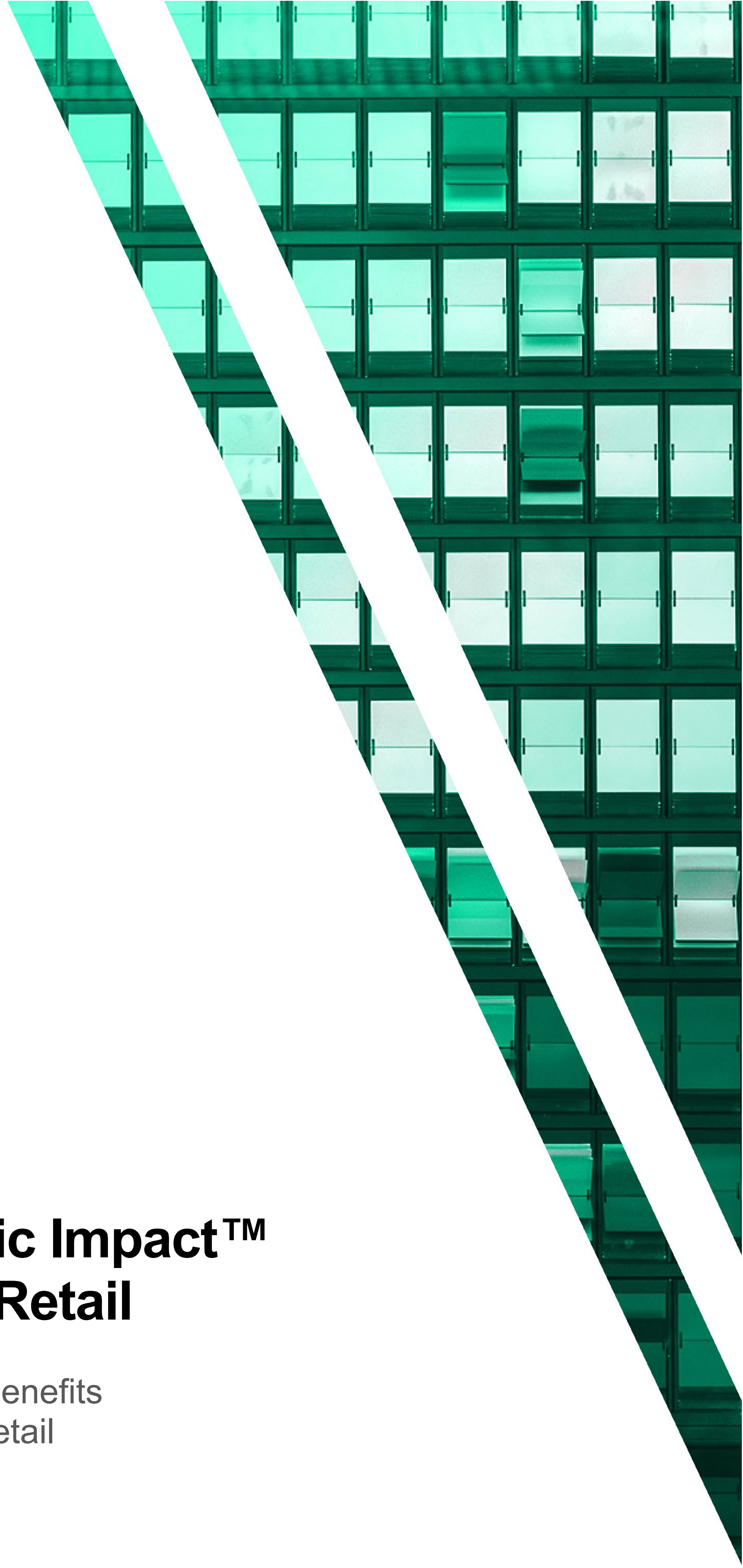
FORRESTER®



# The Total Economic Impact™ Of Salesforce For Retail

Cost Savings And Business Benefits Enabled By Salesforce For Retail

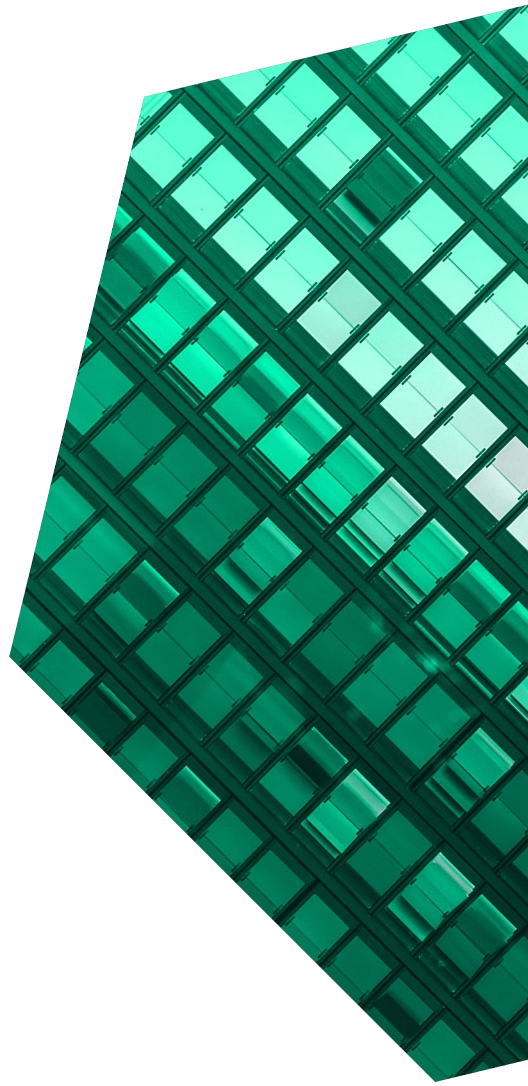
**SEPTEMBER 2022**

A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY COMMISSIONED BY SALESFORCE

*Consulting Team: Veronica Iles*
*Kara Luk*

# Table Of Contents





**ABOUT FORRESTER CONSULTING**

Forrester provides independent and objective research-based consulting to help leaders deliver key transformation outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute on their priorities using a unique engagement model that tailors to diverse needs and ensures lasting impact. For more information, visit forrester.com/consulting.

# Executive Summary

Today's customers look for and buy experiences, not simply products. Digital technology offers retailers a toolkit to engage customers with new and enhanced experiences.[1] Salesforce helps retailers acquire and engage loyal customers, build seamless commerce experiences, deliver connected and consistent service, and transform retail store operations.

In 2022, after more than two years of adapting to life in a pandemic, expectations of both online and in-store buying experiences have risen. More than ever before, retailers, must be nimble and savvy to respond quickly to changing needs and behaviors of consumers or risk falling behind. Consumers' expectations now include seamless options for both contactless shopping (curbside pickup, contactless payments) and hybrid e-commerce models (click and collect, hyperlocal delivery). To keep up, retailers must invest in people, process, and technology to create seamless and consistent shopping experiences across all customer touchpoints.

Salesforce enables retailers to create great experiences by providing a unified view of the customer across marketing, service, and commerce.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five representatives using Salesforce. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization: a retailer with $500 million in annual revenues.

**KEY STATISTICS**

Return on investment (ROI)
**257%**

Net present value (NPV)
**$22.61M**

**KEY FINDINGS**

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

- **Customer service agents provide consistent and connected service by using a single source of customer truth.** With Salesforce Service Cloud, the organization provides services to customers before, during, or after a purchase. By providing customers with self-service options, the composite organization deflects up to 28% of cases. During order servicing, a unified customer profile enabled agents to create better experiences by delivering seamless customer service. Service flows help agents streamline information collection, reducing manual data entry after each call. Over three years the service efficiencies are worth $10.5 million to the composite organization.

- **Loyal customers make three additional purchases annually, driving revenue growth.** Improvements to service and the implementation of Marketing Cloud enable the composite organization to send personalized calls to action through web, email, and mobile channels to acquire loyalty program members. Members make an additional three purchases per year. Over three years, the 607,500 new loyalty program members drive $9.5 million in incremental profit.

