

FORRESTER®

# The Total Economic Impact™ Of JRNI

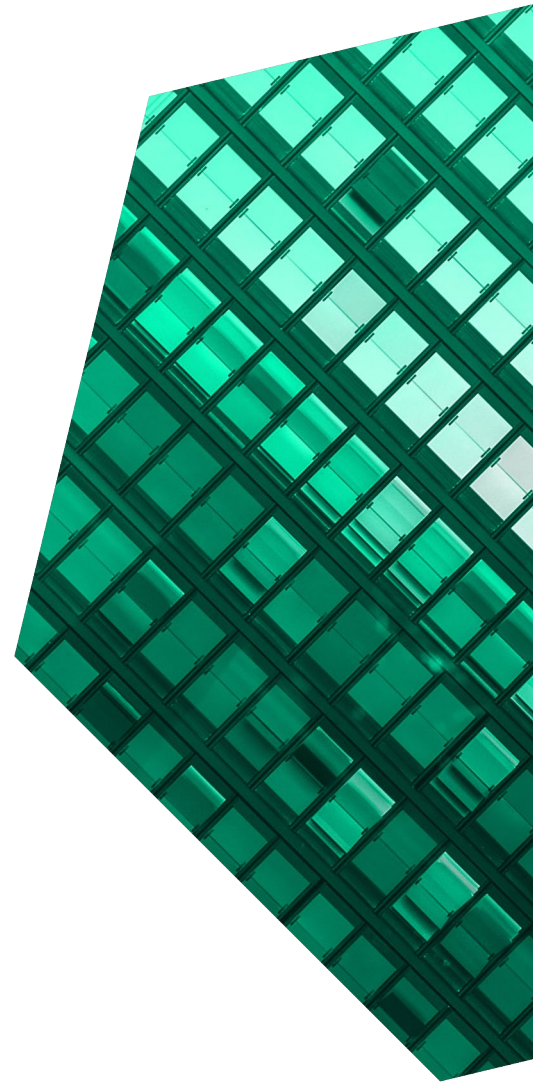
Cost Savings And Business Benefits  
Enabled By JRNI

SEPTEMBER 2020

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## Executive Summary

“The overall benefits that we have realized with JRNI really tie back to the customer experience and our brand reputation. We call what we do ‘experiential retailing,’ and that includes when you walk in the door, as well as when you’re on our website or booking through JRNI. The ease of execution online is just as important as the interaction with store team members. Creating a streamlined process that is not frustrating to the customer reflects really well on us.” – *Senior manager of brand experience and events, retail*

Forrester research indicates that customers view brands holistically and they demand a consistent and seamless experience whenever, wherever, and with whomever they interact. To ensure omnichannel success, retailers must banish channels for good and replace them with a customer-centric ethos that spans all digital and physical operations woven into the fabric of the organization.<sup>1</sup> [JRNI](#) offers a scheduling platform that enables self-service booking capabilities for appointments and events to encourage more efficient interaction between organizations, customers, and vendors. JRNI commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying the platform. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of JRNI on their organizations.

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

Prior to using JRNI, the organization fielded all inbound booking requests from vendors and customers via email, which required manual processing. The limitations of manual work led to extended response timelines as internal resources had to receive and process the emailed requests and coordinate services with individual store calendars

### JRNI KEY STATISTICS



Return on investment (ROI)

**143%**



Net present value (NPV)

**\$2.4M**

across a growing population of retail locations. Therefore, it became difficult for the organization to scale its service offerings for appointments and events to meet customer and market demands.

After the investment in JRNI, the organization facilitated the digital touchpoints that precede in-person engagements and encourage more booking requests from vendors and customers. Higher volumes of appointments and events led to more profit for the organization. Additionally, the internal teams responsible for customer experience could process the higher volumes of inbound requests due to the alleviation of manual work previously required to process, manage, and execute on them. Ultimately, the organization improved the transition between digital channels and in-person engagements to more often create seamless, high-quality experiences for their customers.

