAP Commerce Cloud	Client Interviews / Survey	5%	5%	5%
A8	Amount of revenue increase attributed to SAP Commerce Cloud	Client Interviews / Survey	50%	50%	50%
At	Increased net new revenue from improvement in AOV	A6*A7*A8	\$7,500,000	\$7,500,000	\$7,500,000
	Risk adjustment	↓15%			
<b>Atr</b>	<b>Increased net new revenue from improvement in AOV (risk-adjusted)</b>		<b>\$6,375,000</b>	<b>\$6,375,000</b>	<b>\$6,375,000</b>

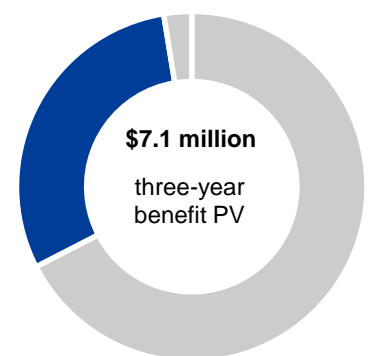
## Benefit 2: Improved Margins Due to Reduction in Order Processing and Customer Acquisition Costs

In addition to increasing AOV, SAP Commerce Cloud helped interviewed organizations drive an additional 50% of revenue from their digital sales channel. This results in improved margins as the digital sales channel has the following benefits:

- › **Lower order processing costs.** There are fewer defects and errors via the digital sales channel, faster integration with the backend databases, and overall better invoicing processes and timing.
- › **Lower customer acquisition costs.** The digital sales channel is easier for customers to find (e.g., via a web search), and it is easier for existing customer to refer prospective customers to a website.

### For the composite organization, Forrester assumes:

- › \$1 billion in annual revenue. For calculations, Forrester has kept the revenue constant. However, the interviewed organizations expect to realize a 10% YOY revenue growth rate.
- › 45% or \$450 million of revenue is generated through digital channel after investment in SAP Commerce Cloud.



Improved margins due to reduction in processing costs:  
**30% of total benefits**

- › Processing costs averaging 1% of the sale value, due to reconciliation with the backend system, processing and invoicing, and mistakes in field inputs.
- › SAP Commerce Cloud reduced processing costs by 70% due to better system integration and increased sales via digital channels.

**Increase in margin and reduced processing and customer acquisition costs can be influenced by:**

- › Differing initial processing costs.
- › Lower impact of cost reduction depending on existing backend configuration.

To account for this, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$7.1 million.

Improved Margins Due to Reduction in Processing and Acquisition Costs Calculation Table					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Annual Revenue	Client Interviews / Survey	\$1,000,000,000	\$1,000,000,000	\$1,000,000,000
B2	Percentage of revenue through digital channel - after SAP Commerce Cloud	Client Interviews / Survey	45%	45%	45%
B3	Average percentage attributed to processing and acquisition cost	Client Interviews / Survey	1%	1%	1%
B4	Reduction in processing and acquisition costs with SAP Commerce Cloud	Client Interviews / Survey	70%	70%	70%
Bt	Improved margins through reduction in processing and acquisition costs	$B1*B2*B4*B5$	\$3,150,000	\$3,150,000	\$3,150,000
	Risk adjustment	↓10%			
<b>Btr</b>	<b>Improved margins through reduction in processing costs (risk-adjusted)</b>		<b>\$2,835,000</b>	<b>\$2,835,000</b>	<b>\$2,835,000</b>

### Benefit 3: Improved Marketing / Ecommerce Team Productivity

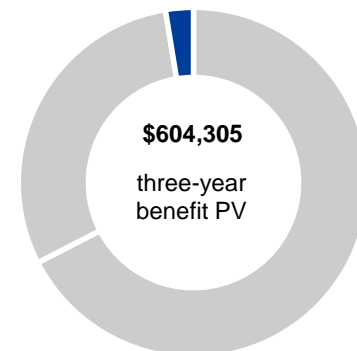
The composite organization maintained many product SKUs in their commerce database. New versions and pricing of these SKUs were frequently being rolled out, and each time there was an update the commerce database was manually updated and reconciled with the front-end platform. However, SAP Commerce Cloud pulls in data relatively quickly, and the composite organization found that this led to increased productivity of their marketing / ecommerce teams.

