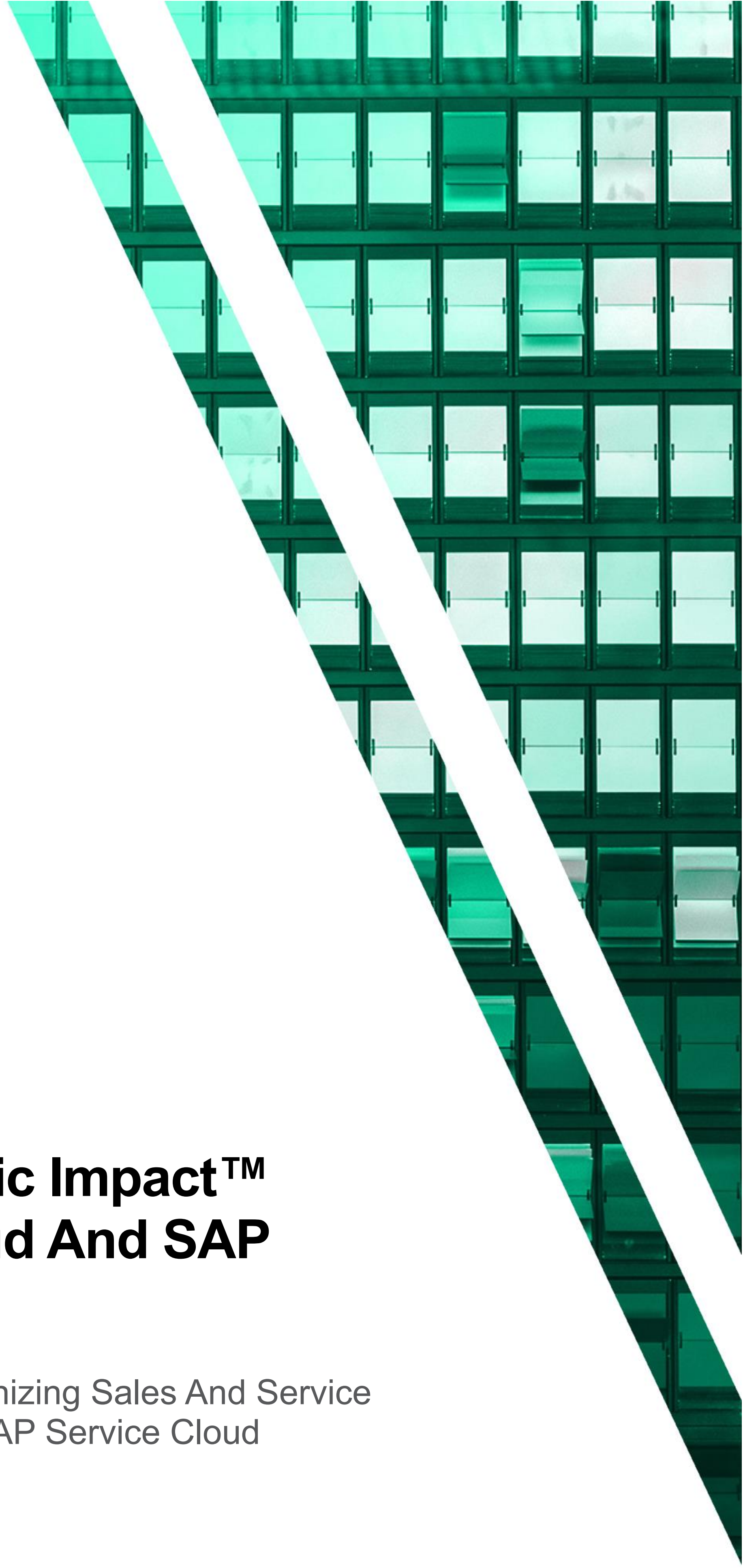

The Total Economic Impact™ Of SAP Sales Cloud And SAP Service Cloud

Benefits And Costs Of Modernizing Sales And Service With SAP Sales Cloud And SAP Service Cloud

JUNE 2021

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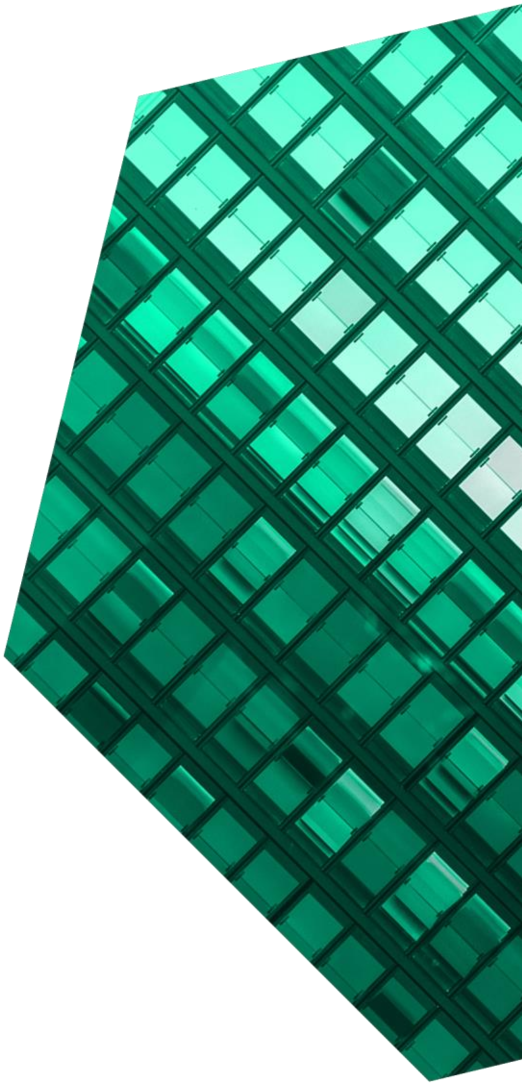

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Executive Summary

SAP Sales Cloud and SAP Service Cloud are modern cloud-based solutions that drive sales force automation and modernize customer service to elate customers. Using the solutions together enables organizations to build a customer-focused approach that amplifies sales with a lasting effect. Customer organizations realize lower operational costs, increase people efficiency, and create and then convert more opportunities to maximize revenue.

