

FORRESTER®

The Total Economic Impact™ Of Peakon

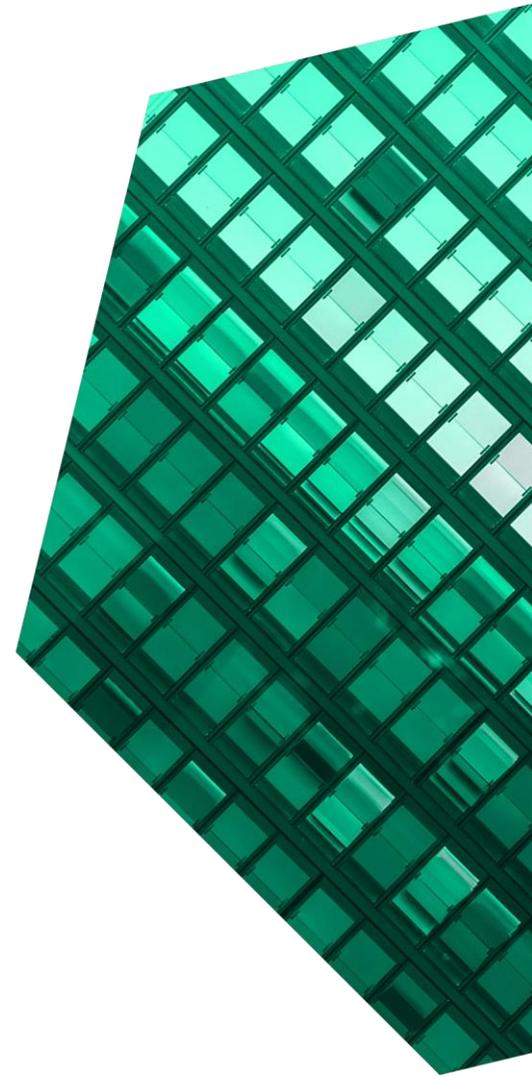
Improve Employee Engagement, Reduce Staff Turnover,
And Increase Productivity With Peakon

SEPTEMBER 2020

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Executive Summary

The costs of a poor employee experience, including high staff turnover and reduced productivity, can be significant. Peakon's employee success platform not only measures employee engagement, but it also provides granular and up-to-date data to managers and leaders as well as recommendations and training propositions. More employee engagement also leads to a better customer experience, increased revenue, and increased discretionary effort.

Peakon is an employee success platform that converts feedback into insights that users can put to work. It doesn't just measure employee engagement, it actually improves it through personalized training and recommended actions. Peakon 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.¹ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Peakon on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives from organizations with years of experience using Peakon. Peakon provides managers with real-time data and team insights, allowing them to better understand employee experience (EX) and the drivers behind any changes. Managers are therefore able to take quick action to address issues and improve engagement, and the platform also supports them by providing suggestions and recommendations.

Prior to using Peakon, the interviewees said their organizations used employee survey tools on an annual basis. It would usually take several months for results to become available, and the slow turnaround for data analysis meant managers could not identify issues at an early stage or address them in time. Management lacked insights and data detail to understand employee engagement and take

KEY STATISTICS



Return on investment (ROI)
244%



Net present value (NPV)
\$1.2 million

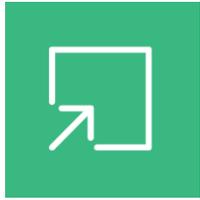
meaningful action. This, in turn, led to issues related to low employee engagement, high voluntary staff turnover, and high rates of absenteeism.

For the purposes of this study, Forrester aggregated the experiences of the interviewees and combined the results into a single [composite organization](#).

KEY FINDINGS

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

- **Voluntary staff turnover was reduced by 10%.** For the composite organization, voluntary staff turnover reduced by 5% in Year 2, and 10% in Year 3. For an organization with 10,000 employees and an initial staff turnover rate of 25%, such as the composite, this reduced the need to recruit and onboard hundreds of employees each year. The three-year, risk-



Reduced voluntary staff turnover

↓ 5% to 10%

adjusted present value of this benefit attributable to the Peakon platform is estimated at just over \$870,000 for an organization of this nature.