- › The composite organization saw a 30% improvement in productivity, and a 50% productivity capture factor (i.e., improved productivity applied to high-value activities) was applied to quantify this benefit.

The magnitude of this benefit may vary for other organizations due to:

- › Fully-burdened cost of marketing, ecommerce, and knowledge management resources.
- › Productivity improvement depending on existing state of database update and reconciliation.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$604,305.



Improved marketing / ecommerce team productivity: 3% of total benefits

**Improved Marketing / Ecommerce Team Productivity Calculation Table**

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Number of Marketing, Ecommerce, and Knowledge Management Resources	Client Interviews / Survey	24	24	24
C2	Average annual burden rate	Forrester Assumption	\$75,000	\$75,000	\$75,000
C3	Improved productivity of resources	Client Interviews / Survey	30%	30%	30%
C4	Productivity captured by organization	Forrester Assumption	50%	50%	50%
Ct	Improved Marketing / Ecommerce Team Productivity	$C1 * C2 * C3 * C4$	\$270,000	\$270,000	\$270,000
	Risk adjustment	↓10%			
<b>Ctr</b>	<b>Improved Marketing / Ecommerce Team Productivity (risk-adjusted)</b>		<b>\$243,000</b>	<b>\$243,000</b>	<b>\$243,000</b>

## Unquantified Benefits

Clients cited many unquantified benefits of SAP Commerce Cloud:

- › Improved customer experience and customer loyalty due to better and easier buying experience.
- › A centralized platform for all their B2B partners.
- › Improved data capture and facilitated data exchange with external systems.
- › Differentiation from those companies that do not offer digital channels.
- › Reduced IT costs by consolidating systems into one platform to manage B2B Commerce.
- › Improved ability to support multiple business models and synchronize all channels and markets resulting in improving sales.
- › Reduced cost of order errors with more accurate and flexible ordering process.



67% of survey respondents reported an improvement in customer experience due to SAP Commerce Cloud

## Flexibility

The value of flexibility is clearly unique to each client, and the measure of its value varies from organization to organization. There are multiple scenarios in which a client might choose to implement SAP Commerce Cloud and later realize additional uses and business opportunities, including:

- › **The addition of SAP Marketing Cloud.** Clients interviewed and surveyed for this study were already using or planned to use SAP Marketing Cloud. Those that add this product to their suite of applications benefit from the integrations with SAP back office systems, such as product and supplier information that enables smooth end-to-end customer service.
- › **The addition of SAP Sales and Service Cloud.** Several clients interviewed and surveyed for this study were already using or planned to use SAP Sales Cloud and / or SAP Service Cloud. Because this application for sales automation is based on the same platform as Service Cloud, it is very easy for organizations to use both. The combined platforms offer centralized access to customer and product data and enables both service and sales team members to take into account customer service issues or inquiries underway when selling to their customers and prospects.

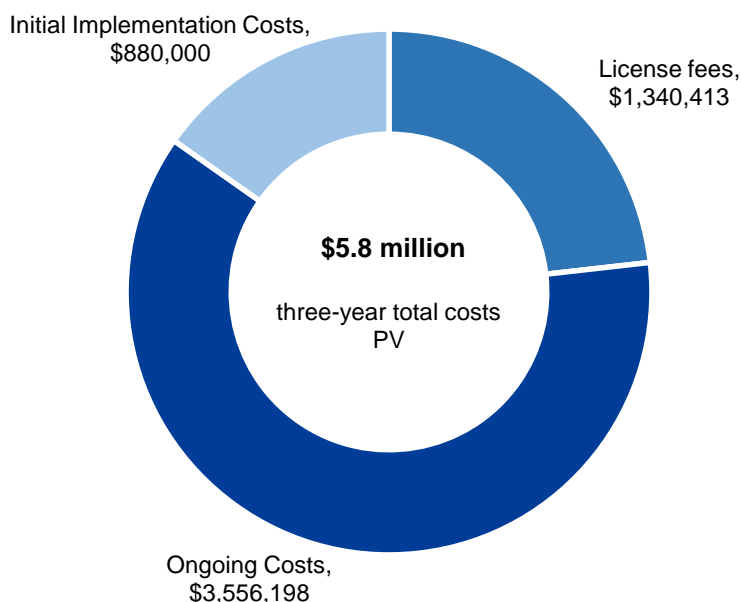
Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to so.

## Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Dtr	License or subscription fees	\$0	\$539,000	\$539,000	\$539,000	\$1,617,000	\$1,340,413
Etr	Ongoing costs	\$0	\$1,430,000	\$1,430,000	\$1,430,000	\$4,290,000	\$3,556,198
Ftr	Initial implementation costs	\$880,000	\$0	\$0	\$0	\$880,000	\$880,000
	<b>Total costs (risk-adjusted)</b>	<b>\$880,000</b>	<b>\$1,969,000</b>	<b>\$1,969,000</b>	<b>\$1,969,000</b>	<b>\$6,787,000</b>	<b>\$5,776,611</b>

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to have a PV of \$5.8 million.

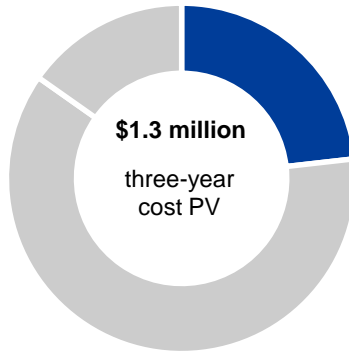


### Cost 1: License or Subscription Fees

- › The license fees for the composite organization is based on the number of core processors using the SAP Commerce Cloud platform.
- › These costs may vary based on number of cores utilized.
- › To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$1,340,413.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.





License/Subsription fees:  
23% of total costs

**License/Subsription Fees Calculation Table**

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
D1	Number of Core Processors Used	Client Interviews / Survey		14	14	14
D2	Yearly license cost per core processor	Client Interviews / Survey		\$35,000	\$35,000	\$35,000
Dt	License fees	D1*D2		\$490,000	\$490,000	\$490,000
	Risk adjustment	↑10%				
<b>Dtr</b>	<b>License fees (risk-adjusted)</b>		<b>\$0</b>	<b>\$539,000</b>	<b>\$539,000</b>	<b>\$539,000</b>

## Cost 2: Ongoing Costs

Interviewed and surveyed organizations identified several ongoing costs associated with the use of SAP Commerce Cloud. For the composite organization, these ongoing costs were modeled as:

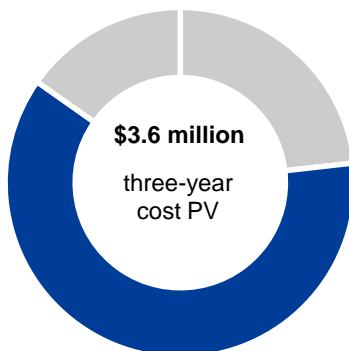
- › 12 internal FTEs to support SAP Commerce Cloud.
- › Ongoing professional services to maintain the solution.

These costs may vary due to the scope required for SAP Commerce Cloud support and maintenance or other organizations and their specific implementation.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$3,556,198.



