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MAKING LEADERS SUCCESSFUL EVERY DAY

Prepared for Salesforce.com

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The Total Economic Impact Of Salesforce for Financial Services

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Executive Summary

In December 2007, Salesforce.com commissioned Forrester Consulting to examine the total economic impact and potential return on investment (ROI) enterprises may realize by deploying Salesforce for Financial Services (Salesforce). Salesforce for Financial Services is an on-demand Customer Relationship Management (CRM) solution specifically designed for the financial services industry. This study illustrates the financial impact of Salesforce at one *Organization that has asked to remain anonymous*: the commercial banking division of a large multi-billion dollar commercial bank holding company in the US.

In conducting in-depth interviews with the customer, Forrester found that this *Organization* achieved increased net sales and profits that were driven by time savings from sales activities, reporting activities, and administrative activities in addition to reduced costs from not supporting legacy applications.

Purpose

The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Salesforce for Financial Services on their organizations. Forrester's aim is to clearly show all calculations and assumptions used in the analysis. Readers should use this study to better understand and communicate a business case for investing in Salesforce.

Methodology

Salesforce.com selected Forrester for this project because of its industry expertise in customer relationship management and Forrester's Total Economic Impact™ (TEI) methodology. TEI not only measures costs and cost reduction (areas that are typically accounted for within IT) but also weighs the enabling value of a technology in increasing the effectiveness of overall business processes.

For this study, Forrester employed four fundamental elements of TEI in modeling Salesforce for Financial Services:

1. Costs and cost reduction
2. Benefits to the organization
3. Risk
4. Flexibility

Given the increasing sophistication that enterprises have regarding cost analyses related to IT investments, Forrester's TEI methodology serves an extremely useful purpose by providing a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

Approach

Forrester used a five-step approach for this study:

1. Forrester gathered data from existing Forrester research relative to Salesforce for Financial Services and the customer relationship management market in general.

2. Forrester interviewed Salesforce.com marketing and sales personnel to fully understand the potential (or intended) value proposition of Salesforce.
3. Forrester conducted a series of in-depth interviews with one *Organization* currently using the Salesforce solution.
4. Forrester constructed a financial model representative of the interviews. This model can be found in the TEI Framework section below.
5. Forrester populated the framework using data from the interviews and Forrester's industry estimates of costs (salaries, implementation costs, etc.) as applied to the *Organization*.

Key Findings

Forrester's study yielded three key findings:

- **ROI.** Based on the interviews with this *Organization*, Forrester constructed a TEI framework and associated ROI analysis illustrating the financial impact areas. As seen in Table 1, the ROI for the *Organization* interviewed is 177% with a breakeven point (payback period) of four months after deployment.
- **Benefits.** Forrester found that this *Organization* realized substantial benefits in the form of time savings from sales activities, reporting activities, and administrative activities. Additionally, this *Organization* expects to save from the cost avoidance of maintaining and supporting legacy applications. The total present value of risk-adjusted benefits for three years amount to \$7,288,788.
- **Costs.** Forrester learned that the key cost components of a Salesforce implementation are the annual license fees, internal implementation costs, professional service fees, and training costs. The total present value of risk-adjusted costs for three years amount to \$2,630,216, with the annual license fees making up 77% of the total costs.

Table 1 illustrates the risk-adjusted cash flow for the *Organization*, based on data and characteristics obtained during the interview process. Forrester risk-adjusts these values to take into account the potential uncertainty that exists in estimating the costs and benefits of a technology investment. The risk-adjusted value is meant to provide a conservative estimation, incorporating any potential risk factors that may later impact the original cost and benefit estimates. For a more in-depth explanation of risk and risk adjustments used in this study, please see the Risk section. (Note all values that appear in this document have been rounded to the nearest significant digit.)

Table 1: Organization ROI, Risk-Adjusted

Summary financial results	Risk-adjusted
ROI	177%
Payback period (months)	4
Total costs (PV)	\$2,630,216
Total benefits (PV)	\$7,288,788
Total (NPV)	\$4,658,572

Source: Forrester Research, Inc.

Disclosures

The reader should be aware of the following:

- The study is commissioned by Salesforce.com and delivered by the Forrester Consulting group.
- Salesforce.com reviewed and provided feedback to Forrester, but Forrester maintained editorial control over the study and its findings and did not accept changes to the study that contradicted Forrester's findings or obscured the meaning of the study.
- The customer name for the interviews was provided by Salesforce.com.
- Forrester makes no assumptions as to the potential return on investment that other organizations will receive. Forrester strongly advises that readers should use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Salesforce for Financial Services.
- This study is not meant to be used as a competitive product analysis.