- **Unlocked customer insights, personalization, and business process automations drive marketing efficiencies.** The composite organization uses Salesforce to bring together disparate data sources and capture new data to create a complete profile of the customer so they could make their communications more personalized and relevant. Marketers improved targeting, refined segmentation, and removed manual process to improve marketing efficiency, which are worth more than $7.8 million to the composite organization over three years.

- **Decreased legacy tech stack management.** Moving to a SaaS platform enabled the composite to consolidate and decommission legacy tools and infrastructure and reallocate maintenance IT headcount away from maintaining status quo and towards innovative IT projects. Over three years, the SaaS environment savings are worth $3.5 million to the composite.

- **Increased omnichannel revenue with commerce and flexible fulfillment options.** In-store pickup creates upsell opportunities. The increased profit is worth more than $20,000 to the composite organization by the third year.

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

- Customers experienced better data integrity.
- Sales Cloud and Mobile App use cases empowered sales teams.
- Data insights fueled improvements to inventory and ordering efficiencies.
- Offering digital tools to partners empowered partner sales teams.
- New functionalities experienced a 50% faster time to market.
- In-store associates created better customer experiences.
- Firms reacted quickly to market changes during the COVID-19 pandemic.

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

- **External costs to Salesforce and partners.** Salesforce subscriptions, add-on product licenses, and professional services efforts total $6.3 million over three years.

- **Internal implementation and ongoing management costs.** Internal labor related to implementation and ongoing management, maintenance, and optimization efforts total $2.3 million over the three-year study period.

- **Training and change management costs.** Salesforce training for technical and business users as well as change management costs to aid adoption total $147,000 over three years.

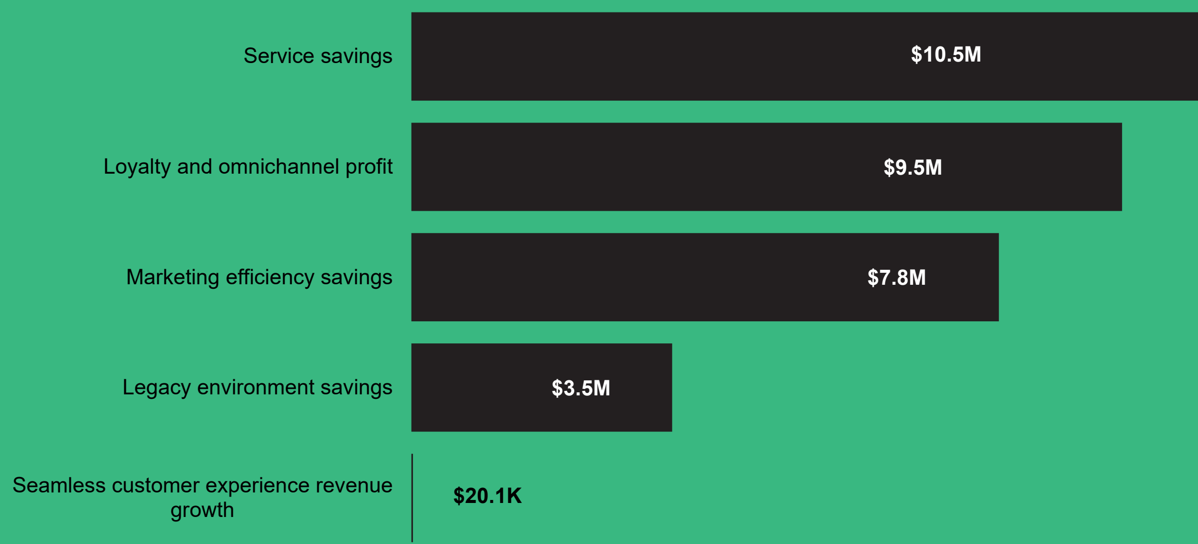
**Summary.** The representative interviews and financial analysis found that a composite organization experiences benefits of $31.3 million over three years versus costs of $8.8 million, adding up to a net present value (NPV) of $22.6 million and an ROI of 257%.

ROI
**257%**

BENEFITS PV
**$31.3M**

NPV
**$22.6M**

**Benefits (Three-Year)**




**"We're in the business of selling shoes, not writing software. Salesforce has singularly empowered us to sell more shoes than any other technology in this building, period."**

— VP, consumer technology and innovation, footwear

## TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Salesforce for Retail.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Salesforce can have on a retail organization.

### DUE DILIGENCE

Interviewed Salesforce stakeholders and Forrester analysts to gather data relative to Salesforce for Retail.

### INTERVIEWS

Interviewed five representatives at retail organizations using Salesforce to obtain data with respect to costs, benefits, and risks.

### COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' organizations.

### FINANCIAL MODEL FRAMEWORK

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

### CASE STUDY

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

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Salesforce and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Salesforce for Retail.

Salesforce reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

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

# The Salesforce For Retail Customer Journey

Drivers leading to the Salesforce for Retail investment

| Interviews | | | | |
|---|---|---|---|---|
| **Role** | **Industry** | **Region** | **Employees** | **Size** |
| VP of consumer technology and innovation | Footwear | United States | 4,700 | $1.3 billion revenue<br>400 stores |
| CRM director | Footwear | United States | 10,000 | $1 billion revenue<br>450 stores |
| Head of brand communications | Sporting goods | United States HQ, AMER, and Australia operations | 500 | $300 million revenue |
| Senior technology director | Furniture | United States HQ, global operations | 350 | $200 million revenue |
| Chief financial officer (CFO) and Chief marketing officer (CMO) | Luxury goods | EMEA HQ, global operations | 275 | $200 million revenue<br>20 stores |

## KEY CHALLENGES

Interviewees noted how their organizations struggled with common challenges in their prior environments, including:

### Legacy Tool Pain Points

- **Legacy tools were neither built to provide seamless service nor designed with a customer-first approach.** As customer and employee expectations for frictionless brand interactions kept rising, legacy tools were not flexible enough to keep up. The CFO of a luxury goods organization said: "[Our legacy tool] was painful and it didn't help the store employees conduct business with customers. It took up to half an hour to conclude a sale in the store because there were a lot of manual elements and a lot of back-end work on the orders."
- **Maintenance of legacy solutions had become a problem for IT and business users.** Interviewees used a combination of SaaS and on-premises solutions before the Salesforce investment. The on-premises infrastructure created technical debt and placed high demands on the IT teams. The VP of consumer technology and innovation at a footwear company said: "We were using [our legacy tool] on-prem. We had hardware investments and were responsible for the infrastructure, so there was a lot of overhead and a lot of legacy IT. All those things were a drain on us from both a people and capex standpoint."
- **Innovation was limited because IT was focused on maintaining status quo.** The retailers' IT teams were focused on keeping legacy solutions operational and had very little time to upgrade, experiment, or support organizationwide innovation efforts. The VP of consumer technology and innovation at a footwear company said, "Development was spent on keeping the turtle from flipping over on Black Friday or Cyber Monday instead of adding new functionality to the site."
- **Legacy tools lacked security features and put data integrity into question**. Interviewees also had concerns about the security of their legacy tools. The CFO of the luxury goods organization noted that there were insufficient controls over entry fields, which led to store associates editing fields that should not have been available to them. The CFO said: "[The legacy tool] was open so it was possible for store associates to make changes in the figures, orders, and costs of

goods sold, etc. It was not secure." As the information within the system could not be relied upon, it put the organization at risk of making poorly informed decisions and raised the risk of data privacy issues.

### Process Pain Points

- **Legacy email marketing strategies were not data driven.** Interviewees noted that COVID-19 was a major driver of digital transformation to keep up with the changing needs of customers. For marketers, the legacy environment lacked the access to customer data or the depth of insights needed to effectively personalize and engage customers. The CRM director of a footwear organization said: "We were not doing a lot of segmentation. We were blasting emails out to all our active and nonengaged people. We were hitting people hard with email without much strategy." Although communication volume was high, it was ineffective. The CRM director added, "We were getting blacklisted by [email recipients] because of the sheer number of times we were hitting people. We weren't using any methodology around our engagement; we were just constantly barraging people."

- **Legacy service methods lacked visibility and data insights.** Interviewees noted that their legacy customer service processes, technologies, and organizational structures were not creating a differentiated customer experience. More painfully, legacy service teams were not logging cases and had no holistic view of the customer interaction with the brand. The senior technology director at a furniture organization said: "Before [Salesforce], we didn't have a process to log a case for every customer contact and we had no visibility into what the root causes driving phone calls were. We didn't know what we could do better."