SAP commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying SAP Sales Cloud and SAP Service Cloud. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the two solutions sets on organizations for sales force automation (SFA) and customer service management (CSM) needs.

KEY STATISTICS

Return on investment (ROI)
372%

Net present value (NPV)
€53.6M

Staying hyper-focused on customers has never been more essential to winning and retaining business. At the same time, it's important to be agile and nimble to focus on and personalize customer needs in the moment that matters. Manual processes and legacy tools are no longer sufficient. Transformation is necessary — especially with increasing expectations and demands from customers about the service delivered. SAP Sales Cloud and SAP Service Cloud are foundational solutions for organizations that need to modernize the way they manage customer relationships.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five customers with experience using SAP Sales Cloud and SAP Service Cloud. For the purposes of this study, Forrester aggregated the experiences of the interviewed customers and combined the results into a single composite organization.

Prior to using SAP Sales Cloud and SAP Service Cloud, the interviewees' organizations utilized legacy methods of managing customer relationships. These were often combinations of databases and spreadsheets to track customer information and customer service. While this method worked, the organizations lacked cohesive user interfaces (UIs), centralized repositories, and — most importantly — the automation they needed to win over customers at scale. These organizations were at a disadvantage and required significant manual input to keep their customers happy, especially when compared to the competition. With several solutions on the market, decision-makers had two key considerations top of mind: 1) integration with existing systems such as

SAP Sales Cloud's sales force automation creates revenue uplift:

+4.9%

> **“Our team was getting stagnated in terms of growth, and we needed to really go out and start converting more business. Realizing that our sales and service tools were the primary cause of the stagnation, this started our journey to modernize and to really look at SAP Sales Cloud.”**
>
> – Senior director of sales operations and effectiveness, construction

enterprise resource planning (ERP) software and 2) cloud delivery to fit with the greater digital transformation efforts and the associated benefits of cloud usage such as scalability, lower cost of ownership, and consistent product updates.

After investing in SAP Sales Cloud and SAP Service Cloud, the organizations realized significant boosts in productivity and customer satisfaction. It also enabled scalability in regions beyond their headquarters. Most importantly, the improved operations in sales and service functions uplifted revenues. Using the two solutions together created a multiplier effect for organizations to keep their customers satisfied, and this led to greater returns than simply deploying one of the two solutions. Forrester’s findings from the interviews are applied to the composite organization.

KEY FINDINGS

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

- **Sales force automation enabled by SAP Sales Cloud drives a revenue uplift of 4.9%.** Annual revenues that depend on manual sales efforts benefit greatly from sales force automation within SAP Sales Cloud. Having full customer lifecycle management in a centralized repository allows sales teams to build relationships while reducing tedious steps like tracking historical customer data. Over a three-year period, the composite organization gains 4.9% in closed sales per year, leading to a revenue uplift of €24,209,512, PV.
- **SAP Service Cloud uplifts net new revenues by 10%.** Customer-service management tools play an important not only in maintaining customer satisfaction, but also in driving additional sales from existing customers. Organizations see two types of revenue uplift: increased net new product sales and increased service contract sales. When the composite organization uses SAP Sales Cloud and SAP Service Cloud together in tandem, the end-to-end visibility of customer accounts and the overall wealth of information produces €29,803,306 PV in additional revenue over three years.
- **Revenue retention and loyalty is improved and reduces customer churn by 8% to 12%.** Having improved visibility, proactive case handling, and resolution intelligence increases customer loyalty. The interviewees’ organizations saw a 10% average reduction in customer churn primarily due to SAP Service Cloud. The composite organization reduces the revenue lost to attrition by €4,092,740 PV over three years.

- **Customer service agent efficiency is improved by 50%.** Operationally, the composite organization is able to realize significantly greater call-handling efficiency with better routing, intelligent resolution suggestions, and having single-pane-of-glass visibility. The total time-to-resolution decreases by 50%, negating the need to hire additional staff during periods of growth while improving the employee experience (EX). The composite organization sees productivity gains of €6,473,577 PV over a three-year period.

- **Infrastructure is rationalized with the move to cloud with SAP Sales Cloud and SAP Service Cloud, saving €3,455,529 over three years.** Retiring hardware and related infrastructures does not produce savings because organizations pay for them in perpetuity. But moving to SAP Cloud Services provides substantial benefits around software licenses, support, and services. IT operations staff are able to focus on other value-add activities instead of merely keeping operations running.

SAP Service Cloud combined with SAP Sales Cloud delivers additional uplift:

+10%

Costs. Risk-adjusted PV costs include:

- **License, support, and professional service are €4,634,812 PV over three years.** The cost of licensing is scaled with the number of sales agents and service agents. With both solutions in place, the composite organization incurs a cost of €4,634,812 at list levels over three years. This cost includes third-party professional services for planning and implementation, but it excludes internal labor.

- **Implementation, integration, and other internal costs totaling €9,775,568 PV over three years.** The cost of the internal labor needed to implement and integrate SAP Sales Cloud and SAP Service Cloud into various tools (that may be non-SAP based) is included in this cost category. Additionally, Forrester included the cost of training and ramp time for agents to reflect the time they spend bringing resources to operate optimally.

The customer interviews and financial analysis found that a composite organization experiences benefits of €68.03 million over three years versus costs of €14.41 million, adding up to a net present value (NPV) of €53.62 million and an ROI of 372%.

ROI
372%

BENEFITS PV
€68M

NPV
€53.6M

PAYBACK
<6 months

BENEFITS (Three-year)

SAP Sales Cloud amplifies the work done by sales teams, producing a 4.9% uplift in revenues.

