

A Forrester Total Economic Impact™
Study Commissioned By Cincom
May 2019

The Total Economic Impact™ Of Cincom CPQ

Cost Savings And Business Benefits
Enabled By CPQ

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Project Director:
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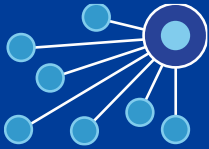
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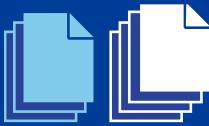
Executive Summary

Key Benefits



Costs saved from improved order accuracy:

\$6.2 million



Engineer productivity:

\$1.6 million



Time savings on quote process:

\$471,289

Modern sales organizations must meet the expectations of their customers by making complex offerings appear simple, maximizing the value of each deal and the speed that the market demands. Companies are increasingly looking for a configure price quote (CPQ) system that will move beyond basic functionality to shorten deal cycle times, increase sales conversions, and improve order accuracy. Ultimately, firms can leverage Cincom CPQ to improve the overall customer experience for buyers and sellers.

Cincom provides a CPQ solution that simplifies complicated selling processes by digitally transforming business rules, workflows, and product configurations. Manufacturers with complex, configurable products benefit from the rules engines that Cincom CPQ delivers, which results in fast, accurate quotes and increased efficiency on the factory floor. This results in more profitable orders delivered with speed and accuracy.

Cincom commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Cincom CPQ. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Cincom CPQ on their organizations. To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed the applications manager for a vehicle manufacturer with a go-to-market strategy that involves both dealers and direct sellers.

Prior to using Cincom CPQ, sellers were forced to engage in an entirely manual quoting process. To collect customer requirements, a salesperson would have a conversation with the buyer, revisit previous purchase history to collect old specifications, and manually update the quote. Because there was little to no interaction with the manufacturer, the process left both companies open for pricing and configuration errors.

With the adoption of Cincom CPQ, the organization saved millions from improved accuracy of orders, gained \$2 million from engineering staff productivity improvement, and reduced the order to cash cycle time.

Key Findings

Quantified benefits. The interviewed organization experienced the following risk-adjusted present value (PV) quantified benefits:

- › **Costs saved from improved order accuracy.** Reducing the number of errors, or change orders, required to ship and invoice vehicles not only saves dollars but has other positive downstream effects. Over three years, a 33% reduction in errors provided a better customer experience for both the dealer and its end customers. This error reduction was worth nearly \$6.2 million dollars to the organization over three years.
- › **Increased engineer productivity on the manufacturing line.** The implementation of Cincom CPQ helped the engineering teams recognize that 80% of their vehicles contained similar parts, leading them to develop a more modular versus custom product catalog. This allowed the organization to create an engineering configurator to assist with prebuild. The organization reported a 20% engineering time savings, which was worth more than \$1.6 million dollars over three years.



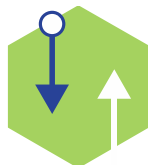
ROI
359%



Benefits PV
\$8.95 million



NPV
\$7 million



Payback
<6 months

- › **Reduction in developer time managing the previous solution.** Because of the business and configuration rules engines that Cincom CPQ delivers, the organization was able to reduce the number of developers managing the solution to just one person for each of the three business units. Once the initial deployment happened, the organization was able to reduce the team by three full-time employees at a savings of \$662,000 to the organization.
- › **Time savings on quote process.** In the past, if a company had any semblance of a quoting system, requirements gathering was still entirely manual and on the shoulders of the dealer with little help from the factory. That process could drag out for weeks or months. Cincom CPQ enabled a 30% reduction in the sales cycle, saving the manufacturer more than \$471,000 over three years.