About Salesforce for Financial Services: Overview

According to Salesforce.com, Salesforce for Financial Services is an on-demand relationship management solution used by more than 1,600 financial services organizations around the globe, in wealth management, insurance, capital markets, banking, and other segments of the financial services industry. Salesforce is:

- Very easy to use and highly customizable CRM application leads to outstanding user adoption.
- Integration of client information, market data, and transactional activity via the powerful Force.com platform.
- A unique choice of pre-integrated financial services apps via the AppExchange.
- A trusted on-demand partner for availability, performance, and security.

Salesforce CRM Application

According to Salesforce.com, its Salesforce CRM solution enables financial services professionals to manage all critical client information — from contact details to activity history — in one place. Customers give it positive reviews for its ease of use and its point-and-click customization capabilities.

Powerful Integration And Customization Capabilities With The Force.com Platform

To have a holistic view of clients, organizations need to pull transactional data into Salesforce from back-office systems and to customize their implementation. The on-demand Force.com platform provides organizations with a point and click interface to handle many types of customizations, workflows, or integration as required. It also provides the capability to have organizations write their own code for maximum flexibility and control. Additionally, with each new release of Salesforce, all of their integration and customization work is upgraded automatically.

The Unique AppExchange Marketplace For Financial Services Data And Tools

With the AppExchange, organizations can extend the power of Salesforce by installing pre-integrated applications and on-demand services — like portfolio analysis and tracking — all in a matter of clicks. Salesforce.com's broad ecosystem of partners, including financial services leaders like Dow Jones and Thomson, provide in-depth industry functionality that seamlessly integrates with Salesforce.com's CRM solution.

Built On A Trusted On-Demand Platform

Salesforce.com's solutions are built on a highly scalable, available, and secure infrastructure, that is trusted by the world's largest financial services institutions.

Analysis

As stated in the Executive Summary, Forrester took a multistep approach to evaluate the impact that implementing Salesforce for Financial Services (Salesforce) can have on this *Organization*:

- Interviews with Salesforce.com marketing and sales personnel.
- In-depth interviews with senior management executives of an *Organization* currently using Salesforce.
- Review and analysis with a Forrester analyst whose focus includes CRM tools.
- Construction of a financial framework around the implementation of Salesforce.

Interview Highlights

The *Organization* profiled in this case study is a large commercial bank holding company in the US. In January 2007, this *Organization* implemented Salesforce for Financial Services for its commercial banking division, which consists of 1,300 salespersons. The interviews with the *Organization* revealed the following:

- Prior to implementation, two legacy systems were used to capture, store, track, and analyze customer or vendor information.
- Because of the heterogeneous data and application environment, business-critical activities that took advantage of consolidated data such as corporate sales reporting, lead tracking, cross-selling across business lines, and promotion management and marketing required a significant amount of manual time and effort on a regular basis.
- The use of two separate legacy systems resulted in data inaccuracies and missing or incongruous information, which had a direct result in the *Organization's* inability to reach its long-term strategic sales productivity goals.
- The indirect costs to maintain and manage the legacy systems proved to be high and unacceptable.

Because of these drawbacks, the *Organization* evaluated several CRM applications to meet its strong need for a comprehensive and consistent sales management solution that better supports its strategic goals and high-level objectives and more effectively drives an immediate growth in profits from increased sales. The *Organization* selected Salesforce not only because it met most of its needs but also for the following reasons:

- Since Salesforce is an on-demand, and entirely software as a service (SaaS)-based Web-hosted application, Salesforce offered a cost-effective alternative to obtain the same benefits as internally-operated CRM systems without the associated complexity of maintaining such a system and the high costs to purchase additional hardware.
- Salesforce's highly customizable interface solution allowed the *Organization* to develop an "attractive and capable user interface" that would increase the chances of comprehensive usage and adoption throughout the division.
- Salesforce met the *Organization's* stringent network and application security requirements.

TEI Framework

Introduction

From the information provided in the in-depth interviews, Forrester constructed a TEI framework for those organizations considering implementation of Salesforce for Financial Services. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that impact the investment decision.

Framework Assumptions

Table 2 lists the discount rate used in the PV and NPV calculations and time horizon used for the financial modeling.

Table 2: General Assumptions

Ref.	General assumptions	Value
A1	Discount rate	10%
A2	Length of analysis	Three years

Source: Forrester Research, Inc.

Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their finance departments to determine the most appropriate discount rate to use within their own organizations.

In addition to the financial assumptions used to construct the cash flow analysis, Table 3 shows Forrester's industry salary assumptions used within this analysis. *(Note all values that appear in this document have been rounded to the nearest significant digit.)*

Table 3: Salary Assumptions

Ref.	Metric	Calculation	Value
A1	Hours per week		40
A2	Weeks per year		52
A3	Labor hours per year (M-F, 9-5)		2,080
A4	Operating hours per year	$(24 * 365)$	8,760
A5	Total annual salary of a sales person		\$105,000
A6	Hourly salary rate of a sales person	$(A5/A3)$	\$50.48
A7	Total annual salary of a business analyst		\$75,000
A8	Hourly salary rate of a business analyst	$(A7/A3)$	\$36.06
A9	Total annual salary of an IT support technician		\$65,000
A10	Hourly salary rate of an IT support technician	$(A9/A3)$	\$31.25

Source: Forrester Research, Inc.