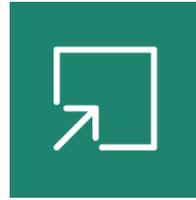
- **Average employee absenteeism declined by two days.** With higher employee engagement rates, the average days of absenteeism reduced by one day in Year 1, then two days thereafter, which, in turn, increased employee productivity. The risk-adjusted present value of this benefit that can be attributed to the Peakon platform over a three-year period is estimated at just over \$755,000.
- **HR team saved seven days on post-survey analysis.** Survey results are now delivered directly to managers, which saves HR employees an average of seven days of effort annually.

“The Peakon platform drives engagement results to managers directly through the dashboard. That really empowers them to understand how they're leading the team, what's working well, and what improvements they could make.”

HR intelligence and people analytics senior manager, recruitment industry

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

- **Improved EX.** More engaged employees can bring significant additional benefits including a better customer experience (CX), incremental



Reduced absenteeism

↓ 2 days

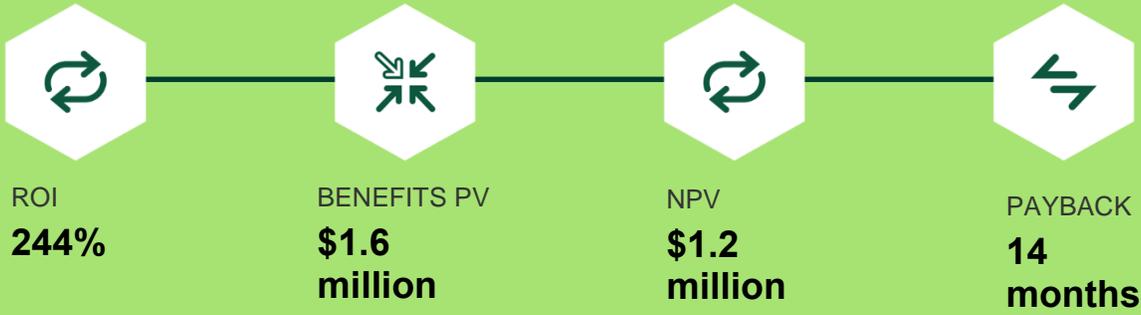
revenue, easier recruitment, and an increase in discretionary effort.

- **Managers were empowered to address issues and implement changes.** Peakon provides managers with data, team insights, and suggestions for training and follow-up.
- **Initiated organization culture change.** Employees feel heard, and managers can identify and address issues quickly, which enables established attitudes and behaviors to be changed.

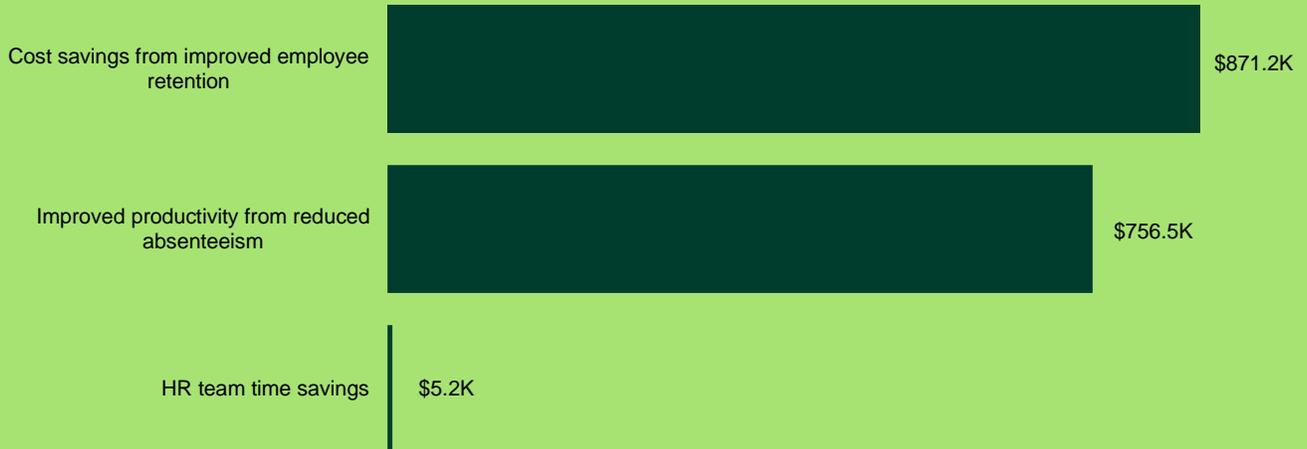
Costs. Risk-adjusted PV costs include:

- **The biggest cost is the subscription fee.** For a company with 10,000 employees that's growing at 2% per year, the present value Peakon subscription cost comes to about \$304,000 over three years.
- **Initial implementation cost is about \$68,000.** The platform implementation includes a deployment fee paid to Peakon, internal effort for the planning and technical platform setup, and change management efforts.
- **Data planning and actioning resource cost of just under \$103,000.** To plan surveys and support managers to action the results takes roughly half of a FTE's time annually.

Forrester's interviews with four existing customers and subsequent financial analysis found that an organization based on the interviewees' organizations would experience benefits of \$1.6 million over three years versus costs of \$475,000, adding up to a net present value (NPV) of \$1.2 million and an ROI of 244%.



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 Peakon.

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 Peakon can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Peakon 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 Peakon.

Peakon 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.

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



DUE DILIGENCE

Interviewed Peakon stakeholders and Forrester analysts to gather data relative to Peakon.



CUSTOMER INTERVIEWS

Interviewed four decision makers at organizations using Peakon 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' organizations.



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 Peakon Customer Journey

Drivers leading to the Peakon investment

Interviewed Organizations			
INDUSTRY	REGIONAL PRESENCE	INTERVIEWEE	NUMBER OF EMPLOYEES
Human resources	Americas, APAC, EMEA	HR intelligence and people analytics senior manager	36,000
Defense technology	Americas, EMEA	Director, organizational development and early careers	6,000
Media	Europe	HR and analytics consultant	6,000
Nonprofit	North America	Director of people services	200

KEY CHALLENGES

The interviewees' organizations struggled with common challenges, including:

- **Low employee engagement and low retention.** The interviewees' organizations were looking for ways to improve employee engagement and reduce voluntary staff turnover.
- **Long lag between employee survey and data access.** All four interviewees said their organizations were using a different employee engagement survey platform prior to their Peakon investment, and all four complained of the long lag between the time when the employee took the survey and the time when managers were able to access the data. Therefore, they were putting in a lot of effort, but the output was out of date by the time it became available.

“Our previous platform only provided a six-month window. With a staff turnover of 30%, 15% of your staff has left by the time you get the data.”

HR intelligence and people analytics senior manager, recruitment industry

- **Lack of data granularity.** The interviewees said the platforms their organizations previously used only provided high-level data, so it was of limited value. One interviewee said, “Previously, the data was dry and static in the form of a two-page report that did not really benefit anyone.”

“It took several months after the survey to get the high-level data, so it was hard for the business to engage and do anything meaningful with the output.”

Director, organizational development and early careers, defense technology

KEY RESULTS

The interviews revealed that key results from the Peakon investment include:

- **Reduction in voluntary turnover.** Interviewees highlighted that the Peakon platform helped their organizations quickly identify problem areas and find ways to address them. This contributed significantly to reducing voluntary staff turnover which, in turn, reduced costs, increased productivity, and improved morale.