SAP Service Cloud improves loyalty and returns by up to 12%, coupled with 50% greater efficiency by customer service agents.

SAP Service Cloud delivers sales force automation and customer service management quickly from the cloud to global

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 the SAP Sales Cloud and SAP Service Cloud solutions.

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 the SAP Sales Cloud and SAP Service Cloud solutions can have on an organization.

DUE DILIGENCE

Interviewed SAP stakeholders and Forrester analysts to gather data relative to the SAP Sales Cloud and SAP Service Cloud solutions.

CUSTOMER INTERVIEWS

Interviewed multiple decision-makers at five organizations using the SAP Sales Cloud and SAP Service Cloud solutions to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION

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

FINANCIAL MODEL FRAMEWORK

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

CASE STUDY

Employed four fundamental elements of TEI in modeling 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 SAP 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 the SAP Sales Cloud and SAP Service Cloud solutions.

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

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

The SAP Sales Cloud And SAP Service Cloud Customer Journey

Drivers leading to the SAP Sales Cloud and SAP Service Cloud solutions investment

Interviewed Organizations

Industry	Region/Revenue	Interviewee	Use case
Manufacturing	Global/€100M+	- Internal consultant	SFA+CSM
Marketing	Europe/€100M+	- Head of technology services	SFA+CSM
Construction	Global/€1B+	- Senior director of IT - Senior director of sales operations and effectiveness	SFA
Apparel	Global/€1B+	- IT director - Director of customer systems	CSM
Healthcare	Americas/€1B+	- Director of global platforms and customer care - IT manager	CSM

KEY BUSINESS CHALLENGES

The interviewees told Forrester about their previous solutions for sales force automation and customer service management, and several common themes emerged. Specifically, their organizations were unable to easily manage sales pipelines and correlate specific information to customer profiles. This led to missed opportunities and poor customer service. These issues primarily stemmed from using disparate systems of record and lacking a single pane of glass to provide visibility. Additionally, the organizations' sales and service business units were siloed, and there was not a clear and free transfer of information between the two to make the most of opportunities. Going more in depth, the organizations faced these struggles:

> **"[SAP Service Cloud] is implemented in at least eight languages worldwide. We have [representatives] each operating in their own home language, and they still have that consistent visibility of our data structures and financials for our agents."**
>
> *Director of global platforms and customer care, healthcare*

> **"We had to be more efficient in terms of the way we dealt with customers, and the very fact that our salespeople and operational staff will no longer go in blind means that there is now real value that we can offer the customer."**
>
> *Head of technology services, marketing*

- **The inability to manage sales pipelines led to shortfalls at the end of the quarter or year.** By using legacy tools (e.g., the combination of spreadsheets and databases or homegrown solutions), the correlating information needed to plan and act on opportunities was difficult to stitch together. This caused missed insights.

- **The lack of information flow between the sales and service departments created customer churn and missed sales opportunities, even when customer perception was positive.** When things went right, the organizations couldn't capitalize on scenarios in which service delivery was excellent. Similarly, one interviewee said that when situations played out poorly due to service, sales staff would walk into literal "landmines." Decision-makers deeply desired democratization of information so that every opportunity could flip to revenue.

- **Manual processes to keep up to date with customer profiles were no longer sufficient.** Without automation, the organizations' employees would put in hours just to reconcile and correlate information about customer accounts, and they would often forget many activities and touchpoints in the process. While many of the organizations had well-defined sales processes, they only provided limited coverage.

> **"Those who had joined the company in the prior six years really hadn't used much of anything other than Excel and Microsoft Suite stuff. And those who would come from other companies that joined us said, 'Wow! How can you survive without a CRM system?'"**
>
> *Senior director of sales operations and effectiveness, construction*

Customer data was growing exponentially, but it was seemingly worthless without a system to connect the dots. One interviewee said, "What you cannot see, you cannot manage."

- **Customer service delivery lagged and caused revenue leakage.** While interviewees said they don't think of customer service centers as profit centers, they do believe customer service is crucial to being able to retain customers after the initial sale. A lack of adequate service erodes brand reputation and leads to decreased overall sales. Decision-makers also realized that the opposite would have a reverse effect.

INVESTMENT OBJECTIVES

The interviewees' organizations searched for a solution that could:

- **Improve agility.** Interviewees said being able to scale at will is crucial, especially when an organization expands globally. A senior director of IT stated:

- "We've had to change some of our workflows because of [SAP Sales Cloud and SAP Service Cloud], but it does mean that we now have consistency, and we are able to scale the process around the world easily."

> **"In the service area, we have much better retainment of customers. It's great, and I think it approaches 10% in terms of improvement."**
>
> *Manager CX portfolio, manufacturing*

The interviewees also emphasized the importance of having cloud-based architecture as a foundational piece that can be stood up and allocated to sales agents and service agents around the world to provide localized experiences. With the global customers attitudes and markets changing rapidly, having the ability to pivot and hone in on specific customer needs became more important than ever to the organizations.

- **Modernize feature sets and functionality on sales processes and service delivery.** Many of the interviewees' organizations used internally built tools to manage their sales and service workflows, but they provided few updates to increase automation and productivity. In global environments that required multiple instances, this was even more difficult with varying infrastructures in place. One senior director of sales operations and effectiveness said:

- "Because our customers are global, it was important for us to have something that was also global and able to provide the data that our representatives needed in all the regions… This is not easily doable with cost in mind with on-prem infrastructure."

  Without having a continually updated tool, the interviewees' organizations often lacked the automation and insight creation that make productive sales conversions possible. This left unturned opportunities on the table. It would have been extremely helpful to have features like intelligent remediation or advanced routing, but it would have been nearly impossible to build out without making significant investments in tools that would be isolated from digital transformation strategies.