## KEY FINDINGS

**Quantified benefits.** Risk-adjusted present value (PV) quantified benefits totaling \$4 million include:

- **Increased growth in appointment bookings by 60% annually.** Utilizing JRNI's self-service booking and scheduling capabilities across individual store calendars makes it easier for customers to navigate store availability and book appointments instantaneously. As a result, the number of monthly appointments improves by 60% each year. The uptick in appointment volume and the higher average order value (AOV) expected from those customers increases profit by \$3.1 million over the three-year investment.
- **Increased events by 45% annually.** JRNI streamlines the planning, booking, and management of events. Capabilities such as bulk event uploads and linkage to resource availability and scheduling expedite event execution timelines for internal staff, and that results in a 45% larger event volume each year. Events contribute to profit growth through new customer acquisition of a highly loyal customer set to total \$801,500 over the three-year investment.
- **Saved the customer experience team 1,676 hours per year.** JRNI replaces previously manual processes around the scheduling, booking, processing, and reporting for events and appointments. These efficiencies allow the affected resources to redirect their time to more creative, value-add tasks that delight customers and vendors. Customer experience team efficiencies save a total of \$99,000 over the three-year investment.

**Unquantified benefits.** Benefits that had a positive impact on the business but are not quantified for this study include:

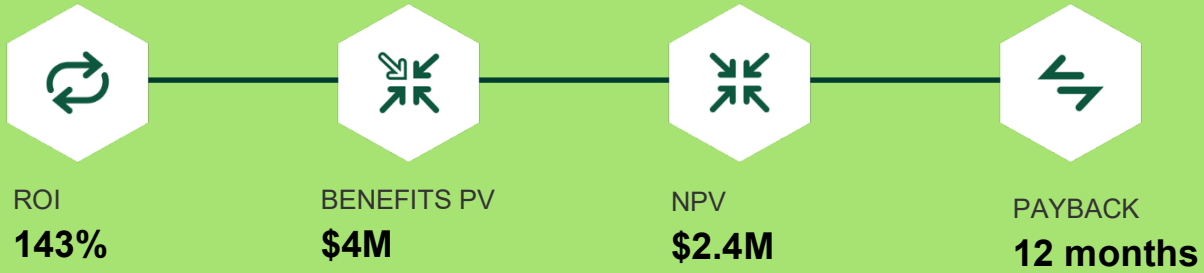
- **Improved brand reputation from better customer experiences.** JRNI facilitates interactions with customers in the booking process to improve customer experiences across their engagement journey. Ultimately, this improves brand reputation in the market and encourages future customer loyalty.
- **Secured business opportunities with better vendor experiences.** JRNI expedites response timelines to vendors looking to book events. This creates a better overall experience for vendors and mitigates the risk of lost business due to delayed response times.
- **Reduced customizations to scheduling platform.** JRNI requires fewer customizations compared to prior scheduling tools. That saves costs associated with the maintenance of existing customizations and helps organizations avoid the cost of future development work.
- **Improved sales associate productivity.** JRNI allows for the standardization of services such as private appointments that promote labor efficiencies. The implementation of strict timetables and prebooking capabilities for appointments safeguards sales associates from walk-ins or ad hoc consultative requests that can derail them from daily tasks, and it allows for better resource planning at the store level.
- **Optimized physical space utilization.** JRNI offers self-service booking capabilities for physical rooms available for private events. This promotes better utilization rates for physical event spaces.