Costs

Cost alone was not our primary concern, especially since a hosted approach limited our upfront costs. We knew the business had to grow, and we knew we needed this type of infrastructure to grow on.

— CIO

The key cost categories associated with this Salesforce implementation are: 1) software license fees; 2) labor costs associated with the internal team charged with training, change management, and system administration; 3) professional services fees for design and development of the solution; and 4) costs to deliver training to end users. The project is measured on a three-year basis. The following are the cost inputs to the financial analysis.

Software License Fees

Salesforce.com charges an annual per-user license for an implementation like the one described in this study that covers ongoing, seamless, unlimited upgrades and regular support and maintenance. Such a license provides the user with unlimited 24x7 connectivity to the application via a Web browser. For 1,300 users, the total annual cost of software license fees amounts to \$780,000 per year.

Internal Labor Implementation Costs

The *Organization* stated that an internal implementation team of 13 employees worked on a part-time basis in partnership with an external consulting firm to design and develop the implementation of Salesforce under particularly challenging contexts over the four-month period of the implementation. These challenges included:

- An extremely aggressive 16-week project schedule to meet a January 1, 2007, rollout deadline date.
- Standardization of reporting and activity tracking processes for 1,100 users across 13 states.
- Consolidation and migration of 300,000 records of data in multiple native formats from multiple legacy applications.
- Implementation of a structured approach to increase the adoption level for this new technology amongst the division's workforce.

The implementation team consisted of four business analysts, two data architects, one security analyst, two program managers, two sales managers, and two software developers. Using approximate time estimates as reported from the *Organization* and Forrester's estimate of average fully loaded compensation rates, the internal implementation costs amounted to \$28,000.

Table 4: Internal Labor Costs (Non-Risk-Adjusted)

Ref.	Metric	Calculation	Per period	Year 1	Year 2	Year 3	Total
A1	Business analysts		4				
A2	Hourly rate per business analyst	75,000/52/40	\$36.06				
A3	Hours	7 hrs/week*16 weeks	112				
A4	Project managers		2				
A5	Hourly rate per project manager	105,000/52/40	\$50.48				
A6	Hours	3 hrs/week*16 weeks	48				
A7	Other staff		7				
A8	Average hourly rate for other staff	65,000/52/40	\$31.25				
A9	Hours	2 hrs/week*16 weeks	32				
At	Internal implementation costs	(A1 * A2 * A3) + (A4 * A5 * A6) + (A7 * A8 * A9)	\$28,000				

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Ato	Total		(\$28,000)	\$0	\$0	\$0	(\$28,000)
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Source: Forrester Research, Inc.

Professional Service Fees

The *Organization* hired an external consulting company to co-design, implement, and deploy Salesforce. The *Organization* hired this consulting firm because of its niche experience and expertise in customizing and implementing large-scale CRM solutions like Salesforce.com at financial services institutions. The project team consisted of an engagement manager, a project manager, a technical architect, a data specialist, an adoption manager, and several business analysts and product engineers. This dedicated team worked in tandem with the internal implementation team hosted by the *Organization* on all phases of the implementation project and spent 25% of its time onsite. These services cost the *Organization* \$401,000.

Training Costs

To ensure a successful rollout, the *Organization* strategically invested in a well-defined post-implementation training program and follow-up activities. For two weeks, each of the 1,300 users were given approximately 4 hours of training in a workshop setting and handed study materials for later reference. Using average, fully loaded compensation estimates for all users, training costs in terms of lost productivity sum to \$237,500.

Table 5: Training Costs

Ref.	Metric	Calculation	Per period	Year 1	Year 2	Year 3	Total
A1	Number of employees		1,300				
A2	Hourly rate per employee	95,000/52/40	45.67				
A3	Hours per training session		4.0				
At	Costs to deliver training (in terms of lost productivity)	A1 * A2 * A3	237,500				
Ato	Total		(\$237,500)	\$0	\$0	\$0	(\$237,500)

Source: Forrester Research, Inc.

Total Costs

The costs described above are summarized in Table 6.

Table 6: Total Costs (Non-Risk-Adjusted)

Costs	Initial	Year 1	Year 2	Year 3	Total
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The Total Economic Impact Of Salesforce for Financial Services

Software license fees (including maintenance fees)		(780,000)	(780,000)	(780,000)	(2,340,000)
Internal implementation costs	(28,000)				(28,000)
Costs to deliver training (in terms of lost productivity)	(237,500)				(237,500)
Professional fees of technology implementation consulting firm	(401,000)				(401,000)
Total	(\$666,500)	(\$780,000)	(\$780,000)	(\$3,006,500)	(\$2,606,245)

Source: Forrester Research, Inc.