- **Legacy sales system created a clunky employee experience.** Instead of enabling store associates to enhance the customer experience and operate more efficiently, the legacy technology hindered associates. The CFO of a luxury goods company said: "One of our problem areas was how our employees interacted with the [legacy] system. We wanted to make it simpler for them." The legacy solutions lacked native mobile capabilities and were too cost-prohibitive to develop themselves.

> **"It had to be global, it had to be used across multiple brands, it had to work with our existing systems and integrate across the business."**
>
> *Head of brand communications, sporting goods*

## WHY SALESFORCE?

The interviewees searched for a solution that would accelerate digital transformation, be a platform for growth and enable a 360-degree view of the customer. After evaluating several options, interviewees cited the following reasons for selecting Salesforce for Retail:

- **The platform connects customer touchpoints.** Interviewees touted the value of Salesforce as an enterprise platform, with solutions across sales, marketing, service, and beyond. With one platform serving the needs of many business functions, interviewees hoped to break down silos and create better customer experiences. The head of brand communications at a sporting goods company said: "We needed digital infrastructure that worked across the entire enterprise. We were looking at how to engage with our customers from service to commerce and into our sales experience. There's only a handful of enterprise tools that can be used across the business and Salesforce is the leader. It was a good choice for us."

- **Salesforce showed dedication to retailers' success.** Technology investments require changes to people, process, and technology. Education, change management, and the assistance of the technology vendor can be critical for organizations to reap the promised benefits of the investment. Salesforce's partnership and commitment to ongoing customer success was a key reason for selecting the platform. The head of brand communications of a sporting goods company said: "One of the reasons we decided on Salesforce was their level of service and support when it came to adopting the tool. You're only as successful as your knowledge and implementation of Salesforce. One of the things I noticed about Salesforce very, very early on is their dedication to customer success."

- **The platform has best-in-class features and functionality and enables strategic transformation**. When decision-makers selected Salesforce, it was for feature function and capabilities, but more importantly it was because Salesforce has a strategy and a vision for how the platform can transform their organization. The VP of consumer technology and innovation at a footwear organization said, "It was not a conscious decision to put all of our eggs in one basket necessarily, but through the course of our due diligence, it just came out that Salesforce was really a leader in all of those areas."

- **The platform unlocks data and insights to help organizations put customers first.** Interviewees noted that their prior environment tools were disconnected, which made it difficult, if not impossible, to have a single view of the customer. Decision-makers selected Salesforce for Retail because it is built with the customer at the center. The CFO of a luxury goods organization said, "We started to look for a more holistic view of our customers that was based on a true customer-first or customer-centric solution."

> **"Salesforce is an awesome partner. I've worked with multiple software vendors in my career, and Salesforce is by far the most top-notch for my sales and customer success teams. They have done well to partner with us and make sure we're successful."**
>
> *Senior technology director, furniture*

## COMPOSITE ORGANIZATION

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

**Description of composite.** The $500 million B2C retailer sells small widgets online and in 400 stores. Approximately 80% of sales are conducted in-store. The composite has 4,000 store associates (approximately 10 associates per store), 100 back-office staff, and 50 dedicated customer service agents.

The composite organization has a strong brand, national operations, and a large customer base. The average value of a purchase is $150.

**Deployment characteristics.** The composite organization deploys three major Salesforce clouds over three years: Service Cloud, Marketing Cloud, and Commerce Cloud.

**Key Assumptions**

- **$500 million annual revenues**
- **4,0000 store associates**
- **50 service agents**
- **400 stores**

# Analysis Of Benefits

Quantified benefit data as applied to the composite

| Total Benefits | | | | | | |
|---|---|---|---|---|---|---|
| **Ref.** | **Benefit** | **Year 1** | **Year 2** | **Year 3** | **Total** | **Present Value** |
| Atr | Service savings | $2,827,656 | $4,233,060 | $5,893,992 | $12,954,708 | $10,497,236 |
| Btr | Loyalty and omnichannel profit | $151,875 | $3,037,500 | $9,112,500 | $12,301,875 | $9,494,755 |
| Ctr | Marketing efficiency savings | $0 | $4,847,472 | $5,114,340 | $9,961,812 | $7,848,655 |
| Dtr | Legacy environment savings | $739,080 | $1,405,440 | $2,198,160 | $4,342,680 | $3,484,922 |
| Etr | Seamless customer experience revenue growth | $0 | $0 | $26,791 | $26,791 | $20,129 |
| | Total benefits (risk-adjusted) | $3,718,611 | $13,523,472 | $22,345,783 | $39,587,866 | $31,345,697 |

### SERVICE SAVINGS

**Evidence and data.** Customer service is a cornerstone of CX strategy and is the ability to provision services to customers — via either self-service or an interaction with a contact center agent — before, during, or after a purchase. Done well, customer service is a key moment for retailers to create a differentiated experience.

**Investment Objective: Deliver Connected And Consistent Service**

Interviewees noted that with Salesforce Service Cloud, they had a seamless end-to-end tool that was better connected to transactional data and customer history, enabling service agents to consistently deliver high-quality interactions.[3] Measurements of success included:

- **Deflections to self-service lowered service agent case volume.** Intelligent automations and knowledge articles put relevant case information in the hands of customers which enabled them to resolve simple queries without ever speaking with a service agent. The head of brand communications at a sporting goods company said: "The team has seen a big drop in cases. If you sent an email or a contacted us on social, before we had to say, 'Call this number — we'll get your address; we'll process this over the phone.' Now we have this system finder on our site, and we know exactly what [product] they have. We can automatically send a link, whether it's through email, through social, or through text messages, and then they can go online and purchase that item."

- **Customer 360 streamlined customer service delivery across channels.** A unified customer profile enabled agents to create better experiences by delivering seamless customer service. Before Salesforce, service agents juggled multiple disconnected systems to piece together an understanding of a customer's interactions with the organization, creating friction and delays when resolving cases. The senior technology director at a furniture company said: "Now everything is in Salesforce, so whether a customer buys on the website, they call in, or they buy it on Amazon, it's all collated within Salesforce. When a customer calls up, [agents] can see the full history of every interaction."

- **New data collection processes resulted in better reporting and analytics.** Salesforce enabled customer service agents to create and manage cases in response to customer queries, leading to new data points. The senior technology director of a furniture company said: "Before Salesforce, agents weren't tracking every call that came in. After they answered somebody's question they would just hang up. Now we have much more robust reporting and analytics. Now we have better visibility into our pipeline, our forecast, and how our customer experience team is doing from a CSAT perspective and how quickly are we answering questions."

- **Visibility into interactions revealed good or bad customer experiences.** With the information at hand to track every customer interaction and methods to measure customer satisfaction, interviewees had a more sophisticated way to understand their brand's health and measure how happy customers were. The head of brand communications at a sporting goods organization said: "We look at our brand health in terms of looking at customer experience. Now, we can know pretty quickly that the customer is having a good or bad time interacting with us. That's where Service Cloud comes in."

- **Insights into case trends led to more permanent resolutions.** With newly available insights into case trends, the organizations were able to solve issues on a wider scale and invest efforts where the improvements would matter most. The senior technology director at a furniture organization described, "Salesforce has given us more visibility into the cause that are driving our phone calls and where we can get better."

**"Our goal was to build a 360-degree view of the customer and have it all better connected — everything from sales and marketing to commerce. Having it all together allows us to have a better understanding of our customers, be able to support them better by having all their information in one spot, and gives us better business insight."**

*Senior technology director, furniture*

**Modeling and assumptions.** Based on the decision-makers' experiences, Forrester assumes the following about the composite organization:

- The composite begins its Salesforce implementation with Service Cloud and starts to realize service-driven benefits in the first year of the analysis.

- The customer service department fields 6.5 million cases each year.

- Cases deflected to self-service total 4%, 15%, and 28% in Years 1, 2, and 3, respectively.

- Each deflected case saves $3.44.