- **Increased productivity.** Interviewees reported a reduction in staff absenteeism, which they also attributed in large part to Peakon. Furthermore, more engaged employees also led to increased discretionary effort and higher productivity.
- **Improved manager empowerment.** The Peakon platform enabled managers to access a dashboard with real-time information about their teams and how they compared to others. This enabled them to identify and address issues more quickly. The platform also provided suggestions for managers and identified opportunities to share best practices and improve team performance.

“It drives engagement results to managers directly through the dashboard. That really empowers them to understand how they’re leading the team, what’s working well, and what improvements they could make.”

*HR intelligence and people analytics
senior manager, recruitment industry*

- **Increased employee participation rates.** It is challenging to ensure that employees respond to surveys, and low participation rates limit the value of data. One interviewee told us that the participation rate nearly doubled following the implementation of Peakon.

COMPOSITE ORGANIZATION

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

Description of composite. A global service organization operating in five countries, the composite organization employs 10,000 employees including 800 managers. The average salary across the organization is \$40,000. Forrester assumes a 2% annual growth in the firm’s employee number and average salary.

Deployment characteristics. Prior to the Peakon investment, the composite organization used an alternative platform for undertaking annual employee surveys. The rollout of the Peakon platform was global, reaching all employees in the initial go-live period. The implementation did not include an integration with the back-end HR systems, which led to a faster deployment, but also means the data needs to be updated for every survey.

Key assumptions

- **10,000 employees**
- **800 managers**
- **\$40,000 average salary**
- **Active in five countries**
- **Global rollout of Peakon**

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	Cost savings from improved employee retention	\$0	\$365,568	\$757,411	\$1,122,979	\$871,177
Btr	Improved productivity from reduced absenteeism	\$177,778	\$369,920	\$384,865	\$932,563	\$756,490
Ctr	HR team time savings	\$2,100	\$2,100	\$2,100	\$6,300	\$5,222
	Total benefits (risk-adjusted)	\$179,878	\$737,588	\$1,144,376	\$2,061,842	\$1,632,889

COST SAVINGS FROM IMPROVED EMPLOYEE RETENTION

The biggest benefit of using Peakon’s platform is higher employee retention. Interviewees said their organizations were able to reduce voluntary staff turnover and avoid the associated hiring and onboarding costs.

Through regular surveys, employees are able to voice concerns and highlight challenges. The results are delivered in real time on the Peakon dashboard, which enables managers to gauge employee engagement and related drivers in that moment instead of months later. By then, the issue might have passed or the employee might have already left. The employee comments are shown anonymously on the system, and managers and other leaders can respond to employee feedback, identify issues, and take action.

- The interviewees said their organizations were able to identify a wide range of concerns, from career development and remote working policies to working environment conditions and office pantry improvements. They can fix some of them quickly while others require time for policy change.
- One interviewee said their organization reduced voluntary turnover by about 5% over three years

and another said their organization saw a 15% reduction over 18 months. One interviewee admitted that turnover remained at the historic level of 25% within the first year of using Peakon, but they were expecting a much higher voluntary turnover percentage of 35% due to external conditions.

- Interviewees were consistently positive about Peakon’s contribution to retaining talent. At the same time, they acknowledged that other factors impact voluntary turnover. These include career development programs, wider employee engagement initiatives, leadership focus on employees, and the way policies are enacted and communicated.

“Peakon is helping us to really understand the dynamic of voluntary termination because there are many reasons to leave the company. We have had Peakon globally for a year, and I can truly see the impacts — notably on voluntary turnover.”

*HR intelligence and people analytics
senior manager, recruitment industry*

“We were expecting staff turnover to increase to 35%, as it had previously after a round of forced layoffs, but it remained at 25%.”

Director of people services, nonprofit

- The cost to recruit and onboard a new employee ranges from 30% to 40% of annual salary for the interviewees’ organizations.