Unquantified benefits. The interviewed organization experienced the following benefits, which are not quantified for this study:

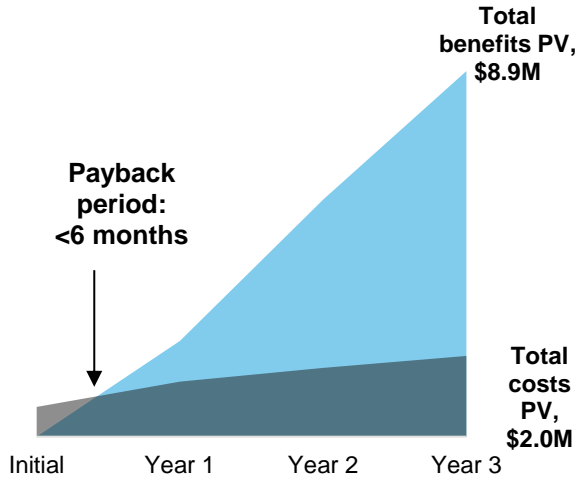
- › **Reduced risk from sales turnover.** Specialized salespeople are difficult to find and take a long time to train. Cincom CPQ allows organizations to capture product knowledge and institutionalize the configuration and quoting process. As experienced sales individuals inevitably leave the company, rigorous processes protect the dealer from their IP walking out the door.
- › **Enabled “getting in front of the RFP” and increased sales.** Salespeople work to cultivate and build buyer relationships so when the time is right, they are positioned to capitalize on a business opportunity. When that opportunity emerges, sales needs to beat competitors to the spec in hopes of controlling the bid. Cincom CPQ enabled dealers to quickly work up a quote, moving into the review process faster and more easily. By providing the path of least resistance to the dealers to produce a fast, accurate bid response, dealers could work on more bids, therefore increasing win rates.
- › **Improved order to cash cycle time.** By creating the infrastructure needed for fast, accurate product information exchange between the factory and the dealers, the organization improved order accuracy. Using Cincom CPQ, the organization uncovered that up to 80% of the vehicles contained repeat parts; the manufacturing line was effectively planned, ultimately speeding up the shipping and invoice times for a shorter cash cycle time.

Costs. The interviewed organization experienced the following risk-adjusted PV costs:

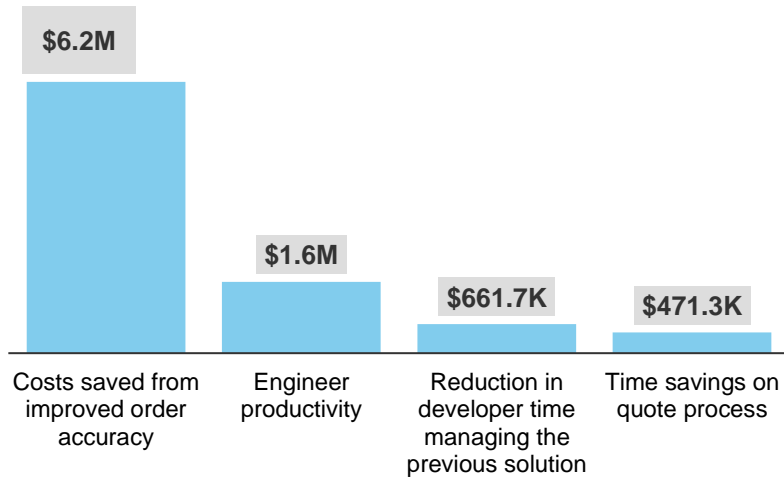
- › **Annual license costs totaling \$294,816 over three years.** The interviewed organization paid annual license fees for Cincom CPQ. The organization added an additional business unit in Years 1 and 2.
- › **Professional services and hosting fees of \$722,300 over three years.** The interviewed organization described internal costs for professional services and hosting fees.
- › **Implementation costs totaling \$396,900.** The interviewed organization described the internal costs for the implementation team during the initial year and the year it added the new business unit.
- › **Administrative costs for ongoing maintenance of \$539,174 over three years.** The interviewed organization noted that Cincom CPQ required minimal ongoing management and maintenance. The company manages its Cincom CPQ deployments with a lean team of four people.