- **Bring silos back together to paint a full 360-degree view of the customer.** Each of the interviewees said it was crucial for their organization to understand the customer on a deeper level. One interviewee characterized this as having an end-to-end understanding of the customer lifecycle with their organization's brand, and they said bringing together service and sales departments with related historical data was key to understanding the entirety of the customer journey.

- **Invigorate sales with updates to both processes and technologies.** Sales growth had stagnated for some of the interviewees' organizations, but mostly for those that required manual input. Digital sales processes were growing, but manual sales processes didn't get the attention they deserved because certain things simply were not conducive to online sales motions.

  The head of technology services at a marketing organization stated: "We had to refine and shift our operating model because the old one wasn't working in this new age. To do that, we needed a system that would allow us to see all the customer touchpoints. With both SAP Service Cloud and SAP Sales Cloud, we have a system that allows our teleservice people and our salespeople to make multiple touchpoints to make things truly meaningful."

> **"SAP Sales Cloud and SAP Service Cloud are now mainstays of our organization. They very much allow us to have a 360-degree view of the customer. And that was really one of the main reasons we went with [the solutions]. They [gave] us the ability to see the different touchpoints that customers would have with our organization."**
>
> *Head of technology services, marketing*

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 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. The composite organization is a global B2B organization with over €800 million in annual revenues. Sales are conducted via digital and direct sales channels. Because some products are too complex for easy digital transactions, the organization sells roughly 50% of its products through its manual sales channels. This entails those that are of higher value or those that have a high level of configurability. Digital commerce is expected to increase in the future, but there simply is not a replacement for human-to-human sales where relationships and service matter. Because service is also revenue-generating for this organization, customer service delivery was up for modernization. Given this, it was important for decision-makers to explore future opportunities with a modern SFA and CSM solution.

Deployment characteristics. The organization has global operations with multiple contact centers and 300 customer agents. Additionally, its sales force is also distributed globally with a staff of 500 FTE. Due to an existing base of SAP services, the composite organization is able to easily integrate and deploy the full gamut of functions in SAP Sales Cloud and SAP Service Cloud within months. Similarly, new processes and workflows are introduced in the first year. Sites around the world are able to leverage the same functions because it was seamless to activate the SAP cloud delivery.

Key assumptions

- **B2B organization**
- **€800M annual revenue**
- **5,000 FTE**
- **500 sales FTE**
- **300 customer service FTE**
- **Migrated from homegrown CSM and basic productivity tools**

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	Sales force automation-driven revenue uplift	€9,604,000	€9,680,832	€9,953,105	€29,237,937	€24,209,512
Btr	Service-induced revenue post-initial sale	€11,440,000	€12,012,000	€12,612,600	€36,064,600	€29,803,306
Ctr	Revenue retention and loyalty	€1,264,640	€1,659,840	€2,091,398	€5,015,878	€4,092,740
Dtr	Service agent efficiency	€2,603,121	€2,603,121	€2,603,121	€7,809,364	€6,473,577
Etr	Infrastructure rationalization savings	€1,146,960	€1,529,280	€1,529,280	€4,205,520	€3,455,529
	Total benefits (risk-adjusted)	€26,058,721	€27,485,073	€28,789,505	€82,333,300	€68,034,664

SALES FORCE AUTOMATION-DRIVEN REVENUE UPLIFT

Evidence and data. Interviewees said that better equipping sales associates with tools that provided full 360-degree visibility was key for their organizations. Decision-makers saw the inefficiencies of aggregating data and manually managing customer relationship information. The result, of course, was a lack of ability to capitalize on sales opportunities.

- Interviewees said disparate data led to unproductive customer engagements or interactions that never utilized available insights.
- Workflows were cumbersome, and sales associates manually piecemealed information from siloed data repositories.
- The organizations did not automate mundane tasks that could have been, and this led to extraneous work and missed touchpoints to grow customer relationships.
- Interviewees said their organizations' sales improved between 3% to 10%, which hinged upon the existing state of tools provided to the sales group.

Modeling and assumptions. Based on information provided by the interviewees, Forrester assumes the following about the composite organization:

- Due to trends with automation and digitalization (both on the vendor and consumer fronts), Forrester expects revenue channels to lean toward digital and nontraditional sales channels. If the composite organization starts at 50% of revenue derived from digital/self-service sales, Forrester expects this figure to increase incrementally each year. In Year 3, these account for 53% of all sales.
- Human-dependent sales will continue to play a large role. The SFA will assist, but it will slightly decrease its involvement over time as both consumers and vendors shift to the digital age.
- The increase in sales due to SFA is undeniable and has been pegged at 4.9% from the tools and associated effects of SAP Sales Cloud.
- The attribution to SAP Sales Cloud is higher than the standard one-third split between people,

processes, and technology. Quite simply, the technology is the foundational bedrock that enables new processes and allows people to do more.

> **"The fact that [sales representatives] control and have an understanding of what the customer does and what type of a relationship we have or how the relationship is progressing saves us a ton of manpower, and it increases customer satisfaction."**
>
> *Head of technology services, marketing*

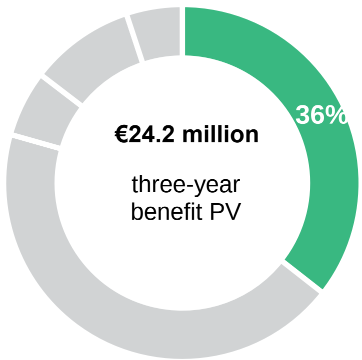
- Revenue uplift from SAP Sales Cloud is repeating in nature, and it will continue to deliver across multiple years. Forrester expects the capabilities to stay competitive as the platform continues to be updated and pushed to the composite organization.

Risks. Forrester identified risks that could potentially change the benefit value calculated, including:

- Organizations have different levels of readiness among the people and process segments. This means that if these processes are built out thoroughly, the resulting gains from SFA will be lightened, including the attribution of the benefit to the software solution.
- B2B and B2C organizations have different sales splits between those that require a sales associate versus those that do not require an associate. This can vary significantly, so readers should keep in mind what is truly applicable with SAP Sales Cloud.