Benefits

Both the *Organization's* CIO and the Senior Vice President of the Commercial Banking division whom Forrester interviewed described the benefits that have accrued from the Salesforce implementation. Each interviewee described the most significant benefit of Salesforce as allowing salespersons, relationship managers, and product specialists to make more effective use of their time spent on routine sales, contact tracking, and reporting activities. As a result, the *Organization* witnessed each of the benefits described below and have been included as positive inputs to the financial analysis.

Time Savings In Sales Activities

The *Organization* reported salespersons throughout the division witnessed substantial time savings and increased productivity as a result of managing sales activities in Salesforce. Implementing Salesforce helped the *Organization's* sales team increase sales and service effectiveness at every stage of the sales cycle, from leads and opportunities management to fulfillment and invoicing. Salespersons were able to more efficiently track sales activities particularly across multiple business lines because Salesforce's capabilities to ensure that the right information gets to the right people at the right time.

The *Organization* estimates that Salesforce's ability to automate and streamline essential sales workflows saved each of the 1,100 salespersons at least an hour per week vs. manually achieving the same result through legacy processes and applications. To this, Forrester adds an additional conservative factor by including only 50% of that freed time in the benefit calculation, assuming that not all of the recovered time will be converted into actual productive time. Given Forrester's assumption of a fully loaded compensation rate of \$50 per hour for each salesperson, the time saved would calculate to an estimated value of \$1,332,692 annually.

Table 7: Time Savings In Sales Activities (Non-Risk-Adjusted)

Ref.	Metric	Calculation	Per period	Year 2	Year 3	Total
A1	Number of salespersons		1,100			
A2	Hourly rate per worker	105,000/52/40	\$50.48			
A3	Number of hours (saved)	(1 hr) * (48 wks)	48.0			

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A4	Percent captured		50%			
At	Time savings from sales activities	$A1 * A2 * A3 * A4$	\$1,332,692			
Ato	Total		\$1,332,692	\$1,332,692	\$1,332,692	\$3,998,077

Source: Forrester Research, Inc.

Additionally, the time savings in sales and pipeline management activities directly translated into increased sales growth and profits at the *Organization*. The *Organization* noted that because salespersons were able to spend more time on sales-oriented activities, it conservatively estimated a 20% increase in average year-on-year revenue growth figures as a direct result of the Salesforce implementation. However, in the interests of being conservative, Forrester did not include these revenue increases in its final estimate of benefits.

Time Savings In Reporting Activities

The *Organization* noted that Salesforce not only positively impacted salespersons but analysts as well. Prior to the implementation, one hundred business and management analysts throughout the *Organization* spent considerable time and effort to manually extract, collate, consolidate, and process data stored in heterogeneous systems. With Salesforce, it's easier to create sales activity and performance reports. Because it acts as a centralized repository for all sales-related data, Salesforce was able to provide analysts with the ability to easily access more accurate customer information quickly and generate customized reports and charts without manipulating the integrity of the underlying data.

Interviewees reported that each of the 100 analysts saved approximately 3 hours/week versus the previous manual and more time-consuming processes to generate an average of five reports per week. If Forrester assumes the hourly compensation rate for an analyst is \$36 and only 50% of the time saved is converted into productive use, then the time savings in reporting activities calculate to be \$259,615 annually. Presumably, the benefits of Salesforce as a platform for improved information visibility across the *Organization* could lead to even higher benefits, including enhanced financial control, improved forecasting, and in-depth business understanding. However, in the interests of being conservative, Forrester did not include this in its final estimate of benefits.

Table 8: Time Savings In Reporting Activities (Non-Risk-Adjusted)

Ref.	Metric	Calculation	Per period	Year 2	Year 3	Total
A1	Number of analysts		100			
A2	Hourly rate per worker	$75,000/52/40$	\$36.06			
A3	Number of hours (saved)	$(3 \text{ hrs}) * (48 \text{ wks})$	144.0			
A4	Percent captured		50%			
At	Time savings in reporting activities	$A1 * A2 * A3 * A4$	\$259,615			

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Ato	Total		\$259,615	\$259,615	\$259,615	\$778,846
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Source: Forrester Research, Inc.

Time Savings In Administrative Activities

Regardless of their role, all 1,300 users were reported by the *Organization* to have saved an hour per week because of Salesforce's automation of administrative activities traditionally carried out manually such as organizing contact information and managing daily responsibilities. To this, Forrester adds an additional conservative factor by including only 50% of that freed time in the benefit calculation, assuming that not all of the recovered time will be converted into actual productive time. Using Forrester's estimate of a fully loaded and weighted average compensation rate of \$49.28 per hour for each user, the time saved would calculate to an estimated value of \$1,537,500 annually.