**Costs.** Risk-adjusted PV costs totaling \$1.7M include:

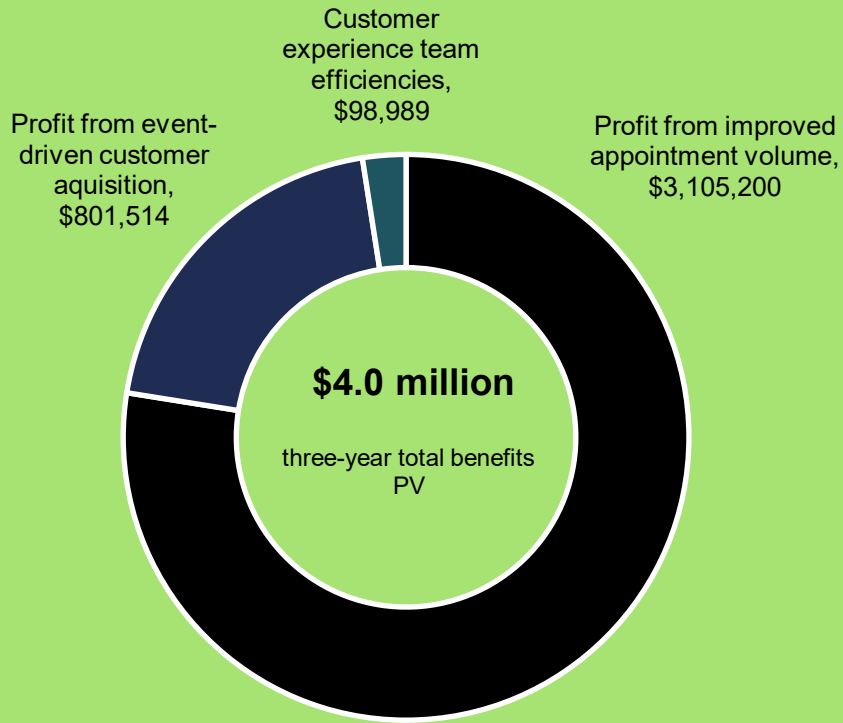
- **Total costs associated with the JRNI investment.** JRNI costs include fees paid to JRNI for annual licensing as well as a one-time professional services fee associated with implementation. Additionally, dedicated resource

time spent on implementation, ongoing maintenance, and training across corporate and retail locations results in cost for time spent in these areas.

The interview and financial analysis found that this customer experiences benefits of \$4 million over three years versus costs of \$1.7 million, adding up to a **net present value (NPV) of \$2.4 million and an ROI of 143%**.



**Benefits (Three-Year)**



## TEI FRAMEWORK AND METHODOLOGY

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

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 JRNI can have on an organization.

### DISCLOSURES

Readers should be aware of the following:

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

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

JRNI 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.

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



### DUE DILIGENCE

Interviewed JRNI stakeholders and Forrester analysts to gather data relative to JRNI



### CUSTOMER INTERVIEW

Interviewed decision makers at an organization using the JRNI to obtain data with respect to costs, benefits, and risks.



### FINANCIAL MODEL FRAMEWORK

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



### CASE STUDY

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

# The JRNI Customer Journey

## ■ Drivers leading to the JRNI investment

### INTERVIEWED ORGANIZATION

Forrester interviewed a JRNI customer with the following characteristics:

- It's a large, national retail organization with \$3 billion in revenue.
- The organization has 7,000 total employees across corporate and retail store locations.
- The group within the organization tasked with managing events and appointments is considered the customer experience team and is comprised of six dedicated FTEs.
- The organization began with 70 retail store locations and grew to 205 locations by the end of year 3.

### KEY CHALLENGES

Prior to investing in JRNI, the organization utilized clunky and inefficient tools and manual processes to manage bookings for appointments and events. Delayed processing times inhibited the organization's ability to grow customer experiences in proportion to company growth.

The interviewed organization struggled with challenges, including:

- **Inefficient inbound request management negatively impacted experiences for customers and vendors alike.** Before investing in JRNI, the organization did not offer self-service scheduling and booking capabilities for vendors and customers; it received all inbound service requests via email. The downstream consequences of the manual processes surrounding the emailed requests had internal and external impacts. Where vendors and customers were deterred from submitting more requests for appointments and events due to the long response times, internal teams were limited

in terms of the volume they could handle from an administrative perspective. Fewer appointments with customers meant the organization missed out on higher order values while less engagement with vendors negatively impacted brand reputation and could have resulted in lost business.

**“Everything that we had done before using JRNI, we did through email. So, whether customers were requesting to reserve a classroom for a private event or class or meeting, they had to email someone at our corporate offices. That person then had to look at store availability on the calendar, book it, and continue communication over email to confirm.”**

*Senior manager of brand experience and events, retail*

- **Manual work derailed the customer experience team's time spent on value-add activities.** The organization previously utilized tools for inbound requests that were email-based and lacked direct access to resource availability and scheduling, integrations with critical systems such as procurement, and self-service portals for vendors and customers. As a result, the scheduling and bookings process for internal teams was highly manual. Ultimately, the manual work extended timelines and required the responsible resources to focus their time and efforts on administrative tasks instead of the more creative or value-add activities that go into executing successful experiences.