- Of the remaining cases that are not resolved through self-service, 80% are handled through telephony. In the legacy environment, each telephony interaction required 2 minutes of post-call administration to recreate information between multiple disconnected systems. This effort is avoided by inflow data collection and automations.

- The average agent cost per minute is $0.33.
- Forrester attributes 75% of the value of this benefit as a direct result of the Salesforce investment.

**Risks.** Forrester recognizes that these results may not be representative of all experiences. The impact of this benefit will vary depending on the following:

- Number of cases
- Time and effort invested into self-service automations for customers
- The amount of time spent by agents in the legacy environment on post-call administration
- The value allocated to an agent's time.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $10.5 million.

## Service Savings

| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
|---|---|---|---|---|---|
| A1 | Number of cases | Composite | 6,500,000 | 6,500,000 | 6,500,000 |
| A2 | Percentage of cases deflected to self-service | Forrester custom research | 4% | 15% | 28% |
| A3 | Avoided cost for self-service | Forrester custom research | $3.44 | $3.44 | $3.44 |
| A4 | Subtotal: case deflection savings | A1*A2*A3 | $894,400 | $3,354,000 | $6,260,800 |
| A5 | Number of remaining cases | A1* (1-A2) | 6,240,000 | 5,525,000 | 4,680,000 |
| A6 | Percentage of remaining cases handled through telephony | Composite | 80% | 80% | 80% |
| A7 | Number of minutes of post-call administration avoided with Salesforce | Forrester custom research | 2.0 | 2.0 | 2.0 |
| A8 | Agent cost per minute (rounded) | TEI standard | $0.33 | $0.33 | $0.33 |
| A9 | Subtotal: post-call administration savings | A5*A6*A7*A8 | $3,294,720 | $2,917,200 | $2,471,040 |
| A10 | Attribution to Salesforce | Assumption | 75% | 75% | 75% |
| At | Service savings | (A4+A9) *A10 | $3,141,840 | $4,703,400 | $6,548,880 |
| | Risk adjustment | ↓10% | | | |
| Atr | Service savings (risk-adjusted) | | $2,827,656 | $4,233,060 | $5,893,992 |
| | **Three-year total: $12,954,708** | | | **Three-year present value: $10,497,236** | |

## LOYALTY AND OMNICHANNEL PROFIT

**Evidence and data.** Loyalty programs help retailers identify and collect rich data about their best customers to reward, recognize, and retain them. Retailers leverage loyalty programs to identify their most engaged customers, collect behavioral and preference data, and incentivize incremental purchases. On average, loyalty rewards program members in the US and Canada spend $99 more with traditional and online retailers than nonmembers within a typical three-month period.[4]

### Investment Objective: Acquire And Engage Loyal Customers To Drive Omnichannel Revenue Growth

The interviewees shared the following examples of how Salesforce enabled revenue growth.

- **Acquisition of new customers was a major growth engine.** Interviewees noted that Salesforce empowered them to think beyond the typical marketing brief to focus on building more interesting relationship propositions that extend customer lifetime value and build loyalty. One example: asking customers to provide an email address for early access to new products as a value exchange. The CMO of the luxury goods organization said, "[Salesforce] has enabled us to focus more on building relationships, acquiring new customers, and driving new prospects into our own channels."
- **Building (or expanding) a loyalty program increased repeat and larger purchasing behavior.** Interviewees tapped into Salesforce Marketing Cloud Engagement to help visualize and develop loyalty across the customer lifecycle. The CFO at the luxury goods organization said: "We think about this investment as a loyalty strategy, not just a digital advertising strategy. We are thinking about the consumer's journey all the way from purchase to post-sale to repurchase — which is so often forgotten by retailers — through services. And we are creating ambassadors and loyalists."
- **Using loyalty member insights, retailers offered more in-demand products.** Relationship-driven data and feedback from loyalty program members helped the retailers improve product development and offer a better product. The head of brand communications of a sporting goods store said: "The [loyalty] program is at the core of our direct business. We use it as a window into our core customers' lives so that we can be a better retailer and put something on the shelf that we know they'll like."
- **Retailers increased opportunities through creating intentional calls to action.** Revenue development sits at the critical juncture between marketing and sales, and as a result, it has a profound impact on revenue creation capability and productivity. The CFO of a luxury goods organization said: "When we talk about lead generation, it is people that have, through a call to action, signed up to receive a catalog or have booked a test in-store. Once they have given us

> **"With the capture of email addresses, we can talk to a greater percentage of our base. And with the ability to target segments in a relative way, we increase the order value of a loyalty transaction, we increase the average number of units that they buy, and we also increase the frequency of how many times a year they purchase."**
>
> *CRM director, footwear*

their name and contact details, we can continue to contact them, and our contact base for new fresh potentials has increased dramatically."

- **Retailers used Customer 360 to holistically communicate with customers.** Consumers access the internet on an average of 12.3 devices, platforms, and channels. And then there are phone, mail, and in-person interactions with brands. The customer profile is the foundation for generating insights, sharing data across functions, gaining visibility and reach into preferred touchpoints, and measuring performance.[5] Interviewees used Marketing Cloud to improve their messaging strategies, understand what channels are the best fit for customers, and improve the customer experience.

**Modeling and assumptions.** Based on the decision-makers' experiences, Forrester assumes the following about the composite organization:

- The composite organization has a small loyalty program of 150,000 loyalty members before the Salesforce investment.
- In the first year with Salesforce, the Service Cloud investment leads to a 5% increase in loyalty program members.
- In Year 2, the composite invests in Salesforce Marketing Cloud and intentionally drives loyalty program growth through personalized calls to action. In Year 2, the composite grows the loyalty program by 100%, and in Year 3, by 300%. With Marketing Cloud, the organization is able to activate the customer insights to drive incremental purchases with more personalized offers through all communication channels.
- Non-loyalty program customers make an average of 1.5 purchases each year. A loyalty program member makes three more purchases each year, for an average of 4.5 times per year.
- The composite has a $150 average order value.
- Forrester assumes that the increase in loyalty program members and the increase in purchase frequency can be attributed to Salesforce at a rate of 50%. This reflects that innumerable macro- and microeconomic factors impact these KPIs.

**Risks.** Forrester recognizes that these results may not be representative of all experiences. The impact of this benefit will vary depending on:

- Size of the legacy environment loyalty program, if any, and the number of loyalty program members acquired after the investment in Salesforce.
- Actual consumer behaviors and trends around purchasing frequency, basket size, and customer lifetime value.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $9.5 million.

> **"Meeting shoppers where they are means we have an omnichannel presence. We use Salesforce and the family of apps to connect the dots, so our customers can shop, connect with us, and engage with us on their own terms, no matter where they are."**
>
> *Head of brand communications, sporting goods*

| Loyalty And Omnichannel Profit | | | | | |
|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Year 1** | **Year 2** | **Year 3** |
| B1 | Loyalty program members before Salesforce investment | Composite | 150,000 | 150,000 | 150,000 |
| B2 | Growth of loyalty program members after Salesforce investment | Interviews | 5% | 100% | 300% |
| B3 | Incremental new loyalty program members | B1*B2 | 7,500 | 150,000 | 450,000 |
| B4 | Additional purchases made by loyalty program members | Interviews | 3.0 | 3.0 | 3.0 |
| B5 | Average order value of nonloyalty transaction | Composite | $150 | $150 | $150 |
| B6 | Incremental revenue from loyalty program members | B3*B4*B5 | $3,375,000 | $67,500,000 | $202,500,000 |
| B7 | Attribution to Salesforce | Assumption | 50% | 50% | 50% |
| B8 | Profit margin | Composite | 10% | 10% | 10% |
| Bt | Loyalty and omnichannel profit | B6*B7*B8 | $168,750 | $3,375,000 | $10,125,000 |
| | Risk adjustment | ↓10% | | | |
| Btr | Loyalty and omnichannel profit (risk-adjusted) | | $151,875 | $3,037,500 | $9,112,500 |
| | **Three-year total: $12,301,875** | | **Three-year present value: $9,494,755** | | |

## MARKETING EFFICIENCY SAVINGS

**Evidence and data.** Marketing leaders are increasingly expected to create personalized experiences for their customers, meet customers where they are, anticipate customer needs, and enable great customer experiences throughout the buying process. A customer 360 understanding is key to delivering on these mandates.