Table 9: Time Savings In Administrative Activities (Non-Risk-Adjusted)

Ref.	Metric	Calculation	Per period	Year 2	Year 3	Total
A1	Number of users		1,300			
A2	Average hourly rate per employee	102,500/52/40	\$49.28			
A3	Number of hours (saved)	(1 hr) * (48 wks)	48.0			
A4	Percent captured		50%			
At	Time savings in administrative activities	A1 * A2 * A3 * A4	\$1,537,500			
Ato	Total		\$1,537,500	\$1,537,500	\$1,537,500	\$4,612,500

Source: Forrester Research, Inc.

Cost Avoidance Of Maintaining Legacy Applications

Implementing Salesforce eliminated the need for the *Organization* to continue maintaining two legacy applications that are no longer used. The *Organization* estimates the annual cost to maintain each of the applications was \$150,000. If only 75% of the savings were actually realized and reallocated to meeting other business costs, the total savings from not having to maintain legacy applications amounts to \$225,000 per year.

Table 10: Cost Avoidance Of Maintaining Legacy Applications (Non-Risk-Adjusted)

Ref.	Metric	Calculation	Per period	Year 2	Year 3	Total
A1	Number of assets		2			

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A2	Annual cost to maintain asset		\$150,000			
A3	Percent captured		75%			
At	Direct cost avoidance of maintaining legacy applications	$A1 * A2 * A3$	\$225,000			
Ato	Total		\$225,000	\$225,000	\$225,000	\$675,000

Source: Forrester Research, Inc.

IT Labor Savings In Overhead Of Supporting Legacy Systems

The *Organization* also witnessed labor savings from not having to support two applications replaced by Salesforce. This amounted to the fully loaded annual salaries paid to two full-time equivalent (FTE) support technicians, totaling \$130,000 per year.

Table 11: IT Labor Savings In Overhead Of Supporting Legacy Systems (Non-Risk-Adjusted)

Ref.	Metric	Calculation	Per period	Year 2	Year 3	Total
A1	Number of support techs (saved)		2			
A2	Annual salary per technician	\$65,000	\$65,000			
At	IT labor savings in overhead of supporting legacy systems	$A1 * A2$	130,000			
Ato	Total		\$130,000	\$130,000	\$130,000	\$390,000

Source: Forrester Research, Inc.

Other Benefits

The *Organization* described other ancillary benefits that did not necessarily translate into quantifiable cost savings or profit increases but nevertheless were important within the *Organization*. The *Organization* found the Salesforce user interface easy to customize at very little cost in time or effort, which allowed them to continually implement user comments and feedback regarding look and feel during implementation. The result of this is a nearly 95% user adoption rate, which the *Organization* reported was a significant improvement over its legacy applications.

Another such benefit is Salesforce's capability for online/offline synchronization, which allowed salespersons to use Salesforce while travelling to areas without Internet connection availability. The *Organization* was pleased by the level of data security and protection offered by Salesforce, which was a major concern for the *Organization* when choosing a CRM solution given the high degree of sensitive personal information within their customer database.

Total Benefits

The benefits described above are summarized in Table 12.

Table 12: Total Benefits (Non-Risk-Adjusted)

Benefits	Initial	Year 1	Year 2	Year 3	Total
Time savings from sales activities		1,332,692	1,332,692	1,332,692	3,998,077
Time savings in reporting activities		259,615	259,615	259,615	778,846
Time savings in administrative activities		1,537,500	1,537,500	1,537,500	4,612,500
Direct cost avoidance of maintaining legacy applications		225,000	225,000	225,000	675,000
IT labor savings in overhead of supporting legacy systems		130,000	130,000	130,000	390,000
Total		\$3,484,808	\$3,484,808	\$3,484,808	\$10,454,423

Source: Forrester Research, Inc.

Risk

Risk is the third component within the TEI model; it is used as a filter to capture the uncertainty surrounding different cost and benefit estimates. If a risk-adjusted ROI still demonstrates a compelling business case, it raises confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. The risk-adjusted numbers should be taken as “realistic” expectations since they represent the expected values considering risk. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates.

Forrester risk-adjusts cost and benefit estimates to better reflect the level of uncertainty that exists for IT projects in general and CRM implementations in particular. The TEI model uses a triangular distribution method to calculate risk-adjusted values. To construct the distribution, it is necessary to first estimate the low, most likely, and high values that could occur for each cost and benefit. The risk-adjusted value is the mean of the distribution of those points.