Results. To account for these risks, Forrester adjusted this benefit downward by 30%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of €24,209,512.

Revenue uplift from SAP Sales Cloud



Sales Force Automation-Driven Revenue Uplift					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Annual revenue	Composite	€800,000,000	€840,000,000	€882,000,000
A2	Revenue channels using sales force automation SFA	Interviews	50%	48%	47%
A3	Increase in closed sales rate due to SFA	Interviews	4.9%	4.9%	4.9%
A4	Attribution to SAP Sales Cloud	Interviews	70%	70%	70%
At	Sales force automation-driven revenue uplift	A1*A2*A3*A4	€13,720,000	€13,829,760	€14,218,722
	Risk adjustment	↓30%			
Atr	Sales force automation-driven revenue uplift (risk-adjusted)		€9,604,000	€9,680,832	€9,953,105
	Three-year total: €29,237,937		**Three-year present value: €24,209,512**		

SERVICE-INDUCED REVENUE POST-INITIAL SALE

Evidence and data. Service-level improvements don't just affect customer retention and loyalty, but many interviewees said they also drove additive net-new sales. They noted two key components of upsell opportunities created by improved levels of service delivery: 1) net-new product sales (which are sometimes completely distanced from the originally purchased items) and 2) increased service contracts due to greater faith in the service delivery. Forrester attributes the improvements to the following findings:

- Customers who made a prior purchase and noted excellent service delivery (e.g., for a service visit or overnight replacement) became more confident to purchase other items from that vendor. Regardless of the type of organization, sales that originated from the customer service branch grew by a median of 10%, and one organization gained as much as 50%.
- Customer service or warranty contracts also increased with improved service delivery. Interviewees reported that when customers were elated by the service, there was an increase of 5% in service-contract amounts purchased.
- Interviewees made it clear that without having a total 360-degree picture that included the information from SAP Sales Cloud, service agents would not have been able to garner the additive sales. In essence, this is a "better together" story with the integration and visibility of data that allows agents — either on the sales or service side — to complete the deal.

> **"SAP has improved our sales and customer service efficiency and productivity while also probably making our customers happy that they are not being called by two different people on the same day either about the same thing or the fact that the left hand isn't talking to the right hand."**
>
> *Head of technology, marketing*

> **"Often, you'll find that our service agents are really good at upselling on the phone. They have the skills to sell you something new when you've already got many things from us. For instance, if you want to repair your old jacket, we'll be able to capture that and get three more things in your basket. How SAP draws information out to make this happen is what's important."**
>
> *Director of customer systems, apparel*

Modeling and assumptions. Based on information provided by the interviewees, Forrester assumes the following about the composite organization:

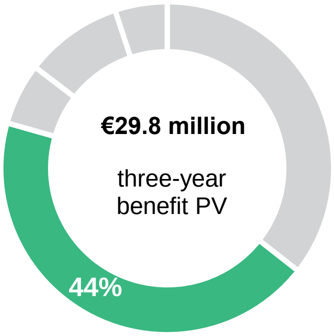
- Service and support contracts are tied to initial sales in different ways between verticals – but as an average, Forrester based this on an attach rate of 38%, largely based on interview data.
- Uplift percentages for both net-new products and additive service contracts are based on interview data.
- Attribution of the effects of the uplift are allocated largely to the two SAP solutions because they enabled the creation of new processes and people efficiencies.
- All figures are based on the assumption of an €800-million organization with 12% of its revenue based on service-related activities.

Risks. Forrester identified risks that could potentially change the benefit value calculated, including:

- The breadth of products, which can affect the net-new product sale uplift.
- Variances in the attach rate of service contracts for B2C organizations, which may see a significant delta.

Results. To account for these risks, Forrester adjusted this benefit downward by 50%, yielding a three-year, risk-adjusted total PV of €29,803,306.

SAP Service Cloud and SAP Sales Cloud together create new opportunities



Service-Induced Revenue Post-Initial Sale					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Service and support attach rate	Composite	38%	38%	38%
B2	Revenue uplift percentage	Interviews	10%	10%	10%
B3	Revenue uplift in net-new product sales due to improved service levels and visibility	A1*B1*B2	€30,400,000	€31,920,000	€33,516,000
B4	Annual revenue under service and support contract	Assumption: 12% total revenues are service-based	€96,000,000	€100,800,000	€105,840,000
B5	Increase in service contract purchases	Interviews	5%	5%	5%
B6	Revenue uplift on additive service contracts	B4*B5	€4,800,000	€5,040,000	€5,292,000
B7	Attribution to SAP Service Cloud	Assumption	65%	65%	65%
Bt	Service-induced revenue post-initial sale	(B3+B6)*B7	€22,880,000	€24,024,000	€25,225,200
	Risk adjustment	↓50%			
Btr	Service-induced revenue post-initial sale (risk-adjusted)		€11,440,000	€12,012,000	€12,612,600
	Three-year total: €36,064,600		**Three-year present value: €29,803,306**		

REVENUE RETENTION AND LOYALTY

Evidence and data. Interviewees told Forrester that loyalty was top of mind when tackling customer service management and being able to provide top-level service to prevent customer churn. Loyalty-based retention is significantly cheaper than the acquisition costs of new customers, not to mention the trust and loyalty that needs to be built from the ground up.

- The interviewees' organizations were losing between 7% to 14% of their B2B customers annually.
- The full end-to-end visibility created by SAP Service Cloud allowed agents to fix situations more intelligently, especially as it pertained to clients who had historically had issues.
- Proactive alerts allowed agents to take a preemptive approach to customer service management and to actively approach situations that might become problematic before they materialized.
- The organizations' successes with SAP Service Cloud were based on a multipronged approach of people, process, and technology. Technology was the crucial part to bringing the people and processes together.