The composite organization has 10,000 employees in Year 1, and its workforce grows by 2% per year. The average annual salary is \$40,000, increasing at 2% per year. Forrester assumes a 25% annual turnover rate pre-Peakon.

- In Year 1, there is no impact on voluntary turnover as it takes time to identify issues, address them, and implement appropriate policies.
- In Year 2, voluntary turnover reduced by 5%, which translates into retaining 128 employees who otherwise would have left. The reduction in

voluntary turnover grows to 10% in Year 3, which is equal to 260 employees retained. Forrester attributed 25% of the reduction to Peakon given that there are a number of other factors that contribute to voluntary turnover.

- The average recruitment and onboarding cost per hire is assumed to be 35% of the employee’s annual salary.

Forrester adjusted the benefit downward by 20%, to account for the following risks:

- Variance in historic voluntary turnover percentage.
- Impact on voluntary turnover, which partly relates to the actions a manager or a company take to address issues.
- Distribution of seniority of employees leaving the company. The average salary and cost to replace will be higher for more senior employees, and vice versa.

The resulting three-year risk-adjusted total PV of \$871,177.

Cost Savings From Improved Employee Retention: Calculation Table					
REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
A1	Total number of employees	2% growth per year	10,000	10,200	10,404
A2	Voluntary turnover before Peakon		25%	25%	25%
A3	% reduction in voluntary turnover		0%	5%	10%
A4	Number of employees retained (showing rounded value)	$A1 * A2 * A3$	0	128	260
A5	Average employee fully loaded salary	Assumption: 2% annual growth	\$40,000	\$40,800	\$41,616
A6	Average recruitment and onboarding cost per hire	Interviews	35%	35%	35%
A7	Attributed to Peakon		25%	25%	25%
At	Cost savings from improved employee retention	$A4 * A5 * A6 * A7$	\$0	\$456,960	\$946,764
	Risk adjustment	↓20%			
Atr	Cost savings from improved employee retention (risk-adjusted)		\$0	\$365,568	\$757,411
Three-year total: \$1,088,971			Three-year present value: \$871,177		

IMPROVED PRODUCTIVITY FROM REDUCED ABSENTEEISM

Reduced absenteeism is the other key benefit quantified in this analysis, with similar drivers to the previous benefit. Peakon improves EX because employees feel they have a voice while managers have access to better tools and are more effective at addressing issues quickly.

“It’s great for managers to go and explore, to find actions and plans, and to find inspiration.”

HR and analytics consultant, media

For the composite organization, Forrester assumes that:

- In Year 1, the average number of days of absenteeism per employee is reduced by one day.
- In Years 2 and 3, this increases to two days on average for every employee.
- The average employee salary is \$40,000, increasing by 2% annually.

- It is assumed that 50% of the additional time is put back into productive use as per standard TEI best practice.
- As per the previous benefit, it’s assumed that 25% of the value of this benefit can be attributed to Peakon. The remainder is attributed to the actions taken by managers and leadership to address the points that Peakon surveys raise.

Forrester used these assumptions to calculate the value of this benefit as shown in the table below. Because different dynamics impact EX and the different ways in which the Peakon platform can be used, we have applied a moderate risk adjustment of 20%. This results in a three-year risk adjusted present value of just over \$750,000.

“Absenteeism has gone down on average by a number of days — down from something like seven to about four.”

Director, organizational development and early careers, defense technology

Improved Productivity From Reduced Absenteeism: Calculation Table					
REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
B1	Total number of employees		10,000	10,200	10,404
B2	Days of absenteeism reduced	Interviews	1	2	2
B3	Average employee fully loaded salary		\$40,000	\$40,800	\$41,616
B4	Productivity capture rate		50%	50%	50%
B5	Attributed to Peakon	25%			
Bt	Improved productivity from reduced absenteeism		\$222,222	\$462,400	\$481,081
	Risk adjustment	↓20%			
Btr	Improved productivity from reduced absenteeism (risk-adjusted)		\$177,778	\$369,920	\$384,865
Three-year total: \$945,612			Three-year present value: \$756,490		