Forrester's interview with an existing customer and subsequent financial analysis found that the interviewed organization experienced benefits of \$8,956,342 over three years versus costs of \$1,953,210, adding up to a net present value (NPV) of \$7,003,132 and an ROI of 359%.

Financial Summary



Benefits (Three-Year)



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TEI Framework And Methodology

From the information provided in the interview, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Cincom CPQ.

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 Cincom CPQ can have on an organization:



DUE DILIGENCE

Interviewed Cincom stakeholders and Forrester analysts to gather data relative to Cincom CPQ.



CUSTOMER INTERVIEW

Interviewed one organization using Cincom CPQ 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 Cincom CPQ's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide 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 Cincom 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 Cincom CPQ.

Cincom 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.

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

The CPQ Customer Journey

BEFORE AND AFTER THE CPQ INVESTMENT

Interviewed Organization

For this study, Forrester interviewed a Cincom CPQ customer that:

- › Is a multinational vehicle manufacturing company with a set of complex products.
- › Sells directly and via its dealer network in North America and exclusively through a dealer network outside of the United States.

Forrester interviewed one division of this multinational company. Within this division, three companies are using Cincom CPQ. The analysis will reflect the numbers and business model from that organization.

- › The business unit has just under \$1 billion in net sales.
- › The interviewed division sells primarily through a dealer network.

Key Challenges before Cincom CPQ

Before the investment in Cincom CPQ, the organization described challenges that slowed the speed of its sales and contributed to unprofitable deals. The application manager lamented: “The dealer is responsible for putting together the specifications [for each quote]. The quote would go back and forth to the customer, with no visibility to the factory about what was being pitched. This would lead to a lot of guessing about how long things would take to manufacture and how much it would cost.”

- › **A cumbersome quoting process lengthened sales cycles.** The interviewed organization sells a highly configurable product that previously had little pre-engineering. Product specialists, who are responsible for collaborating with sales, worked to build manual quotes from often outdated product sheets. These quotes were built with little interaction from the factory about manufacturing timelines or actual costs, requiring many revisions and lengthening the sales process.
- › **The quoting process provided little factory visibility, losing opportunity to maximize production processes.** The quoting process lacked clear communication between the dealer and the factory, providing little visibility about how to plan the main manufacturing pipeline. In many cases, the applications manager reported, the factory may have been completely unaware of an order until it was ready to be built.

“Best-case scenario, they might have an application with canned descriptions with the product. Worst-case scenario, they would write everything down on the back of a napkin, then figure it out over dinner.”

*Applications manager,
manufacturer*



- › **Out-of-date information caused costly errors.** The organization's business partners often had no quoting system. Those that had progressed beyond paper were using some form of a spreadsheet or a homegrown tool that required manual processes to keep the product descriptions and pricing current. When configuration requirements and pricing are not kept up to date, salespeople are predisposed to building a vehicle riddled with errors, leaving both the dealer and manufacturer open for financial exposure. The applications manager stated: "There was a high level of risk that sales would quote something that we physically could not build. If you are quoting a half million-dollar product, correcting one or two errors can take you into the red for that deal."
- › **There was high risk of sales turnover, putting the dealers' businesses in jeopardy.** Salespeople in this industry are highly specialized, and there is a steep learning curve before they are productive. Further, there may only be one person in a dealer who has the knowledge to respond to a request for proposal (RFP). The interviewed organization experienced its dealers going out of business, in part because of frustrated salespeople leaving. This had a material impact on the sales numbers in each dealer's territory. The application manager said, "If a dealer can't recover from the salesperson leaving, we have to go through the long process of finding a new dealership in that territory."

"I am of the belief that any company that has a complex configurable product should have a CPQ application because the alternative is going back to paper."