For example, in the case of the benefit calculation for time savings in sales activities (see Table 7 above), the \$1,332,692 annual benefit value used in this analysis can be considered the “most likely” value prior to risk adjustment. This benefit is based on the reported average time savings of an hour per week. However, this time saving can vary based on the actual number of hours a salesperson saves per week using Salesforce which, in turn, will be based on several factors, including the level of automation afforded by legacy systems and the amount of information a salesperson needs to track. Based on these factors, Forrester estimated that the actual time savings can range from a half hour to an hour per week. Applying a triangular distribution to this range, Forrester estimates that this benefit amounts to \$1,110,577 when risk-adjusted.

This method typically has the effect of increasing the cost estimates to take into account the fact that original cost estimates are more likely to be revised upward than downward, while it has the opposite effect on benefits — risk adjustments for benefits reduce the original benefit estimates — resulting in a conservative filter for financial assumptions. The end result is the risk-adjusted ROI is lower than the original ROI estimate.

The following tables show the values used to adjust for uncertainty in cost and benefit estimates. Different cost and benefit estimates have different levels of risk adjustments. Readers are urged to apply their own risk ranges based upon their own degrees of confidence in the cost and benefit estimates.

Costs

Software License Fees

Forrester assumes annual software license fees have been determined by contract, so no risk adjustment is applied.

Internal Labor Implementation Costs

Internal labor implementation costs can range from a low of \$23,385 to a maximum of \$45,154, with a most likely value of \$32,179. This variability is driven by the uncertainty in the number of hours that each member of the implementation team would need to allocate weekly to activities necessary for implementing Salesforce. The table below summarizes these differences in hours. Organizations with a highly complex data architecture and infrastructure or unsophisticated legacy environments should expect their internal labor hours to be closer to the high estimate, whereas those organizations with less complex systems and more mature legacy systems should experience internal labor hours to be closer to the low estimate.

Table 13: Risk Analysis Of Internal Implementation Hours

Role	Metric	Hours
Business analysts	Low Estimate	80
	Original Estimate	112
	High Estimate	160
Project managers	Low Estimate	48
	Original Estimate	48
	High Estimate	80
Other staff	Low Estimate	32
	Original Estimate	32
	High Estimate	64
Total	Low Estimate	160
	Original Estimate	192
	High Estimate	304

Source: Forrester Research, Inc.

Professional Service Fees

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Forrester assumes third-party consulting firm fees have been determined by contract, so no risk adjustment is applied.

Training Costs

The risk in estimating the training costs stems from the number of hours needed to train (and retrain) a prospective user until he or she is confident and excited about actively using the system. The *Organization* delivered 4 hours of training per user. Forrester estimates that a typical organization should consider delivering 3 to 6 hours of training, depending on how well users' expectations are managed throughout the implementation project and the innate cultural bias towards adopting (or not adopting) new technology projects. For this cost category, Forrester risk-adjusted costs upward by 8%.

Total Costs

Taking into account the risk associated with each cost category, Forrester has assigned the following risk adjustments to the original cost estimates.

Table 14: Cost Risk Adjustments

Cost	Risk-adjustment
Software license fees	100%
Internal labor implementation costs	115%
Professional services	100%
Training costs	108%

Source: Forrester Research, Inc.

The three-year risk-adjusted costs are summarized in the following table.

Table 15: Total Risk-Adjusted Costs

Costs	Initial	Year 1	Year 2	Year 3	Total	Present value
Software license fees (incl. maintenance fees)		(780,000)	(780,000)	(780,000)	(2,340,000)	(1,939,745)
Internal implementation costs	(32,179)				(32,179)	(32,179)
Costs to deliver training (in terms of lost productivity)	(257,292)				(257,292)	(257,292)
Professional fees of technology implementation consulting firm	(401,000)				(401,000)	(401,000)

The Total Economic Impact Of Salesforce for Financial Services

Total	(\$690,471)	(\$780,000)	(\$780,000)	(\$780,000)	(\$3,030,471)	(\$2,630,216)
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Source: Forrester Research, Inc.

Benefits

Time Savings In Sales Activities

Time savings in sales activities is highly dependent on the number of hours a salesperson saves per week managing sales activities using Salesforce. Organizations migrating from an environment with no formal CRM system or a basic legacy application with poor adoption rates should expect their salespersons to save an hour or more per week.

Time Savings In Reporting Activities

Time savings in reporting activities is highly dependent on the number of hours an analyst saves per week generating management reports using Salesforce. Organizations migrating from an environment with no formal CRM system or one that is substantially basic in comparison to Salesforce should expect their analysts to save 3 or more hours per week, whereas those organizations with a formal legacy CRM system should expect their analysts to save only 2 hours per week.

Time Savings In Administrative Activities

Time savings in administrative activities is highly dependent on the number of hours a user saves per week managing routine activities and tasks using Salesforce. Organizations migrating from an environment with no formal CRM system or one that is substantially basic in comparison to Salesforce should expect users to save an hour or more per week, whereas those organizations with a formal legacy CRM system should expect users to save only a half hour per week.