HR TEAM TIME SAVINGS

The third benefit quantified is related to time savings for the HR team. Peakon significantly reduces the time it takes for data analysis after employees take the surveys. While this benefit is smaller in terms of value, it is very much appreciated by the users of the Peakon platform. While interviewees said time savings varied, it is assumed that an HR employee at an organization the size of the composite would save seven days annually. Assuming a fully loaded salary

of \$75,000 and small risk adjustment of 10%, this equates to annual benefits of just over \$2,000.

However, it is important because this helps the HR team to quickly collect, analyze, and share the data, making it much more relevant and valuable. The three year-risk adjusted present value of this benefit comes to just over \$5,000.

HR Team Time Savings: Calculation Table					
REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
C1	Days spent on preparing and distributing annual survey results before Peakon	Interviews	7	7	7
C2	Days spent on preparing and distribution quarterly survey results with Peakon	Interviews	0	0	0
C3	Average HR employee fully loaded salary		75,000	75,000	75,000
Ct	HR team time savings (showing rounded value)	$(C1-C2)*(C3/45/5)$	\$2,333	\$2,333	\$2,333
	Risk adjustment	↓10%			
Ctr	HR team time savings (risk-adjusted)		\$2,100	\$2,100	\$2,100
Three-year total: \$5,803			Three-year present value: \$5,222		

UNQUANTIFIED BENEFITS

Interviewees said their EX scores improved following the implementation. On its own, this is a positive outcome and a useful metric, but it also suggests additional benefits in other areas that are difficult to quantify but can be significant. Research has shown that improved employee engagement positively impacts CX, profitability, and productivity.² One interviewee told us their organization’s Glassdoor score increased from 2.8 to 3.4, suggesting that Peakon also supports recruitment.

Several interviewees also highlighted an additional benefit: the ability to quickly implement additional surveys. One interviewee said: “[The COVID-19 pandemic] is a good example of when it is very helpful to have a live dashboard to see what’s going on with our people.”

The Peakon platform also empowers managers. It not only provides them with data and team insights, but it also makes suggestions for training and follow-up. Furthermore, it highlights opportunities for sharing best practices across teams. Overall, the platform makes it easier for managers to address difficult issues and implement changes to improve team engagement.

Also, the shift in culture that the platform triggers is part of many of the previously highlighted benefits, but it is worth mentioning separately. It can be very difficult to initiate cultural change, particularly at large, established organizations. But with Peakon, employees feel heard, and managers can identify and address issues quickly, which enables the change of established attitudes and behaviors.

FLEXIBILITY

All the interviewees highlighted their appreciation of the continued development of the Peakon platform. New features and capabilities are added on a regular basis, providing additional benefits and use cases. Furthermore, the typical customer journey includes an increase in survey frequency, which provides more detailed and up-to-date information. One interviewee told us that performance management is a new capability they are looking forward to implementing. Another said their organization will discontinue its subscription to an alternative platform because Peakon now covers all of its needs, enabling some cost avoidance.

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
Dtr	Peakon subscription cost	\$0	\$120,000	\$122,400	\$124,848	\$367,248	\$304,048
Etr	Initial implementation cost	\$68,361	\$0	\$0	\$0	\$68,361	\$68,361
Ftr	Data Planning And Actioning Resource cost	\$0	\$41,250	\$41,250	\$41,250	\$123,750	\$102,583
	Total costs (risk-adjusted)	\$68,361	\$161,250	\$163,650	\$166,098	\$559,359	\$474,992

PEAKON SUBSCRIPTION COST

The largest portion of costs are subscription fees that are charged on a fee-per-employee basis.

In the case of the composite organization, the subscription cost is \$12 per employee, and it

remained constant over the three-year period. There are no associated risks, and the resulting three-year present value comes to just over \$304,000. This is equivalent to 64% of the total costs.