*Applications manager,
manufacturer*



Key Results

The interview revealed that key results from the Cincom CPQ investment include:

- › **Automation of the quoting process.** The business previously worked under the premise that each vehicle manufactured was custom. Implementing Cincom CPQ allowed the business to force some rigor around its product configuration requirements, documentation, and pricing information to create visibility into new orders being quoted and ultimately purchased. This created efficiencies for the factory production processes. The application manager said: "We discovered we actually had about 80% repeatable content from every order that comes through Cincom CPQ. This enabled us to create an engineering configurator. Engineers are now, in an automated fashion, able to map their processes and build some materials knowing that they're going to get some repeatable data. It's still a customized, specialty vehicle, but it does save engineering time because 80% of that unit is preconfigured or can be automated. That's time that they would have had to spend touching it in the past."
- › **Improved accuracy.** Cincom CPQ significantly reduces the number of errors, or change orders, required by the factory. The application manager told Forrester, "In the past, the final quote cycle might have had a 14-day review window, and we've pushed that so when the order is received, it's almost immediately bookable because we have pushed all of that review out in front of the order receipt."
- › **Simplified solution management.** Implementing Cincom CPQ solutions forces organizations to take a hard look at their pricing policies, engineering configurations, and product descriptions to create an effective quote-to-cash set of repeatable processes. But, once this hard work is done, the team required to run and manage the Cincom CPQ solution is lean.

"We've used our CPQ application as a recruitment tool when we bring on new dealerships. It's helped us expand our dealer channel or recruit more quality dealerships based on having those applications in place."

*Applications manager,
manufacturer*



Analysis Of Benefits

QUANTIFIED BENEFIT DATA

| Total Benefits | | | | | |
|------------------------------------------------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| BENEFIT | YEAR 1 | YEAR 2 | YEAR 3 | TOTAL | PRESENT VALUE |
| Costs saved from improved order accuracy | \$1,764,000 | \$2,910,600 | \$2,910,600 | \$7,585,200 | \$6,195,868 |
| Engineer productivity | \$400,400 | \$800,800 | \$800,800 | \$2,002,000 | \$1,627,471 |
| Reduction in developer time managing the previous solution | \$266,085 | \$266,085 | \$266,085 | \$798,255 | \$661,714 |
| Time savings on quote process | \$143,873 | \$215,809 | \$215,809 | \$575,491 | \$471,289 |
| Total benefits (risk-adjusted) | \$2,574,358 | \$4,193,294 | \$4,193,294 | \$10,960,946 | \$8,956,342 |

Cost Saved From Improved Order Accuracy

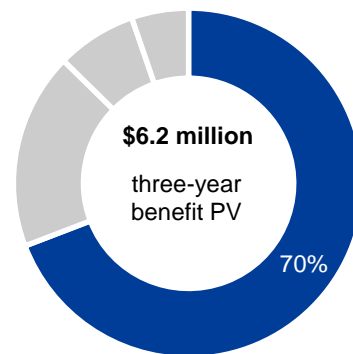
The interviewed organization hoped that deploying Cincom CPQ would eliminate costly errors and change orders. Before CPQ, the manual quoting process left the company at risk for mistakes because proposals were built using out-of-date pricing and product specs. The organization reported a 33% decline in change orders after implementing Cincom CPQ.

Said the applications manager: “We had a unit that made it all the way to the factory without a front axle, which wasn’t accounted for in the financials or procurement process. That one component is enough to make a profitable unit red. Errors would happen regularly simply because there was no oversight making sure the order was properly configured. They were relying on a person going through and catching it.”

From the interview, Forrester assumes:

- › Each error costs an average of \$20,000, based on the average deal volume and the price range of product components. (The interviewed organization sells parts ranging from a small vehicle part to a \$35,000 chassis.)
- › Based on revenues disclosed in the annual report and the average costs for the vehicles produced, the annual number of vehicles sold is 1,175.
- › Only half (588) of the orders had errors for each year of the three-year analysis.
- › There was a 33% reduction in change orders due to the engineering configurator that the Cincom CPQ system enabled, according to the applications manager.
- › In Year 1, the company added a second business running Cincom CPQ. In Year 2, the organization began using Cincom CPQ in a third business unit, which accounts for the increase in benefits beginning in Year 2.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total benefits to be a PV of nearly \$8.9 million.