Cost Avoidance Of Maintaining Legacy Applications

The risk adjustment of this benefit is based entirely on how quickly the *Organization* was able to phase out the use and maintenance of the legacy applications. Forrester believes the *Organization* may have continued to maintain the legacy applications for six months after the deployment of Salesforce to accommodate users who were slow to adopting the new technology. During this time, the *Organization* may have paid some fractional cost to maintain the legacy applications.

IT Labor Savings In Overhead Of Supporting Legacy Systems

The risk adjustment of this benefit area also depends on how quickly the *Organization* was able to phase out the use and maintenance of the legacy applications. Forrester believes the *Organization* may have continued to maintain the legacy applications for six months after the deployment of Salesforce to accommodate users who were slow to adopting the new technology. During this time, the *Organization* may have needed a single full-time equivalent (FTE) support technician to support the use of this legacy application throughout the *Organization*.

Total Benefits

Taking into account the risk associated with each benefit category, Forrester has assigned the following risk adjustments to the original benefit estimates.

Table 16: Benefit Risk Adjustments

Benefits	Risk-adjustment
Time savings from sales activities	83%
Time savings in reporting activities	89%
Direct cost avoidance of maintaining legacy applications	89%
IT labor savings in overhead of supporting legacy systems	83%
Time savings in administrative activities	83%

Source: Forrester Research, Inc.

The three-year risk-adjusted benefits are summarized in the following table.

Table 17: Total Risk-Adjusted Benefits

Benefits	Initial	Year 1	Year 2	Year 3	Total	Present value
Time savings from sales activities		1,110,577	1,110,577	1,110,577	3,331,731	2,761,840
Time savings in reporting activities		230,769	230,769	230,769	692,308	573,889
Direct cost avoidance of maintaining legacy applications		200,000	200,000	200,000	600,000	497,370
IT labor savings in overhead of supporting legacy systems		108,333	108,333	108,333	325,000	269,409
Time savings in administrative activities		1,281,250	1,281,250	1,281,250	3,843,750	3,186,279
Total		\$2,930,929	\$2,930,929	\$2,930,929	\$8,792,788	\$7,288,788

Source: Forrester Research, Inc.

Flexibility

Flexibility, as defined by Forrester’s TEI methodology, represents an investment in additional capacity or capability today that could be turned into future business benefits for some future additional cost. Flexibility benefits typically increase with the scalability of the technology investment. Flexibility provides an organization with the “option” or the ability to engage in future initiatives but not the obligation to do so.

Salesforce is designed to act as a centralized platform that can be used to build and host virtually any kind of business application and closely integrate its functionality into Salesforce’s interface. This platform allows developers to not only create add-on applications from a large selection of pre-integrated and customizable applications that are available via Salesforce.com’s AppExchange service but also to develop their own in-house applications on top of Salesforce.com’s hosted platform. This benefit provides the *Organization* with an entirely new application infrastructure that allows all hosted applications to share a common security model, data model, and user interface. Because of this, Forrester believes that the range of flexibility options available to an organization is only limited by what it can do with more accurate and consolidated data and a technical platform that allows the *Organization* to build any application in shorter development and implementation time. “We’ve now got a platform that’s... broadly accessible and readily configurable for us to rollout new capability. This is one reason [why] I championed bringing Salesforce.com in,” noted the CIO interviewed for this study. The *Organization* is currently considering extending Salesforce to administer and manage marketing campaigns. The *Organization’s* short-term future plans are to use the platform to build additional applications that automate and streamline back-end bank workflow processes.

For the *Organization*, these flexibility options do not promise immediate benefits and likely will be captured later. The existence of the option to capture these benefits has a present value that can be estimated, and calculating this value using the industry standard Black-Scholes option pricing model would require inputs that were not available in the course of this study. Forrester therefore has not included the value of these options in this study’s ROI calculations. These future optional benefits exist in addition to the risk-adjusted benefits described in this analysis.

TEI Framework: Summary

Considering the financial framework constructed above, the results of the costs, benefits, risk, and flexibility sections using the representative numbers can be used to determine a return on investment, net present value, and payback period. Table 18 shows the summary of the non risk-adjusted values for the *Organization*.

Table 18: Summary Financial Results — Non-Risk-Adjusted Estimates

Summary financial results	Original estimate
ROI	233%
Payback period (months)	3
Total costs (PV)	\$2,606,245
Total benefits (PV)	\$8,666,201
Total (NPV)	\$6,059,956

Source: Forrester Research, Inc.

Table 19 below shows the risk-adjusted values, applying the risk adjustment method indicated in the Risks section and the adjustments from Tables 14 and 16 to the numbers in Tables 15 and 17 respectively.

Table 19: Summary Financial Results — Risk-Adjusted Estimates

Summary financial results	Risk-adjusted
ROI	177%
Payback period (months)	4
Total costs (PV)	\$2,630,216
Total benefits (PV)	\$7,288,788
Total (NPV)	\$4,658,572

Source: Forrester Research, Inc.