Peakon Subscription Cost: Calculation Table

REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
D1	Number of employees	2% growth per year		10,000	10,200	10,404
D2	Cost per employee			\$12	\$12	\$12
Dt	Peakon subscription cost	D1*D2	\$0	\$120,000	\$122,400	\$124,848
	Risk adjustment	0%				
Dtr	Peakon subscription cost (risk-adjusted)		\$0	\$120,000	\$122,400	\$124,848
Three-year total: \$304,048			Three-year present value: \$304,048			

INITIAL IMPLEMENTATION COST

Initial implementation costs include the fixed cost paid to Peakon for support during implementation and internal effort required to plan and set up the platform, to manage organizational change, and to train users. Internal HR effort is split between the technical aspects including platform and survey configuration, data collation and input, and the organizational change aspect, which involves planning with senior leadership and support to communicate changes to employees. The

implementation also includes time for managers to learn how to utilize the platform to explore employee feedback and extract insights.

Most interviewees said their organization experienced a smooth technical setup. Typically, an HR employee needs to extract data from the HR systems and/or work with regional counterparts to collect employee information and then input it into the Peakon platform. In one case, the process took just a week. But in another, because the organization used

three different HR systems in different regions and chose a full integration with the platform, it took nearly three months.

“The implementation process itself was probably one of the easiest I've ever been a part of. . . It was seamless. It was right on time as promised.”

Director of people services, nonprofit

Change management requires relatively more effort over a few weeks. One interviewee recommended several rounds of communication to help drive awareness and encourage participation. Several others said that employees were not used to receiving responses to their comments on the platform it the beginning, and they had to address their concerns around privacy and anonymity.

Most interviewees said their organization chose not to integrate Peakon with its HR system nor develop an interface between the two in order to minimize implementation time. One interviewee estimated the development of an interface would have taken an additional six to nine months. One interviewee said

their large organization implemented the platform in several phases because of different HR systems and priorities in different regions.

Training was light-touch, with managers attending webinars to learn to navigate the platform and access

**Total implementation and deployment time
One month**



best practice resources for various management scenarios.

In the case of the composite organization, it rolled out the platform globally in a single phase with no integration with existing HR systems. Technical setup involved one central HR team employee who worked with a local HR employee to collect data. It also included senior management for planning, support, and communications. Eight-hundred managers each spent an hour learning how to use the Peakon platform.

Forrester applied a 15% risk adjustment to the implementation costs to account for variance in HR systems and data quality. This yields a three-year, risk-adjusted present value of just over \$68,000.

Initial Implementation Cost: Calculation Table

REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
E1	Peakon implementation cost		\$15,000			
E2	HR time on system setup (days)		5			
E3	Change management (days)		20			
E4	Average employee fully-loaded salary		\$100,000			
E5	Time cost	$(E2+E3)*(E4/45/5)$	\$11,111			
E6	Manager training time	1 hour per person	800			
E7	Average manager fully-loaded salary		\$75,000			
E8	Training cost	$E5*(E6/45/5/8)$	\$33,333			
Et	Initial implementation cost	$E1+E5+E8$	\$59,444	\$0	\$0	\$0
	Risk adjustment	↑15%				
Etr	Initial implementation cost (risk-adjusted)		\$68,361	\$0	\$0	\$0
Three-year total: \$59,444			Three-year present value: \$68,361			

DATA PLANNING & ACTIONING RESOURCE COST

Ongoing resource costs are comprised of efforts required to update employee data, schedule and configure surveys, and time spent helping managers with follow-ups and action items. It also required some time to work with managers to encourage usage and ensure high response and participation rates.

One interviewee worked with their organization's managers to manage the cultural shift from passively receiving data to actively exploring survey results on Peakon. The interviewee said manager use of the platform has grown from 30% in the beginning to about 50% after three years.