### Investment Objective: Personalize Customer Interactions Through Data Visibility

With Salesforce, interviewees gained insights with data analytics, drove marketing efficiencies, and improved brand consistency. The interviewed decision-makers shared examples of this impact:

- **Gained a 360-degree view of the customer.** With customer data shared between sales, marketing, and service and across the Salesforce platform, the retailers gained a holistic view of their customers. The CRM director of a footwear organization said, "My goal has been to create a holistic view of our customer by being able to bring together not just disparate data resources but [also] mined and paid data sources to create a holistic customer profile to be more personalized and relevant when we target for marketing."
- **Gained real-time data visibility and ability to agilely react to new insights.** Interviewees always had access to some level of customer data and insights but were challenged by the time delay of the information and manual nature of collecting and manipulating data. Salesforce helped interviewees automatically track important operational metrics as well as customer satisfaction (CSAT) for the first time. With real-time, better data, marketing teams were able to react more quickly to insights and make better decisions about where to invest marketing dollars.
- **Enabled marketers to use Tableau for data visualizations.** Many of the interviewed decision-makers noted that a legacy environment pain point was a lack of data intelligence. By using Salesforce, and specifically Tableau, decision-makers gained access to actionable insights and could make data-driven decisions that improved business operations. The CMO of a luxury goods organization said: "The business had no measurement of any marketing activities, no return on investment, no understanding of the expenditures. We've gone from ad hoc communications to using Tableau to build reports to understand the metrics along the digital diagnostics. Now we can see what is working. We are able to optimize, leverage, and think through consumer journeys. "
- **Automated manual efforts and consolidated low-level tasks.** Removing manual data tracking and automating marketing insights enabled retailers to reallocate headcount to higher-value tasks. The CRM director of a footwear organization said, "[Marketing Cloud] enabled me

> **"We have data scientists who now have access to all the data sitting in environments where they can manipulate it to create segments. They needed a more powerful tool like Tableau to be able to visualize that data in a way that's not just 'column, row, column, row, column, row' reports."**
>
> *VP of consumer technology and innovation, footwear*

to consolidate two people into one production specialist who does all of the building for our two brands." The retailers also built business process automation to move away from analog efforts. The senior technology director at a furniture retailer said: "We worked to automate the follow-up process for our sales team by creating an automation where they place a call, leave a voicemail, and then in three days, they have a report that shows who they need to call that day. Before Salesforce, they managed follow-ups in a spreadsheet."

- **Realized additional synergies by having multiple Marketing Cloud components.** In an era when teams are highly conscious of their spending, marketers must make sure they are effectively using available tools and resources. The CRM director of a footwear organization said: "We utilize a lot of the tools that are within Marketing Cloud. We have Advertising Studio, Email, SMS. We use Journey Builder and Content Builder. Having all of those things connected and working well with each other makes a big difference."

- **Better collaboration between marketing and sales with Salesforce Marketing Account Engagement.** Collaboration between sales and marketing enabled by using a single platform was beneficial for interviewees. The senior technology director at a furniture organization said: "We have visibility into what marketing is doing, and since we have [Marketing Cloud Account Engagement], sales can easily see the emails that are going out, and they're able to partner with the marketing team more easily. Marketing will send out an email, and then when it gets opened, the sales team calls to follow up on that email."

**"We take every order from every store every day, and we take every customer (whether we know them or not), and we shove it into Salesforce. But it isn't just a sea of data — we do a lot of advanced segmentation and predictive analytics with our transactional data."**

*VP of technology and innovation, footwear*

**Modeling and assumptions.** Based on the decision-makers' experiences, Forrester assumes the following about the composite organization:

- The composite organization has $500 million in annual revenues with 5% organic growth each year.
- In the prior environment, 5% of revenue was spent on brand and partner-related marketing.
- In Year 2, the organization begins realizing benefits from Marketing Cloud, improving the marketing efficiency by 20% in Years 2 and 3.
- The composite organization has a team of six marketers who begin using Salesforce.
- In the prior environment, 50% of marketer time was allotted to manual tasks like data collection, data aggregation, data scrubbing, and multiple-tool, repetitive data entry.
- With Salesforce, the marketers reduce manual efforts, automate certain marketing tasks, and consolidate toolsets. They reduce inefficiencies from 50% to 30% and 25% in Years 2 and 3, respectively.

- The fully burdened annual salary of a marketing resource is $113,400.

**Risks.** Forrester recognizes that these results may not be representative of all experiences. The impact of this benefit will vary depending on:

- The level of inefficiency in prior environment.
- The amount of excess marketing spend.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $7.8 million.

| Marketing Efficiency Savings | | | | | |
|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Year 1** | **Year 2** | **Year 3** |
| C1 | Revenues | Composite+5% organic growth | $500,000,000 | $525,000,000 | $551,250,000 |
| C2 | Brand- and partner-related marketing spend in prior environment as a percentage of revenue | Interviews | 5% | 5% | 5% |
| C3 | Brand- and partner-related marketing spend in prior environment | C1*C2 | $25,000,000 | $26,250,000 | $27,562,500 |
| C4 | Increase in marketing efficiency with Salesforce | Interviews | 0% | 20% | 20% |
| C5 | Subtotal: marketing spend savings | C3*C4 | $0 | $5,250,000 | $5,512,500 |
| C6 | Size of marketing team using Salesforce | Composite | | 6 | 6 |
| C7 | Percentage of time lost to manual inefficiencies in prior environment | Interviews | | 50% | 50% |
| C8 | Time lost to manual inefficiencies with Salesforce | Interviews | | 30% | 25% |
| C9 | Average fully burdened annual salary for marketing resource | TEI standard | | $113,400 | $113,400 |
| C10 | Subtotal: marketing productivity lift | C6*C7*C9-C6*C8*C9 | $0 | $136,080 | $170,100 |
| Ct | Marketing efficiency savings | C5+C10 | $0 | $5,386,080 | $5,682,600 |
| | Risk adjustment | ↓10% | | | |
| Ctr | Marketing efficiency savings (risk-adjusted) | | $0 | $4,847,472 | $5,114,340 |
| | **Three-year total: $9,961,812** | | **Three-year present value: $7,848,655** | | |

## LEGACY ENVIRONMENT SAVINGS

**Evidence and data.** With the investment in Salesforce, interviewees consolidated and decommissioned legacy tools and infrastructure. The organizations also took advantage of new releases from Salesforce three times each year, reducing maintenance and administration efforts.

### Investment Objective: Reduce Infrastructure Overhead And Simplify Management Of Legacy Environment

Interviewees described legacy environments riddled with stitched-together solutions and ineffective homegrown tools that did not natively communicate with one another. As a result, customer information was dispersed, which made it impossible to create a single view of the customer. With their Salesforce investment, interviewees realized the following savings:

- **Replaced on-premises infrastructure with Cloud SaaS product.** For those organizations moving from an on-premises legacy tech stack environment, the move to Salesforce was also part of a cloud transformation. These organizations decommissioned or reallocated hardware to other areas of the business. The VP of consumer technology and innovation said: "We had a lot of overhead around maintaining the infrastructure. Our goal was to get out of the infrastructure business and move our business to a SaaS model."
- **Simplified maintenance and integrations.** In the legacy environment, IT spent significant time maintaining integrations and updating the on-premises infrastructure. Salesforce enabled the interviewees' organizations to simplify integrations and reduce the maintenance and support efforts of the IT department.
- **Reduced reliance on IT and empowered business users.** With Salesforce, business users took advantage of declarative tools and low-code capabilities to make site improvements and streamline workflows. By removing IT from the equation, they democratized data and empowered business users. The VP of consumer technology and innovation at a footwear company said: "A lot of simple changes ended up being IT requests. Today, Salesforce empowers us to move away from being so IT-centric."
- **Provided new bandwidth to innovate.** Before the Salesforce investment, much of IT's efforts were focused on break-fix activities, leaving very little time for innovation or new feature development. The CRM director of a footwear organization said: "Before, we weren't getting to any enhancements or strategic work. It was all fixing and troubleshooting. Whereas today, we do very little fixing and troubleshooting because things are smooth. We don't really have any major issues."
- **Reduced unplanned downtime.** For retailers, unplanned downtime is particularly troublesome during high-volume periods, and time spent on break-fix could mean huge amounts of lost revenue. The senior technology director of a furniture company said: "Our previous platform had about 1% unplanned downtime, which equated to $600,000 annually. Now, Commerce Cloud is a more stable platform, it's better performing, it's not as buggy, and having better uptime has definitely benefited us."