Modeling and assumptions. Based on information provided by the interviewees, Forrester assumes the following about the composite organization:

- Service and support has an attach rate of 38% for total orders, so these are the only customers/orders that can be affected by service and support.

- Attribution to SAP Service Cloud for the gain in customer retention is set at 65% because process and people matter in the overall schema.
- There is a noted increase in customer retention due to better levels of service — partially from increasingly effective agents and partially from a more complete knowledge base for self-help. Customer churn was reduced by 8% to 12% over the course of a three-year span.

Customer retention is improved with SAP Service Cloud

Up to 12%

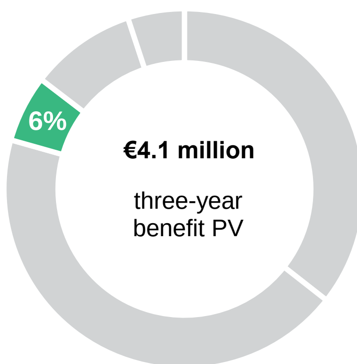
> **"Customers always had a queue when calling to speak to our customer service, which wasn't ideal for us as a luxury company. The more time we can efficiently help and sell to customers without detracting from that luxury experience, the more time we have with the customers to nurture the customer relationship and sell."**
>
> *Director of customer systems, apparel*

Risks. Forrester identified risks that could potentially change the benefit value calculated, including:

- Some organizations are more prone to customer churn than others, which is often tied to industry vertical.
- Customer churn is based on industry verticals where alternate products/services are available. For some industries, the churn rate could be significantly lower due to a lack of replacement competitor.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of €4,092,740.

Increase loyalty retention of customers



Revenue Retention And Loyalty					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Service and support attach rate	B1	38%	38%	38%
C2	Effective retention bleed prior to SAP Service Cloud	Interviews	10%	10%	10%
C3	Reduction in retention leakage	Interviews	8%	10%	12%
C4	Attribution to SAP Service Cloud	Assumption	65%	65%	65%
Ct	Revenue retention and loyalty	A1*C1*C2*C3*C4	€1,580,800	€2,074,800	€2,614,248
	Risk adjustment	↓20%			
Ctr	Revenue retention and loyalty (risk-adjusted)		€1,264,640	€1,659,840	€2,091,398
	Three-year total: €5,015,878		**Three-year present value: €4,092,740**		

SERVICE AGENT EFFICIENCY

Evidence and data. With improved routing, suggestions based on artificial intelligence (AI) and machine learning (ML), and lifetime tracking of accounts, SAP Service Cloud delivered substantial benefits to the interviewees' organizations when they moved from homegrown or rudimentary/legacy systems. Some benefits included self-service knowledge bases, intelligent routing to the proper departments, and remediation assistance. Interviewees also revealed the following:

- End-to-end remediation became more than 50% faster, and it often required less hops to various groups as full visibility was readily presented.
- In general, contact volume shifted to be more email-based due in part to available help tracks available online.
- The empowerment of customer service agents had a side benefit of increasing work satisfaction. Interviewees could not calculate this, but it is important. Due to historically high rates of employee churn in this the segment, this could potentially lead to significant savings.
- In general, service agents were able to improve their first call resolution (FCR) rates. This has been integrated with the overall reduction in time-to-remediation, but it has not been split out by the number of calls and groups due to insufficient data.

Handle more calls by using SAP Service Cloud

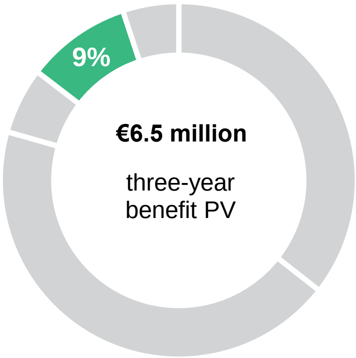
50%

Risks. Forrester identified risks that could potentially change the benefit value calculated, including:

- The use of self-service and the complexity of the service provided can alter the relative benefit gained in call efficiency. For example, the degree to which email support rises to displace call support can change the indicated case resolution.
- Forrester assumes that 60% of the time recaptured from the efficiency savings can be put back to productive use, but this may vary from firm to firm.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of €6,473,577.

Service agent efficiency



Service Agent Efficiency

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Customer service agents	Composite	300	300	300
D2	Call-handling efficiency gain	Interviews	50%	50%	50%
D3	Customer service agent annual fully loaded compensation	Assumption	€49,442	€49,442	€49,442
D4	Productivity capture	Assumption	60%	60%	60%
D5	Attribution to SAP Service Cloud	Interviews	65%	65%	65%
Dt	Service agent efficiency	D1*D2*D3*D4*D5	€2,892,357	€2,892,357	€2,892,357
	Risk adjustment	↓10%			
Dtr	Service agent efficiency (risk-adjusted)		€2,603,121	€2,603,121	€2,603,121
	Three-year total: €7,809,364		**Three-year present value: €6,473,577**		

INFRASTRUCTURE RATIONALIZATION SAVINGS

Evidence and data. As the interviewees' organizations shifted toward cloud-offerings from traditional on-premises solutions, it became clear how the capex and opex equation was being reduced. More specifically, interviewees noted that:

- On-premises servers hosting legacy database repositories and homegrown systems could be retired. While the servers had high initial capital costs, retiring them did not reflect as a potential gain because the organizations paid for them in perpetuity.

- Support and maintenance costs for the legacy stack stopped after switching to SAP Sales Cloud and SAP Service Cloud. This commonly included support contracts for infrastructure/hardware and software contracts (both external and/or internal indirect costs).
- The organizations rationalized software license costs for multiple tools, so they no longer incur annual costs.

Eliminate and rationalize existing support and service plans with SAP

12% of total existing capex spend

Modeling and assumptions. Based on information provided by the interviewees, Forrester assumes the following about the composite organization:

- External support plans range from 10% to 20% of the cost of hardware and software. Forrester used 12% because it most closely aligns with interviewees said.
- Internal service, support, and maintenance carry a cost of approximately 10% of the cost of the software and hardware.