**“In our previous environment, I had an FTE whose full-time job was to field requests that came in manually across all of our hundreds of stores.”**

*Senior manager of brand experience and events, retail*

- **Inability to scale experiences to meet growth rates and capture new opportunities.** The lack of capabilities available in previous tools inhibited the organization from handling the volumes of appointments and events it wanted and needed to in order to match physical store and service offering expansion. The organization was growing very quickly in terms of physical locations and it was not able to extend existing service offerings to its larger market. Additionally, the organization could not package certain services that occurred organically through walk-ins and ad hoc requests into formal services to optimize revenue impact.

**“We’ve gone from 70 stores nationwide to over 200. So our previous solution just was not going to be scalable. We knew we had to look for something that was going to be more efficient and be able to scale as we continue to open new stores.”**

*Senior manager of brand experience and events, retail*

### USE CASE DESCRIPTION

The interviewed organization deployed the JRNI scheduling platform to support four key use cases:

- **Private appointments** where customers can book time with a sales associate for a one-on-one consultation.

- **“Book-a-room”** where individual customers, third-party vendors, or companies can book a physical room to host a private event.
- **Vendor events** where vendors engage with the organization to host sponsored events in retail locations to promote specific brands.
- **Paid events** where vendors and/or retail locations alike host events customers can join at a price.

All benefits attributed to events (vendor, paid, or private) are grouped together while appointment-related benefits are modeled in their own category. Additionally, the organization deployed the private appointments use case first.

To support these use cases, the organization rolled out access to the JRNI platform to both corporate resources as well as to store associates in its many retail locations.

For this purposes of this study, Forrester modeled the benefits and costs of these use cases over three years.

### Key assumptions

- **JRNI supports appointments and events**
- **50 FTEs have corporate access and 1 or 2 FTEs per store have local access**
- **205 retail locations nationally**

# Analysis Of Benefits

## Quantified benefit data

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Profit from improved appointment volume	\$707,616	\$1,197,504	\$1,959,552	\$3,864,672	\$3,105,200
Btr	Profit from event-driven customer acquisition	\$192,845	\$308,462	\$494,165	\$995,472	\$801,514
Ctr	Customer experience team efficiencies	\$39,805	\$39,805	\$39,805	\$119,415	\$98,989
	Total benefits (risk-adjusted)	\$940,266	\$1,545,771	\$2,493,522	\$4,979,559	\$4,005,703

## PROFIT FROM IMPROVED APPOINTMENT VOLUME

**Evidence and data.** Prior to using JRNI, the organization saw sporadic approaches to the ad hoc appointment requests that came in by store location. With JRNI, the organization was able to standardize its private appointment service offerings and extend self-service booking capabilities to its customer base. Customers were able to better engage with the service while the organization benefitted from being able to scale the operation and better meet customer needs.

- The interviewee stated: “Ultimately, we were able to organize our private appointment service, package it, and share it out to our customers in a professional way so that it wasn’t so off the cuff. In turn, through standardizing this service offering, the booking process got a lot more efficient and a lot quicker.”
- The interviewee stated: “Before JRNI, we had stores kind of just standing up their own private appointments on the fly. And so now, JRNI allows us to have customers answer questions ahead of time so that a team member can be prepared for the appointment in terms of how many guests, type of event, budget, etc.”

As a result, appointment volumes increased by 60% annually. The larger appointment volume presented a

bigger opportunity to experience in-store conversions for highly engaged appointment customers who carry larger-than-typical AOVs.

**Modeling and assumptions.** For purposes of the financial model, Forrester assumes the following:

- The 200 monthly appointments expressed in the “before” state is indicative of walk-in requests across the original 70 retail locations.
- The in-store conversion rate for appointments is 60% to account for the high intent to purchase inherent to the appointment driver (i.e., typically a life event such as a wedding or a birthday party). Additionally, the average order value associated with appointments is \$420, which is seven to eight times larger than typical AOVs for walk-in customers in this industry.
- The estimated operating margin is 20% to account for the retail industry and subindustry of the interviewed organization.

**Risks.** The profit from improved appointment volume may vary depending on the following:

- The size of the organization and the scope of its physical store locations.
- The industry the organization falls into and the associated average in-store conversion rates,

order values, and estimated operating margins for that industry.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$3.1 million.