**Modeling and assumptions.** Based on the decision-makers' experiences, Forrester assumes the following about the composite organization:

- The composite has a $2 million annual budget to maintain and refresh the legacy technology hardware footprint.
- During the first three years of the Salesforce investment, the composite consolidates and decommissions redundant tools that are replaced by Salesforce products. The consolidation

reduces the capital expenditures by 20%, 50%, and 80% in Years 1, 2, and 3, respectively.

- The composite organization reallocates IT resources that were previously dedicated to maintaining legacy tools. These IT resources reallocated to higher-level tasks total three, four, and six FTEs in Years 1, 2, and 3, respectively.
- The average fully burdened annual salary of an IT resource is $140,400.

**Risks.** Forrester recognizes that these results may not be representative of all experiences. The impact of this benefit will vary depending on:

- Legacy environment maturity and number of legacy tools consolidated.
- Whether or not an organization moves from an on-premises environment, which may incur greater savings from moving to the cloud.
- Additional benefit may be quantified for avoided losses from unplanned downtime.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $3.5 million.

**Legacy Environment Savings**

| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
|---|---|---|---|---|---|
| D1 | Annual capital expenditure to maintain legacy technology footprint | Interviews | $2,000,000 | $2,000,000 | $2,000,000 |
| D2 | Percentage reduction in capital expenditure budget due to Salesforce investment | Interviews | 20% | 50% | 80% |
| D3 | Maintenance FTEs reallocated | Interviews | 3 | 4 | 6 |
| D4 | Average fully burdened annual salary of IT resource | TEI standard | $140,400 | $140,400 | $140,400 |
| Dt | Legacy environment savings | D1*D2+D3*D4 | $821,200 | $1,561,600 | $2,442,400 |
| | Risk adjustment | ↓10% | | | |
| Dtr | Legacy environment savings (risk-adjusted) | | $739,080 | $1,405,440 | $2,198,160 |
| | **Three-year total: $4,342,680** | | **Three-year present value: $3,484,922** | | |

## SEAMLESS CUSTOMER EXPERIENCE REVENUE GROWTH

**Evidence and data.** Retailers recognized the need to offer seamless omnichannel purchasing experiences and used the Salesforce investment to improve both their overall brand health and customer experience

### Investment Objective: Build Seamless Commerce Experiences

With their Salesforce investments, interviewees realized the following outcomes:

- **E-commerce channel growth.** Some of the interviewed retailers had minimal e-commerce presence before the Salesforce investment and used Commerce Cloud as a springboard to begin offering online purchases. Other interviewed retailers had a more established e-commerce presence and used Salesforce to improve the website experience and connect customer data across touchpoints. The head of brand communications of a sporting goods store said: "We have a roadmap and milestones for e-commerce growth across all of our brands. We knew that e-commerce was going to be momentous. Salesforce was a part of that to get to a greater percentage of our business going direct."

- **Offered click-and-collect options that drove revenue growth.** Born from need during the COVID-19 pandemic, retailers began offering flexible fulfillment options to customers, including click-and-collect and contactless delivery. In-store pickup was a great way for retailers to create upsell opportunities, as nearly a third of consumers who go to the store to collect their goods state that they buy additional products when in the store.

**Modeling and assumptions.** Based on the decision-makers' experiences, Forrester assumes the following about the composite organization:

- The composite goes live with Commerce Cloud in the third year of its Salesforce journey.
- The composite organization has $500 million in annual revenues in Year 1, with a 5% organic growth each year.
- Before the Commerce Cloud investment, 20% of revenues come from e-commerce.
- When offering click-and-collect options, 10% of orders are completed through click-and-collect.
- Of the customers who use click-and-collect, 25% make an additional purchase in-store, raising the segment's average order value by $27.
- The composite organization has a 6% profit margin.

**Risks.** Forrester recognizes that these results may not be representative of all experiences. The impact of this benefit will vary depending on:

- When a retailer invests in Commerce Cloud and the state of their e-commerce offerings prior to the Salesforce investment.
- Actual rates of click-and-collect and behaviors of customers making an additional purchase in stores.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $20,000.

| Seamless Customer Experience Revenue Growth | | | | | |
|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Year 1** | **Year 2** | **Year 3** |
| E1 | Revenues | Composite+5% organic growth | $500,000,000 | $525,000,000 | $551,250,000 |
| E2 | Percentage of revenue from e-commerce before Salesforce investment | Composite | | | 20% |
| E3 | Number of e-commerce orders | E1*E2/$150 | | | 735,000 |
| E4 | Percentage of orders completed through click-and-collect | Forrester custom research | | | 10% |
| E5 | Percentage of click-and-collect orders that have an additional in-store purchase | Forrester custom research | | | 25% |
| E6 | Incremental average order value of cross-channel purchases | Interviews | | | $27 |
| E7 | Additional revenue created by cross-channel purchases | E3*E4*E5*E6 | | | $496,125 |
| E8 | Profit margin | Composite | | | 6% |
| Et | Seamless customer experience revenue growth | E7*E8 | $0 | $0 | $29,768 |
| | Risk adjustment | ↓10% | | | |
| Etr | Seamless customer experience revenue growth (risk-adjusted) | | $0 | $0 | $26,791 |
| | **Three-year total: $26,791** | | **Three-year present value: $20,129** | | |

## UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Improved data integrity.** Several interviewees were wary of trusting data from their legacy systems because they lacked field controls and authority permissions. After the Salesforce investment, decision-makers relied more confidently on data within Salesforce. The data integrity improvements also enabled the organizations to more confidently comply with customer data privacy regulations and reduced the potential risks of compliance failure.

- **Empowered sales teams with Sales Cloud and Mobile App use cases.** This study does not evaluate Sales Cloud as part of the ROI calculation, but one organization realized direct benefits from the additional investment in Salesforce Sales Cloud. The senior technology director at a furniture company said: "We have better visibility into the pipeline, can tell how different teams are doing, and [can see] where things are in the sales process. We have a better ability to build reports and dashboards and slice and dice data." By empowering salespeople and democratizing data, the reps had better tools to perform their jobs. The furniture company also provides its sales reps with Salesforce mobile capabilities, empowering them to interact with customers on the sales floor or during outside-sales calls in a more seamless way.

- **Fueled improvements to inventory and ordering efficiencies through data insights.** Acting on information and insights provided by Salesforce, retailers made better, data-driven decisions to drive operating efficiencies and cost savings. The senior technology director at a furniture organization noted: "Salesforce helps the demand-planning team plan better. We forecast our pipeline, and then our opportunity forecast feeds our demand-planning system. They're able to get better visibility for inventory and prepare for big projects coming in. In general, it's a faster system and a better, more efficient ordering process."

- **Empowered partner sales teams by offering digital tools to partners.** Interviewees tapped into Salesforce to enable partner marketing as well as for their own organizations. The CFO of the luxury goods organization described their partner's legacy environments as "paper and pen and spreadsheets that were not updated and not controlled." After the Salesforce investment, the organization was able to collaborate better with its partners, which resulted in marketing savings for both the partner and the retailer. The CFO continued: "Through the digital tools package that we offer to our partners, we have made them more effective in their marketing and expanded their reach, especially during COVID. What we saw is that even during the lockdowns, they have been able to transact. [Partners] get leads digitally, which they never had before, and we have helped them to set up a proper CRM tool, which they didn't have before."

> **"The business has much more visibility into what's going on with the pipeline. That feeds not only the sales forecast but also feeds into our demand planning and downstream to help us manage inventory."**
>
> *Senior technology director, furniture*

- **Fifty percent faster time to market for new functionalities.** To keep up with the changing expectations of customers, the interviewees recognized that they needed a technology that could quickly scale and pivot. In their prior environments, the retailers were subject to long and cumbersome development cycles, even for simple changes. With Salesforce, the retailers took advantage of declarative coding to innovate more quickly than ever before. The VP of consumer technology and innovation at a footwear company said: "It's variable depending on what it is you're trying to build, but we are at least 50% faster in terms of our ability to deliver new functionality for the business. Salesforce has allowed us to move to an agile development methodology, and it's a hell of a lot easier than [legacy tool] ever was."