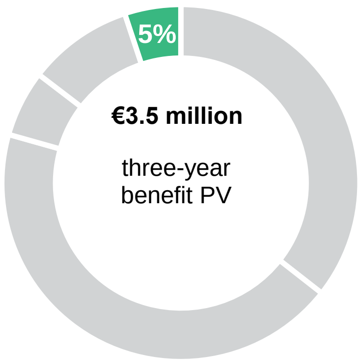
Risks. Forrester has factored a risk that could potentially change the benefit value calculated.

- Due the contracts deployed by an organization on the legacy stack, this increases the variability in not only the cost of the software, but the associated support and management of which.

> **"Having one global service system has definitely reduced our cost from an infrastructure and IT support resource perspective. Having one consolidated system was huge in reducing our IT costs."**
>
> *Director of global platforms and customer care, healthcare*

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of €3,455,529

Infrastructure stack rationalization savings



Infrastructure Rationalization Savings					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
E1	Infrastructure hardware in place (paid for in perpetuity)	Interviews	€1,800,000	€2,400,000	€2,400,000
E2	Software	Interviews	€720,000	€960,000	€960,000
E3	Internal service, support, and maintenance	(E1+E2)*10%	€252,000	€336,000	€336,000
E4	External support plans	(E1+E2)*12%	€302,400	€403,200	€403,200
Et	Infrastructure rationalization savings	E2+E3+E4	€1,274,400	€1,699,200	€1,699,200
	Risk adjustment	↓10%			
Etr	Infrastructure rationalization savings (risk-adjusted)		€1,146,960	€1,529,280	€1,529,280
	Three-year total: €4,205,520		**Three-year present value: €3,455,529**		

FLEXIBILITY

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

- **Integration with other SAP solutions for faster time-to-value and greater automation.** When paired with other solutions such as SAP Commerce Cloud and SAP S/4HANA, SAP Sales Cloud and SAP Service Cloud can do even more without tedious integration. Interviewees said they are elated that everything is now brought together to truly serve their customers without extraneous back and forth work between tools.
- **Modernization without addition work.** Because SAP Sales Cloud and SAP Service Cloud are software-as-a-service (SaaS)-delivered products, new features and functionality are often pushed to the customers multiple times per year, eliminating the need for organizations to build out advanced features.

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	License, support, and professional services	€1,990,800	€0	€1,675,800	€1,675,800	€5,342,400	€4,634,812
Gtr	Implementation, integration, and management costs	€803,940	€6,616,385	€1,874,005	€1,874,005	€11,168,335	€9,775,568
	Total costs (risk-adjusted)	€2,794,740	€6,616,385	€3,549,805	€3,549,805	€16,510,735	€14,410,380

LICENSE, SUPPORT, AND PROFESSIONAL SERVICES

Evidence and data. The interviewees' organizations paid SAP or SAP partners for cloud subscription fees and professional services to assist in planning and implementation. Support and service were already included in the cost of licensing. Interviewees told Forrester:

- In general, the licenses were priced fairly and lower than alternate SFA and CSM solution providers.
- Professional services sometimes came from third-party systems or from SAP directly.
- License pricing is based on the number of user seats purchased, and it can be adjusted to fit the scaling of an organization's needs.

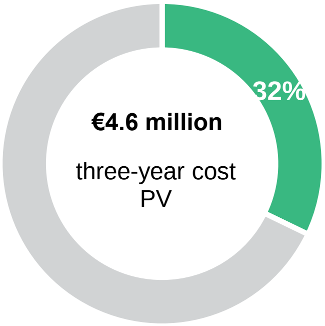
Modeling and assumptions. Based on information provided by the interviewees, Forrester assumes the following about the composite organization:

- The organization purchases licenses before the start of usage. Hence, this cost is incurred during the initial period rather than in Year 1.
- The SAP pricing model is predictable, and unlike traditional on-premises systems, it should be easy for organizations to budget for it. If exponential growth or drastic shrinkage occurs, the cost will change in a predictable fashion and only require a shift in licenses.
- Growth in user seats does not occur due to the improved efficiency of sales and service agents.
- SAP provides professional services and encapsulates assistance to integrate SAP Sales Cloud and SAP Service Cloud into an existing, on-premises SAP environment.
- All pricing is presented at list levels.

Risks. Professional services costs may vary depending on an organization's vendor/partner if it is not SAP. Additionally, existing infrastructures can present challenges depending on the complexity of the existing data repositories and technology platforms that require more or less effort.

Results. To account for this risk, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of €4,634,812.

Licensing and professional services costs



License, Support, And Professional Services						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
F1	SAP Sales Cloud license costs	Interviews	€1,020,000	€0	€1,020,000	€1,020,000
F2	SAP Service Cloud license costs	Interviews	€576,000	€0	€576,000	€576,000
F3	Professional services	Interviews	€300,000	€0	€0	€0
Ft	License, support, and professional services	F1+F2+F3	€1,896,000	€0	€1,596,000	€1,596,000
	Risk adjustment	↑5%				
Ftr	License, support, and professional services (risk-adjusted)		€1,990,800	€0	€1,675,800	€1,675,800
	Three-year total: €5,342,400			**Three-year present value: €4,634,812**		

IMPLEMENTATION, INTEGRATION, AND MANAGEMENT COSTS

Evidence and data. The costs of implementation, integration, and management are internally borne, and they do not typically appear on income statements. The activities include planning, testing, and implementation along with training and ramping up employees. The interviewees said:

- This cost category involves a variety of personnel including IT engineers, business-level leads, sales associates, and customer service agents.
- Implementation and training cost the least in terms of time.
- Ramp-up costs for employees to become truly effective required the most time and effort. Organizations sometimes needed up to a month of time per agent or associate multiplied by hundreds of these employees.