**12 FTEs**  
spend 100% of their time on ongoing management of SAP Commerce Cloud



Ongoing costs:  
62% of total costs

## Ongoing Costs Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
E1	Number of internal FTEs supporting SAP Commerce Cloud	Client Interviews / Survey		12	12	12
E2	Average annual salary	Forrester Assumption		\$100,000	\$100,000	\$100,000
E3	Professional services	Client Interviews / Survey		\$100,000	\$100,000	\$100,000
Et	On-going costs	$E1 * E2 + E3$	\$0	\$1,300,000	\$1,300,000	\$1,300,000
	Risk adjustment	↑10%				
<b>Etr</b>	<b>On-going costs (risk-adjusted)</b>		<b>\$0</b>	<b>\$1,430,000</b>	<b>\$1,430,000</b>	<b>\$1,430,000</b>

### Cost 3: Initial Implementation Costs

Interviewed and surveyed organizations for this study reported initial implementation costs for the effective roll out of SAP Commerce Cloud. For the composite organization, the initial professional services fee paid to an implementation partner or to SAP Customer Experience was \$400,000. Those costs went to the effective integration of SAP Commerce Cloud with other back office and external applications. It also included the customization, testing and roll out of the application company-wide.

Implementation took 8 months for 20 staff at 30% utilization, with annual fully-burdened salaries of \$100,000 each.

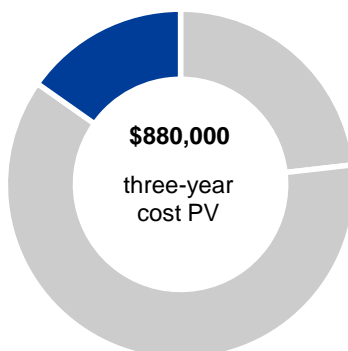
These costs may vary for other organizations due to:

- › Required external support for implementation.
- › Cost of internal support for implementation.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$880,000.



**Eight months**  
Total implementation  
and deployment time



Initial implementation costs:  
**15% of total costs**

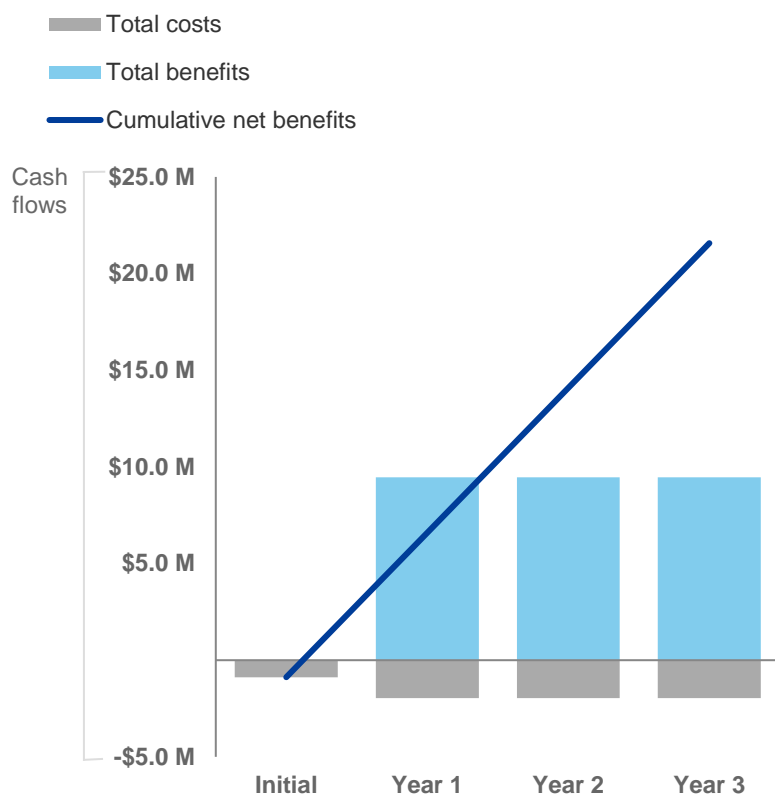
## Initial Implementation Costs Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	Professional services fees (Integration and Training)	Client Interviews / Survey	\$400,000	\$0	\$0	\$0
F2	Implementation Time (in Months)	Client Interviews / Survey	8	\$0	\$0	\$0
F3	Internal Support Resources (Developers, PMs, Analysts, Requirements)	Client Interviews / Survey	20	\$0	\$0	\$0
F4	Average Monthly Cost of support Resource	Forrester Assumption; \$100,000/y salary	\$8,333	\$0	\$0	\$0
F5	Percentage of time dedicated to implementation	Client Interviews / Survey	30%	\$0	\$0	\$0
Ft	Initial implementation costs	$F1+(F2*F3*F4*F5)$	\$800,000	\$0	\$0	\$0
	Risk adjustment	↑10%				
<b>Ftr</b>	<b>Initial implementation costs (risk-adjusted)</b>		<b>\$880,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

### Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

### Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$880,000)	(\$1,969,000)	(\$1,969,000)	(\$1,969,000)	(\$6,787,000)	(\$5,776,611)
Total benefits	\$0	\$9,453,000	\$9,453,000	\$9,453,000	\$28,359,000	\$23,508,212
Net benefits	(\$880,000)	\$7,484,000	\$7,484,000	\$7,484,000	\$21,572,000	\$17,731,600
ROI						307%
Payback period						< 1 year

# SAP Commerce Cloud

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

SAP Commerce Cloud offers a single, complete end-to-end commerce solution, which includes product content management, web content management, customer experience and order management capabilities. Our one commerce platform supports B2C, B2B, or B2B2C business models, eliminating complexities that come with having to implement separate solutions for each model, reducing TCO and increasing business agility.

## Single Platform

- Commerce, product content management, customer experience, order management and more are all included in SAP Commerce Cloud.
- All modules are an integral part of SAP Commerce Cloud; no integration among these modules are necessary.

## Business Agility

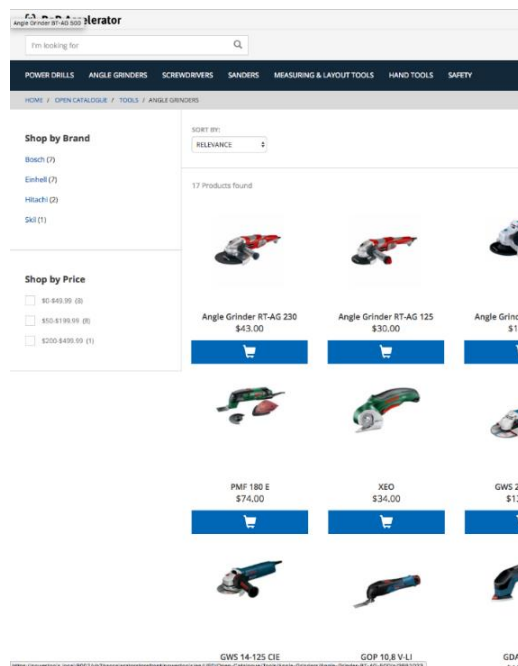
- Microservices for building innovated edge solutions and to extend the core commerce platform.
- Extensive ecosystem of partners who offer complementary microservices and apps built on microservices.

## Pre-built industry-specific capabilities

- Financial services accelerator
- Travel accelerator
- Telco and media accelerator
- Citizen engagement accelerator
- Utilities accelerator

## Single platform to support all business models

- Built-in capabilities to support B2C, B2B, and B2B2C such as account management, order management, catalogs, pricing, punch-out integration to procurement, etc.
- B2C accelerator
- B2B accelerator



## About SAP Customer Experience powered by SAP C/4HANA

SAP Customer Experience helps build trusted relationships between brands and their customers to unlock a new world of digital innovation, purpose-driven outcomes, and sustainable growth. Our solutions help you differentiate your business with simple, helpful, and personalized customer experiences (CX). Our fourth-generation customer relationship management (CRM) clouds can help you engage consistently with customers at every touchpoint – building trust and lifetime loyalty. Experience the fourth generation of CRM. Built for emerging business models, SAP C/4HANA brings together customer data, machine learning and microservices technology to power real-time customer experiences across sales, service, marketing, and commerce and beyond. [www.cx.sap.com/commerce](http://www.cx.sap.com/commerce)

# 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.

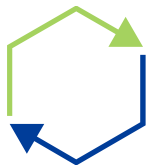
## Total Economic Impact Approach



**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.