- **Instore associates created better customer experiences.** Customers look for and buy experiences, not simply products. Salesforce provides task management and store operations tools that supported associates in their daily activities, as well as clienteling functions that helped associates engage with customer-facing support activities. With Salesforce, associates engaged customers in-store in new ways and enhanced their experiences with more seamless interactions. Associates had more information at their fingertips, helping them operate more efficiently and with more flexibility and accuracy.

- **Reacted quickly to market changes during COVID-19.** Retailers around the world were challenged by the pandemic and needed to quickly pivot to remain in business. To weather the storm, they adjusted how and where employees worked, their product offerings, and even who their key consumers were. With Salesforce in place before the pandemic, the furniture company was able to quickly adjust operations. The senior technology director said: "Due to the flexibility of Salesforce Commerce Cloud, we were able to quickly pivot our marketing strategy from B2B to more B2C. We saw a big uptick in our work from home products during the shelter-in-place [period], which helped us weather the storm. We wouldn't have been able to be successful with that shift on our previous platform."

### FLEXIBILITY

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

- **Increase platform ROI by expanding Salesforce adoption.** Interviewees shared roadmaps for future investments in additional Salesforce and AppExchange products. The senior technology director at a furniture organization said: "We're going to dive deep into different areas [of the Salesforce platform] to extract more and more value and capability within each of the clouds. There's so much you can do with Salesforce."

- **Take advantage of new releases and out-of-the-box integrations.** Salesforce provides new feature releases and product improvements three times per year, helping customers continuously evolve and improve. A large and growing number of independent software vendor (ISV) partners offer add-on products via the Salesforce AppExchange, offering customers prebuilt software that easily integrates with Salesforce. The CRM director of a footwear organization said: "The platform is world-class. The most important features and functionality, new or old, are there, and it really takes the research time away that you [previously] would have to explore looking for ways to integrate new functionality."

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

## Analysis Of Costs

Quantified cost data as applied to the composite

| Total Costs | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Ref.** | **Cost** | **Initial** | **Year 1** | **Year 2** | **Year 3** | **Total** | **Present Value** |
| Ftr | Salesforce subscription and licensing costs | $291,885 | $2,067,626 | $2,400,090 | $2,901,701 | $7,661,302 | $6,335,181 |
| Gtr | Internal implementation and ongoing management labor costs | $137,955 | $481,135 | $912,748 | $1,289,741 | $2,821,579 | $2,298,689 |
| Htr | Training and change management costs | $43,931 | $8,786 | $65,368 | $54,742 | $172,827 | $147,070 |
| | Total costs (risk-adjusted) | $473,772 | $2,557,547 | $3,378,206 | $4,246,184 | $10,655,708 | $8,780,940 |

### SALESFORCE SUBSCRIPTION AND LICENSING COSTS

**Evidence and data.** The organizations incurred external costs in the following categories as part of the Salesforce for Retail investment:

- **Salesforce subscriptions** are tailored to each organization's product consumption and in most cases are based on seats or transaction volume.
- **Add-on products** from Salesforce ISVs are purchased through the AppExchange marketplace. The organizations utilized a mix of both free and paid applications to extend their Salesforce solutions.
- **Professional services** from system integration partners and directly from Salesforce provided interviewees' companies with additional support. Interviewees cited varying levels of professional services cost, from $15,000 to $400,000 per month. Engagements included implementation assistance, managed services, and staff augmentation.

**Modeling and assumptions.** Based on the decision-makers' experiences and analysis from related Total Economic Impact studies commissioned by Salesforce, Forrester assumes the following about the composite organization:

- The composite incurs licensing and subscription costs for three major clouds: Service, Marketing, and Commerce.
- The composite also purchases add-on products through the AppExchange marketplace to support its Salesforce environment.
- The composite engages professional services consulting to help guide Salesforce implementation and architecture design.
- Pricing will vary. Contact Salesforce for additional details.

**Risks.** Forrester recognizes that these results may not be representative of all experiences. The following factors may impact this cost:

- Subscription costs will vary depending on several factors, including volume of transactions, number of seats, existing Salesforce footprint, discounts negotiated, and terms of contract.
- Add-on costs will vary depending on the needs of an organization and availability of AppExchange tools.

| Salesforce Subscription And Licensing Costs | | | | | | |
|---|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Initial** | **Year 1** | **Year 2** | **Year 3** |
| F1 | Salesforce subscription | Composite | $15,350 | $1,234,660 | $1,302,500 | $1,469,910 |
| F2 | Add-on products | Composite | $0 | $145,000 | $199,400 | $243,000 |
| F3 | Professional services | Composite | $250,000 | $500,000 | $680,000 | $925,000 |
| Ft | Salesforce subscription and licensing costs | F1+F2+F3 | $265,350 | $1,879,660 | $2,181,900 | $2,637,910 |
| | Risk adjustment | ↑10% | | | | |
| Ftr | Salesforce subscription and licensing costs (risk-adjusted) | | $291,885 | $2,067,626 | $2,400,090 | $2,901,701 |
| | **Three-year total: $7,661,302** | | **Three-year present value: $6,335,181** | | | |

- Professional services fees will vary widely depending on the needs of an organization, existing internal skill sets, and the scope of consulting engagement. Some customers chose to engage a systems integrator (SI) on an ongoing basis for several years, while others chose to train internal resources to replace SIs after the initial implementation. Organizations with an existing relationship with a professional services firm may incorporate new consulting engagements into an existing consulting contract. Additionally, some companies may choose to self-implement.

**Results.** To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $6.3 million.

## INTERNAL IMPLEMENTATION AND ONGOING MANAGEMENT LABOR COSTS

**Evidence and data.** The organizations approached the Salesforce implementation in multiple phases over the course of 18 months to five years. This approach allowed the organizations to identity across the enterprise which pain points to address first and where value could be established early. Decision-makers and implementation teams took a crawl-walk-run approach, starting with basic capabilities and automations and then expanding use cases and functionalities.

The organizations incurred internal costs in the following categories as part of the Salesforce for Retail investment:

- **Internal implementation labor.** Both business and technical stakeholders participated in the implementation of the Salesforce platform. Roles typically included IT related to ERP integrations, product marketers, merchandisers or pricing specialists, developers, Salesforce administrators, a project manager, and primary stakeholders across business units. These roles helped with planning, data cleaning, integration with third-party systems, defining business logic, personalization mapping, training, user acceptance testing, and change management.

- **Ongoing management, maintenance, and optimization.** Interviewees noted that both Salesforce administrators and business analysts were tasked with the ongoing management and maintenance of the Salesforce platform and with optimizing features and functionality. Interviewees had between two administrative roles for a trim team all the way up to a team comprising four administrators, three developers, two2 business analysts, and a project manager. Having multiple administrators allowed for cross-cloud functionality.

**Modeling and assumptions.** Based on the decision-makers' experiences and analysis from related Total Economic Impact studies commissioned by Salesforce, Forrester assumes the following about the composite organization:

- The composite has three implementation efforts: one each for Salesforce Service, Marketing, and Commerce Clouds. Labor for these implementations ranges depending on the length of implementation and the number and type of resources dedicated to implementation.

- Each Cloud has its own dedicated Salesforce administrator and business analyst. The average fully burdened annual salary for these roles is $113,400.

**Risks.** Forrester recognizes that these results may not be representative of all experiences. The impact of this cost will vary depending on:

- Number of Salesforce products implemented, road map, and timing of implementations and deployment approach (agile vs waterfall).

- Small and medium-size businesses with simpler deployments can take significant advantage of Salesforce's out-of-the-box presets, simplifying implementation requirements and shortening implementation timelines. Consider sources of data and what APIs or integrations will be required to support the Salesforce investment. Each integration will drive cost and complexity.

- Organizations deploying Salesforce across multiple geographies will have a longer implementation as global stakeholder alignment takes longer and there are different buyer journeys globally.