Modeling and assumptions. Additive assumptions and metrics were applied on the following cost factors for the composite:

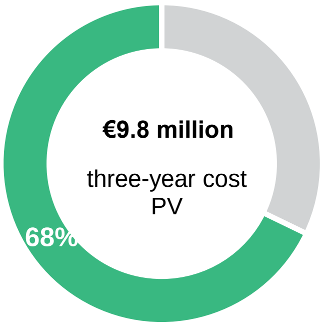
- The employee turnover rate for sales and customer service agents is 39.4%, according to the US Bureau of Labor Statistics.[1] In the EU, where this labor sector is highly unionized, the turnover rates are 10.2%, according to Eurostat data.[2] Because the composite organization is global, Forrester used both figures to calculate an average turnover rate of 24.8%
- Employee turnover will lead to continued training and ramp-up time.
- The ramp-up time required in Year 2 and Year 3 is expected to be shorter because of better documentation and because the majority of workers will already be acclimated with the SAP products.

Risks. Forrester identified risks that could potentially change the investment costs calculated, including:

- The complexity of workflows, which directly impacts the amount of time for training and ramp.
- The complexity of implementation and integration due to existing infrastructures and data sources.

Results. To account for these risks, Forrester adjusted this cost upward by 25%, yielding a three-year, risk-adjusted total PV of €9,775,568.

Internal costs of implementation, integration, and training

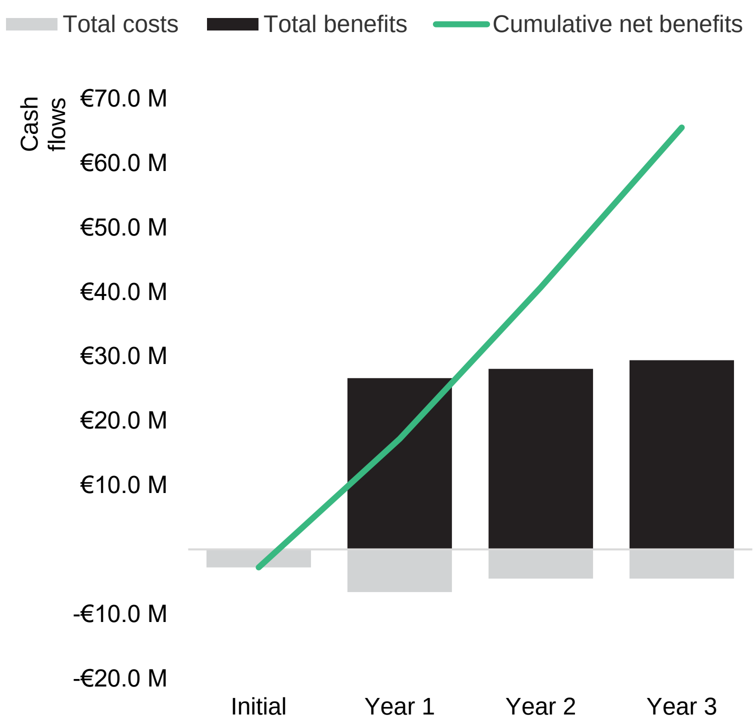


Implementation, Integration, And Management Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
G1	Planning, testing, and implementation time per business lead and IT engineer (hours)	Assumption: 9 months at 15% time dedicated	234	0	0	0
G2	Training time per agent/sales associate (hours)	Interviews	16	0	6	6
G3	Ramp time per agent/sales associate (hours)	Assumption: 1 month ramp in Year 1 and 24.8% turnover in Years 2 and 3	0	173	69	69
G4	Ongoing management, support, and customization of Sales Cloud and Service Cloud time per IT FTE (hours)	Composite	0	2,080	2,080	2,080
G5	Hourly fully loaded compensation of IT engineer	Assumption	€65.93	€65.93	€65.93	€65.93
G6	Hourly fully loaded compensation of business-level lead	Assumption	€65.46	€65.46	€65.46	€65.46
G7	Hourly fully loaded compensation of sales associate	Assumption	€46.93	€46.93	€46.93	€46.93
G8	Hourly fully loaded compensation of customer service agent	Assumption	€23.77	€23.77	€23.77	€23.77
G9	IT engineers	Interviews	4	3	3	3
G10	Business-level leads	Interviews	6	0	0	0
G11	Sales associates	Assumption	500	500	500	500
G12	Customer service agents	Assumption	300	300	300	300
G13	Planning, testing, and implementation costs (showing rounded value)	G1*G5*G9+G1*G6*G10	€153,616	€0	€0	€0
G14	Training costs	G2*G7*G11+G2*G8*G12	€489,536	€0	€183,576	€183,576
G15	Ramp costs	G3*G7*G11+G3*G8*G12	€0	€5,293,108	€1,315,628	€1,315,628
G16	Ongoing management costs	4 hours per week per solution	€13,713	€13,713	€13,713	€13,713
Gt	Implementation, integration, and management costs	G13+G14+G15	€643,152	€5,293,108	€1,499,204	€1,499,204
	Risk adjustment	↑25%				
Gtr	Implementation, integration, and management costs (risk-adjusted)		€803,940	€6,616,385	€1,874,005	€1,874,005
	Three-year total: €11,168,335			**Three-year present value: €9,775,568**		

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	(€2,794,740)	(€6,616,385)	(€3,549,805)	(€3,549,805)	(€16,510,735)	(€14,410,380)
Total benefits	€0	€26,058,721	€27,485,073	€28,789,505	€82,333,300	€68,034,664
Net benefits	(€2,794,740)	€19,442,336	€23,935,268	€25,239,700	€65,822,565	€53,624,284
ROI						372%
Payback period (months)						<6 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."

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: Endnotes

[1] Source: “Job Openings and Labor Turnover Survey,” U.S. Bureau of Labor Statistics (https://data.bls.gov/PDQWeb/jt).
[2] Source: “Industrial turnover index overview,” Eurostat, October 2020 (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Industrial_turnover_index_overview#Overview).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