Costs saved from improved order accuracy: **70%** of total benefits

Because order sizes can vary and some vehicle models are more expensive than others, Forrester risk-adjusted the results downward by 25%, yielding a three-year risk-adjusted total PV of \$6,195,868.

Costs Saved From Improved Order Accuracy: Calculation Table

| REF. | METRIC | CALC. | YEAR 1 | YEAR 2 | YEAR 3 |
|------|----------------------------------------------------------|-------------------------------------|--------------|--------------|--------------|
| A1 | Cost of an error | \$20,000 | \$20,000 | \$20,000 | \$20,000 |
| A2 | Number of errors | 588 | 588 | 588 | 588 |
| A3 | Cumulative error costs | A1*A2 | \$11,760,000 | \$11,760,000 | \$11,760,000 |
| A4 | Reduction in errors | 20% in Year 1, 33% in Years 2 and 3 | 20% | 33% | 33% |
| At | Costs saved from improved order accuracy | A6*A7 | \$2,352,000 | \$3,880,800 | \$3,880,800 |
| | Risk adjustment | ↓25% | | | |
| Atr | Costs saved from improved order accuracy (risk-adjusted) | | \$1,764,000 | \$2,910,600 | \$2,910,600 |

Engineer Productivity

Prior to CPQ, the interviewed organization custom-built each vehicle. After the CPQ deployment, the organization analyzed its component history data and discovered that 80% of the orders had repeatable parts. According to the applications manager, the engineers experienced a 20% time savings in prebuild engineering because they could now leverage these repeatable builds. He said: “We base engineering improvements on this data. We have a larger team supporting sales engineering and contract administration. But, on a per-unit basis, there’s less touch on engineering, planning, and manufacturing. We can move much more quickly to the factory than we’re used to be able to.”

Forrester assumes that:

- › The organization has 100 engineers earning \$55 per hour. They work 2,080 hours during the year.
- › The organization added a company in the second year. To account for this, Forrester modeled a 10% reduced effort in the first year and 20% in the second and third years.
- › There is a 50% reduction to productivity benefits to account for the percentage of time saved applied to additional work.

The amount of productivity savings will vary based on:

- › The amount of repeatable builds and/or customization across products.
- › The number of engineers in the organization.
- › The fully loaded compensation of engineers by tenure and geographical region.

To account for these risks, Forrester adjusted this benefit downward by 30%, yielding a three-year risk-adjusted total PV of \$1.6 million.



Because of Cincom CPQ, engineers discovered that 80% of their orders had repeatable builds, saving time on the factory floor.

Engineer Productivity: Calculation Table

| REF. | METRIC | CALC. | YEAR 1 | YEAR 2 | YEAR 3 |
|------|---------------------------------------|-------------------------------------------|-----------|-------------|-------------|
| B1 | Number of engineers | 100 | 100 | 100 | 100 |
| B2 | Hourly rate per person | \$55 | \$55 | \$55 | \$55 |
| B3 | Annual hours worked | 2,080 | 2,080 | 2,080 | 2,080 |
| B4 | Reduced effort by engineers | 10% in Year 1, 20% in Years 2 and 3 | 10% | 20% | 20% |
| B5 | Productivity recapture | 50% | 50% | 50% | 50% |
| Bt | Engineer productivity | $B1*B2*B3*B4*B5$ | \$572,000 | \$1,144,000 | \$1,144,000 |
| | Risk adjustment | ↓30% | | | |
| Btr | Engineer productivity (risk-adjusted) | | \$400,400 | \$800,800 | \$800,800 |