**Results.** To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $2.3 million.

| Internal Implementation And Ongoing Management Labor Costs | | | | | | |
|---|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Initial** | **Year 1** | **Year 2** | **Year 3** |
| G1 | Internal implementation labor costs | Forrester custom research | $125,414 | $202,495 | $359,971 | $467,792 |
| G2 | Number of Salesforce administrators dedicated to ongoing management | Composite | | 1 | 2 | 3 |
| G3 | Average fully burdened annual salary for a Salesforce administrator | Composite | | $121,500 | $121,500 | $121,500 |
| G4 | Number of business analysts dedicated to ongoing management | Composite | | 1 | 2 | 3 |
| G5 | Average fully burdened annual salary for a business analyst | TEI standard | | $113,400 | $113,400 | $113,400 |
| G6 | Ongoing management labor | G2*G3+G4*G5 | $0 | $234,900 | $469,800 | $704,700 |
| Gt | Internal implementation and ongoing management labor costs | G1+G6 | $125,414 | $437,395 | $829,771 | $1,172,492 |
| | Risk adjustment | ↑10% | | | | |
| Gtr | Internal implementation and ongoing management labor costs (risk-adjusted) | | $137,955 | $481,135 | $912,748 | $1,289,741 |
| | **Three-year total: $2,821,579** | | **Three-year present value: $2,298,689** | | | |

### TRAINING AND CHANGE MANAGEMENT COSTS

**Evidence and data**. The organizations incurred internal costs as part of the Salesforce for Retail investment:

- **Technical and functional training.** The interviewees' organizations utilized both formal training sessions and self-led training through Trailhead for both technical and business users. The level of training depended on the employee role, but in general, interviewees recommended 25 to 30 hours of yearly learning to keep up with new releases and features. Service agents also received training of approximately 4 hours.
- **Change management.** With any large digital transformation, ROI is achieved through adoption of the technology. The interviewees dedicated efforts during Salesforce implementation to ensure that employees understood why the Salesforce investment was made and helped accelerate adoption of the platform.

**Modeling and assumptions.** Based on the decision-makers' experiences and analysis from related Total Economic Impact studies commissioned by Salesforce, Forrester assumes the following about the composite organization:

- During the initial implementation period, the composite trains a third of its approximately 100 business users. Each subsequent year, the composite trains the remining business users as well as new employees (at a turnover rate of 20%). Business users receive 25 hours of training over the course of the year.
- Business users have an average fully burdened hourly cost of $47.
- In Year 2 of the Service Cloud investment, the composite trains its service agents on the system, who receive 4 hours of training over the course of the year. Turnover staff is trained in Year 3.
- Service agents have an average fully burdened hourly cost of $20.
- Change management efforts are estimated to be $150 per user (for both business and service agents).

**Risks.** Forrester recognizes that these results may not be representative of all experiences. The impact of this cost will vary depending on:

- Number of employees and service agents who receive training and the number of hours dedicated to learning activities.
- Average fully burdened cost of learners.
- Actual spending related to change management.

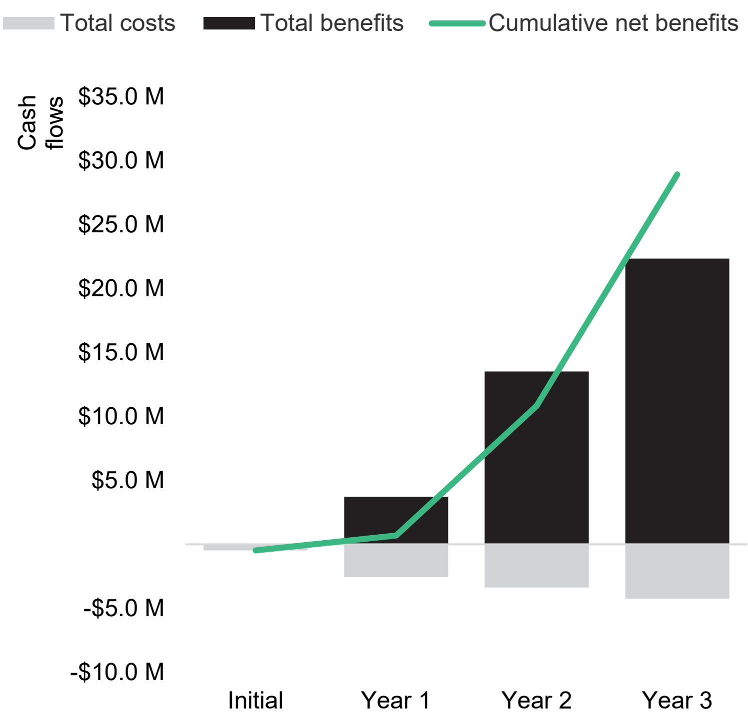
**Results.** To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $147,000.

| Training And Change Management Costs | | | | | | |
|---|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Initial** | **Year 1** | **Year 2** | **Year 3** |
| H1 | Number of internal business users participating in training | Composite+20% turnover | 30 | 6 | 36 | 36 |
| H2 | Number of hours of training per internal business user | Interviews | 25 | 25 | 25 | 25 |
| H3 | Average fully burdened hourly cost of a business user | TEI standard | $47 | $47 | $47 | $47 |
| H4 | Number of service agents participating in training | Composite+15% turnover | | | 50 | 8 |
| H5 | Number of hours of training per service agent | Interviews | | | 4 | 4 |
| H6 | Average fully burdened hourly cost of a service agent | TEI standard | | | $20 | $20 |
| H7 | Subtotal: training costs | (H1*H2*H3)+(H4*H5*H6) | $35,438 | $7,088 | $46,525 | $43,165 |
| H8 | Additional change management efforts | $150 per trainee (H1 and H4) | $4,500 | $900 | $12,900 | $6,600 |
| Ht | Training and change management costs | H7+H8 | $39,938 | $7,988 | $59,425 | $49,765 |
| | Risk adjustment | ↑10% | | | | |
| Htr | Training and change management costs (risk-adjusted) | | $43,931 | $8,786 | $65,368 | $54,742 |
| | **Three-year total: $172,827** | | **Three-year present value: $147,070** | | | |

# 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 and NPV for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

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

**Cash Flow Analysis (Risk-Adjusted Estimates)**

| | Initial | Year 1 | Year 2 | Year 3 | Total | Present Value |
|---|---|---|---|---|---|---|
| Total costs | ($473,772) | ($2,557,547) | ($3,378,206) | ($4,246,184) | ($10,655,708) | ($8,780,940) |
| Total benefits | $0 | $3,718,611 | $13,523,472 | $22,345,783 | $39,587,866 | $31,345,697 |
| Net benefits | ($473,772) | $1,161,064 | $10,145,266 | $18,099,600 | $28,932,159 | $22,564,757 |
| ROI | | | | | | 257% |

# Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

### TOTAL ECONOMIC IMPACT APPROACH

**Benefits** represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

**Costs** consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

**Flexibility** represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

**Risks** measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

### PRESENT VALUE (PV)

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

### NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.

### RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.

### DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

### PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

## Appendix B: Supplemental Material

*Related Forrester Research*

"The Total Economic Impact™ Of Salesforce B2B Commerce," a commissioned study conducted by Forrester Consulting on behalf of Salesforce, January 2021

“The Total Economic Impact Of Experience Cloud,” a commissioned study conducted by Forrester Consulting on behalf of Salesforce, March 2021

“The Total Economic Impact Of Service Cloud,” a commissioned study conducted by Forrester Consulting on behalf of Salesforce, May 2021

## Appendix C: Endnotes

[1] Source: “How To Transform Your Retail Store,” Forrester Research, Inc., June 25, 2021.

[2] Total Economic Impact is a methodology developed by Forrester Research that enhances a company’s technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

[3] Salesforce Service Cloud is an established SaaS solution that offer highly usable and flexible customer service capabilities that are geared for rapid deployment cycles.

[4] Source: “The ROI Of Loyalty Programs,” Forrester Research, Inc., February 18, 2022.

[5] Source: “Sending Messages Is Easy — Perfecting Messaging Is Hard,” Forrester Research, Inc. August 9, 2021,


FORRESTER®