It is important to note that values used throughout the TEI Framework are based on in-depth interviews with the *Organization*. Forrester makes no assumptions as to the potential return that other organizations will receive within their own environment. Forrester strongly advises that readers use their own estimates within the framework provided in this study to determine the expected financial impact of implementing Salesforce for Financial Services.

Study Conclusions

Forrester's in-depth interviews with Salesforce for Financial Services' customer (*Organization*) yielded several important observations. Forrester found that the *Organization* will realize substantial benefits in the form of time savings from sales activities, reporting activities, and administrative activities. These benefits are likely to increase net sales and profit earnings. Additionally, this *Organization* can expect to save from the cost avoidance of maintaining and supporting legacy applications.

Based on information collected from the *Organization*, Forrester calculated a three-year risk-adjusted ROI of 177% with a payback period of four months. All final estimates are risk-adjusted to incorporate potential uncertainty in the calculation of costs and benefits.

For the *Organization*, the very favorable risk-adjusted ROI and payback period raises confidence that an investment in Salesforce is likely to succeed since the risks that may threaten the project have already been taken into consideration and quantified.

Forrester makes no assumptions regarding the effects of Salesforce at other organizations. This study examines the potential impact attributable to the *Organization* that participated in the study. The underlying objective of this document is to provide guidance to technology decision-makers seeking to identify areas where value can potentially be created by using Salesforce.com's solution.

Appendix A: Total Economic Impact™ Overview

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.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility. For the purpose of this analysis, the impact of flexibility was not quantified.

Benefits

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

Costs

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the forms of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

Risk

Risk measures the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: the likelihood that the cost and benefit estimates will meet the original projections and the likelihood that the estimates will be measured and tracked over time. TEI applies a probability density function known as “triangular distribution” to the values entered. At a minimum, three values are calculated to estimate the underlying range around each cost and benefit.

Flexibility

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point in time. However, having the ability to capture that benefit has a present value that can be estimated. The flexibility component of TEI captures that value.

Appendix B: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Although the Federal Reserve Bank sets a discount rate, companies often set a discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their organization to determine the most appropriate discount rate to use in their own environment.

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.

Present value (PV): The present or current value of (discounted) cost and benefit estimates given an interest rate (the discount rate). The PV of costs and benefits feed into the total net present value of cash flows.

Payback period: The breakeven point for an investment, or the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Return on investment (ROI): A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

A Note On Cash Flow Tables

The following is a note on the cash flow tables used in this study. The "initial cost" column contains expenses incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in Years 1 through 3 are discounted using a discount rate at the end of the year. Present value (PV) calculations are calculated for each total cost and benefit estimate. Net present value (NPV) calculations are not calculated until the summary tables and are the sum of the initial investment and the discounted cash flows in each year.

Appendix C: About The Project Team

Bob Cormier, Principal Consultant

Bob Cormier is a principal consultant for Forrester's TEI practice. He specializes in advising clients on the TEI framework — a service that helps organizations to make decisions about the overall financial value of IT strategies and investments.

Bob came to Forrester through its acquisition of Giga Information Group and has more than 20 years of experience in the IT and consulting industries. Prior to joining Giga, he held senior-level positions at two leading eBusiness consulting firms, ZEFER and Cambridge Technology Partners. Bob has successfully led company efforts to optimize financial, operational, and resource planning activities, incorporating leading-edge professional service automation (PSA) applications and enterprise resource planning (ERP) systems. He has also held management positions at Digital Equipment and Anixter International.

Bob earned a B.S. in business from the University of New Hampshire and an M.B.A. from Bentley College. As an adjunct professor, he has taught finance and economics courses for more than 10 years at Southern New Hampshire University and Daniel Webster College.

Amit Diddee, Consultant

Amit Diddee is a consultant with Forrester's Total Economic Impact (TEI) consulting practice. The TEI methodology focuses on measuring and communicating the value of IT and business decisions and solutions as well as providing a business case based on the costs, benefits, flexibility, and risk of investments. Amit specializes in developing complex financial analytic models and decision-support systems to help clients solve business challenges around financial justification of investments.

Amit's past experience spans a wide variety of industries and functional areas. Amit came to Forrester from the Monitor Group, where he advised top Fortune 500 companies on high-profile projects focused on corporate and growth strategy, marketing and sales, IT, and performance improvement. Prior to the Monitor Group, Amit worked at EMC implementing process improvement projects to increase customer satisfaction levels and business productivity. He was also a senior technical analyst at Business Forecast Systems, where he provided demand management and supply chain consulting services.

Amit holds a B.S. in neuroscience and psychology from Brandeis University and a M.S. in computer science with a concentration in knowledge discovery and data mining from Worcester Polytechnic Institute.