Profit From Improved Appointment Volume: Calculation Table					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Monthly appointment volume prior to JRNI	Interview	200	200	200
A2	Number of months		12	12	12
A3	Annual appointment volume prior to JRNI	A1*A2	2,400	2,400	2,400
A4	Monthly appointment volume after JRNI	Interview (60% growth YoY)	1,500	2,400	3,800
A5	Annual appointment volume with JRNI	A2*A4	18,000	28,800	45,600
A6	Average in store conversion rate for appointments	Assumption	60%	60%	60%
A7	AOV for in store appointment conversions	7x to 8x the non-appointment AOV (\$60)	\$420	\$420	\$420
A8	Average revenue improvement from more appointment volume driven by JRNI	(A5-A3)*A6*A7	\$3,931,200	\$6,652,800	\$10,886,400
A9	Estimated operating margin	Assumption	20%	20%	20%
At	Profit from improved appointment volume	A8*A9	\$786,240	\$1,330,560	\$2,177,280
	Risk adjustment	↓10%			
Atr	Profit from improved appointment volume (risk-adjusted)		\$707,616	\$1,197,504	\$1,959,552
<b>Three-year total: \$3,864,672</b>			<b>Three-year present value: \$3,105,200</b>		

### PROFIT FROM EVENT-DRIVEN CUSTOMER ACQUISITION

**Evidence and data.** Events are critical for the organization, not only to delight current customers, but also to attract new ones. Before using JRNI, the organization’s event request, scheduling, and management were incredibly manual processes that delayed response times to vendors and extended lead times to events. JRNI provided automations and other efficiencies in the events administration processes for internal staff, and it offered self-service booking capabilities for external vendors. Ultimately, it became easier for vendors and stores to submit event requests more often and for the internal staff to put those events into action. As a result, the organization increased the number of events each

year by 45%, which improved profit through new customer acquisition of highly engaged customers who carry higher-than-average annual value.

- The interviewee stated: “As we continued to add more and more stores and uploaded more and more events, our old system just wasn’t scalable. So now [with JRNI], we have the ability to do more bulk event uploads and planning. It’s just more efficiencies and, therefore, there is more opportunity to scale and grow at a larger rate.”
- The interviewee stated, “Our event-driven customer tends to be a pretty loyal customer and we’ve seen more of them [with JRNI].”

**Modeling and assumptions.** For purposes of the financial model, Forrester assumes the following:

- Each retail location hosts two events per month. As retail store locations expand, the volume of events expands accordingly as enabled by JRNI.
- The customer annual value for events customers is \$1,200.
- The estimated operating margin is 20% to account for the industry of the interviewed organization.

- The size of the organization and the scope of its physical store locations.
- The industry the organization is in and the associated average in-store conversion rates, average customer lifetime values, and estimated operating margins for that industry.

To account for these risks, Forrester adjusted this benefit downward by 7%, yielding a three-year, risk-adjusted total PV of \$801,500.

**Risks.** The profit from event-driven customer acquisition may vary depending on the following:

<b>Profit From Event-Driven Customer Acquisition: Calculation Table</b>					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Annual events prior to JRNI	Assumption (2 per month per store)	1,920	3,072	4,920
B2	Improvement to number of events annually with JRNI	Interview	45%	45%	45%
B3	Number of additional events driven by JRNI annually	B1*B2	864	1,382	2,214
B4	New customer acquisition with JRNI	Assumption (1 per event)	864	1,382	2,214
B5	Customer annual value	Assumption	\$1,200	\$1,200	\$1,200
B6	Estimated operating margin	Assumption	20%	20%	20%
Bt	Profit from event-driven customer acquisition	B4*B5*B6	\$207,360	\$331,680	\$531,360
	Risk adjustment	↓7%			
Btr	Profit from event-driven customer acquisition (risk-adjusted)		\$192,845	\$308,462	\$494,165
<b>Three-year total: \$995,472</b>			<b>Three-year present value: \$801,514</b>		

**CUSTOMER EXPERIENCE TEAM EFFICIENCIES**

**Evidence and data.** Customer experience teams responsible for delighting customers need to not only meet demand in terms of volume, but they must also meet expectations in terms of quality and success of the experience. JRNI capabilities such as self-service scheduling and booking allow for more automations across appointment and events administration to save resources time on previously manual processes. Expedited timelines allow for higher volumes of throughput and a better experience for

vendors and customers alike. Additionally, customer experience teams are freed up to focus on more creative and value-add tasks.