In the case of the composite organization, one HR employee spends 50% of their time managing the regular quarterly surveys and ad hoc surveys, as well as fostering participation and interaction.

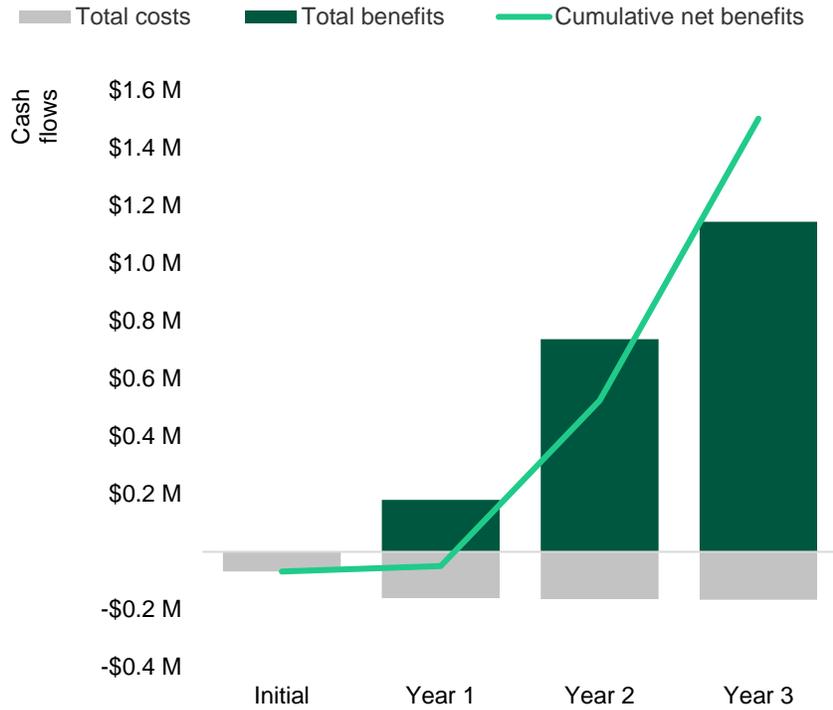
Forrester adjusted this cost upward by 10%, as the complexity of employee data and the need for organizational change vary across organizations. This yields a three-year risk adjusted total PV of \$102,583.

Data Planning And Actioning Resource Cost: Calculation Table						
REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	HR employee time			50%	50%	50%
F2	Average HR employee fully loaded salary			\$75,000	\$75,000	\$75,000
Ft	Data planning and actioning resource cost	F1*F2	\$0	\$37,500	\$37,500	\$37,500
	Risk adjustment	↑10%				
Ftr	Ongoing resource cost (risk-adjusted)		\$0	\$41,250	\$41,250	\$41,250
Three-year total: \$93,257			Three-year present value: \$102,583			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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

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

Cash flow analysis (risk-adjusted estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$68,361)	(\$161,250)	(\$163,650)	(\$166,098)	(\$559,359)	(\$474,992)
Total benefits	\$0	\$179,878	\$737,588	\$1,144,376	\$2,061,842	\$1,632,889
Net benefits	(\$68,361)	\$18,628	\$573,938	\$978,278	\$1,502,483	\$1,157,897
ROI						244%
Payback						14.0

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: Supplemental Material

Related Forrester Research

"The Forrester New Wave™: EX Management Platforms For Large Enterprises, Q1 2020," Forrester Research, Inc., March 20, 2020

"The Employee Experience Technology Ecosystem," Forrester Research, Inc., February 14, 2019

"Understand The Differences Between EX And CX," Forrester Research, Inc., June 22, 2020

Appendix C: Endnotes

¹ 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

² Source: Sue Jones, "Engaged Employees Lead to More Profitable Business Outcomes," VRM Intel, January 5, 2017 (vrmintel.com/engaged-employees-lead-profitable-business-outcomes/).

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