- The interviewee stated: “Our team, instead of doing task work or busy work, is able to use their creativity and their problem solving to come up with new concepts for externally facing services. They’re able to get out of the mundane data-entry busy work and actually feel like they’re adding

some improvement around customer engagement.”

**Modeling and assumptions.** For purposes of the financial model, Forrester assumes the following:

- The average fully loaded hourly rate for a customer experience team professional is \$25, which represents a blended rate across levels of seniority.
- The customer experience team totals six FTEs.
- The time savings indicated in this category are exclusive of any time redeployed to putting on larger volumes of events and handling larger volumes of appointment requests.

**Risks.** The customer experience team efficiencies may vary depending on the following:

- The total number of resources dedicated to customer experience initiatives.
- The level of manual work required in the “before” state.
- The range of titles and salaries represented by the impacted resources.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$99,000.

Customer Experience Team Efficiencies: Calculation Table					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Hours saved from managing booking requests with JRNI (annual)	Interview: .5 FTE	1,040	1,040	1,040
C2	Hours saved on event reporting with JRNI (annual)	Interview: 1 hour/month	12	12	12
C3	Hours saved on event processing with JRNI (annual)	Interview: 10% of 3 FTEs	624	624	624
C4	Average fully loaded hourly rate for events team professional	Assumption	\$25	\$25	\$25
Ct	Customer experience team efficiencies	$(C1+C2+C3)*C4$	\$41,900	\$41,900	\$41,900
	Risk adjustment	↓5%			
Ctr	Customer experience team efficiencies (risk-adjusted)		\$39,805	\$39,805	\$39,805

**Three-year total: \$119,415**

**Three-year present value: \$98,989**

### UNQUANTIFIED BENEFITS

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

- **Improved brand reputation from better customer experiences.** Customers found it easier to engage with the organization, so they did so more often. This improved profit, but it also enhanced brand reputation in the market. Clear service offerings with intuitive booking and scheduling functionality set the tone for a

heightened level of customer service for the in-person experience. Enabling easy interactions for customers resulted in repeat customers and a wider network indicative of a positive brand reputation.

- **Secured business opportunities with better vendor experiences.** Better interactions between the organization and its vendors improved the likelihood of continued business. With JRNI, vendors could book open dates and times automatically and begin working through details around the request with the organization much sooner. The faster turnaround time delighted vendors and stopped them from potentially taking their business elsewhere due to delayed response times.

**“We’ve seen a benefit to our vendors for planning purposes because they’re not going to other retailers with their business. The faster we can respond to them, the more likely they are to keep moving forward with us. With the ease of booking, we have found that our vendors are more likely to do more business with us.”**

*Senior manager of brand experience and events, retail*

- **Reduced customizations to scheduling platform.** The prior system that handled inbound booking requests from vendors and customers required a lot of customizations to fit the use cases specific to the organization. Customizations cost time and money to build out and maintain. With JRNI, the organization saved money spent on maintaining past customizations and avoided the cost of building out future custom capabilities to meet evolving business needs.
- **Improved sales associate productivity.** The organization was able to package its private appointment booking service, which helped optimize productivity for the sales associates on the store floor. Packaging the service and streamlining the booking process encouraged

appointment scheduling over walk-in or ad hoc service requests. This allowed the stores to plan resources better and set timetables for appointments that provided a more consistent service model for customers and prevented sales associates from being off the floor for extended periods of time.

- **Optimized physical space utilization.** The organization offers physical spaces to host private events. The investment in JRNI increased engagement at the customer and vendor level with the “book-a-room” offering. The organization could better plan around room calendars, and it therefore improved utilization rates for those spaces.

## FLEXIBILITY

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

- **Improved event reporting capabilities and market analysis.** The organization intends to utilize the more advanced analytics capabilities that JRNI offers to do more reporting in the following areas:
  - **Labor analysis.** The organization hopes to identify which states or markets are hosting the most events to do a labor-hour analysis and ensure accurate resource allocation for events.
  - **Vendor engagement reporting.** The organization wants to amplify its vendor reporting to include associated brands and wholesalers and the various activities that connect them to better build out the market ecosystem and to identify potential areas of opportunity.

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

# Analysis Of Costs

## Quantified cost data

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Dtr	JRNI costs	\$254,400	\$674,160	\$497,140	\$497,140	\$1,922,840	\$1,651,641
	Total costs (risk-adjusted)	\$254,400	\$674,160	\$497,140	\$497,140	\$1,922,840	\$1,651,641

### JRNI COSTS

**Evidence and data.** JRNI costs include fees that the interviewed organization paid directly to JRNI for its platform and services as well as for resource time spent at the organization during implementation, ongoing maintenance and support, and training.

**Modeling and assumptions.** For purposes of the financial model, Forrester assumes the following:

- The organization pays an annual license fee to JRNI that is dependent on the use case types it hopes to support. In this case, the organization utilizes JRNI for both events and appointment bookings.
- The organization pays a one-time professional services fee to JRNI for assistance around key system integrations and the like during implementation in the initial period.
- The organization dedicates a team of six FTEs at 50% of their time to the initial implementation period. For ongoing support and maintenance of the platform, the organization dedicates three

FTEs at 50% of their time in Year 1, and 25% of their time in subsequent years.

- The organization trains a total of 50 users from its corporate offices over the three-year investment. Additionally, the organization trains one or two associates per store for existing stores as well as for those added each year.

**Risks.** The JRNI costs may vary depending on:

- The size and scope of the investment including the identified use cases for the JRNI platform.
- The level of integrations required during implementation as well as the timeline for implementation.
- The number of resources dedicated to implementation, ongoing maintenance, and training.

To account for these risks, Forrester adjusted this cost upward by 6%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$1.7 million.

### JRNI Costs: Calculation Table

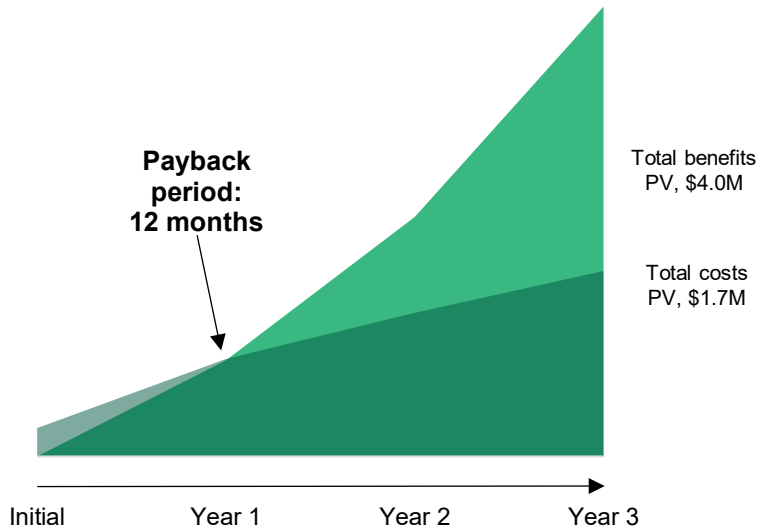
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
Dt	JRNI costs		\$240,000	\$636,000	\$469,000	\$469,000
	Risk adjustment	↑6%				
Dtr	JRNI costs (risk-adjusted)		\$254,400	\$674,160	\$497,140	\$497,140
<b>Three-year total: \$1,922,840</b>			<b>Three-year present value: \$1,651,641</b>			



# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

### Financial Summary



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

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

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

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$254,400)	(\$674,160)	(\$497,140)	(\$497,140)	(\$1,922,840)	(\$1,651,641)
Total benefits	\$0	\$940,266	\$1,545,771	\$2,493,522	\$4,979,559	\$4,005,703
Net benefits	(\$254,400)	\$266,106	\$1,048,631	\$1,996,382	\$3,056,719	\$2,354,062
ROI						143%
Payback						12 months

## Appendix A: Total Economic Impact

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

### TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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



### PRESENT VALUE (PV)

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



### NET PRESENT VALUE (NPV)

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



### RETURN ON INVESTMENT (ROI)

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



### DISCOUNT RATE

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



### PAYBACK PERIOD

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

## Appendix B: Endnotes

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<sup>1</sup> Source: "It's Time For Retail Stores To Open Their Doors To The Digital Org," Forrester Research, Inc., May 14, 2018.

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