Reduction In Developer Time Managing The Previous Solution

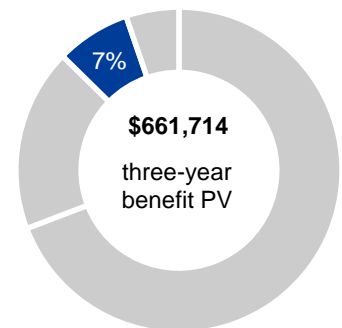
Because of the functionality built into the tools, organizations can reduce the support needed to keep the CPQ application and the corresponding configurations current and running optimally. The applications manager said, "Prior to CPQ, we had several people at every company supporting these applications, and now we are able to manage these applications with a really small team."

- › The organization had at least two people managing the CPQ applications for each of the three companies Forrester discussed.
- › The interviewee reported that the organization could reduce the team to a core unit of four developers running and managing the CPQ solution.

The dollars saved will vary depending on the following factors:

- › Salaries may be different across companies and geographies.
- › Organizations may not move at the same pace as the company Forrester interviewed, thereby taking longer to be positioned to reduce headcount.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$661,714.



Reduction In Developer Time Managing The Previous Solution: Calculation Table

| REF. | METRIC | CALC. | YEAR 1 | YEAR 2 | YEAR 3 |
|------|------------------------------------------------------------|----------|-----------|-----------|-----------|
| C1 | Number of workers (saved) | 3 | 3 | 3 | 3 |
| C2 | Fully burdened developer salary | \$98,550 | \$98,550 | \$98,550 | \$98,550 |
| Ct | Reduction in developer time managing the previous solution | C1*C2 | \$295,650 | \$295,650 | \$295,650 |
| | Risk adjustment | ↓10% | | | |
| Ctr | Reduction in developer time managing the previous solution | | \$266,085 | \$266,085 | \$266,085 |

Time Savings On Quote Process

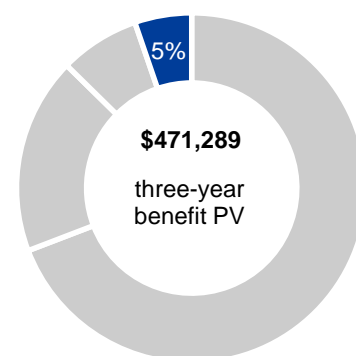
In addition to improved order accuracy, a major driver for deploying CPQ is getting quotes in the hands of customers faster. Before CPQ, a dealer might have needed several cycles of communication and weeks to create a quote. Worse, it might have chosen to pass on a bid if it proved too difficult to respond. After deploying Cincom CPQ, the applications manager reported saving 34 days in the quote process.

- › The time to produce a quote decreased from 48 days, which included four revision cycles, to 14 days with two revision cycles. This saved a total of 68 days in Year 1 and 102 days in the second and third years, with the addition of another company ramped on Cincom CPQ.
- › Both product managers and engineers are involved in the quoting process, and Forrester assumes 10% of their time is spent working on quotes.
- › The manufacturer has 90 dealers, and Forrester assumes one quote per year from half of the dealers.
- › Forrester applies a 50% reduction to productivity benefits to account for the percentage of time saved applied to additional work.

The amount of productivity savings will vary based on:

- › The complexity of the quoting process and inefficiencies prior to implementing CPQ.
- › The fully loaded compensation of product managers and engineers by tenure and geographical region.
- › The number of dealers and proposals created.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$471,289.



Time savings on quote process: **5%** of total benefits

Time Savings On Quote Process: Calculation Table

| REF. | METRIC | CALC. | YEAR 1 | YEAR 2 | YEAR 3 |
|------|-----------------------------------------------------------|--------------------|-------------|-------------|-------------|
| D1 | Days in quote process and number of cycles before Cincom | 12 days*4 cycles | 48 | 48 | 48 |
| D2 | Days in quote process and number of cycles after Cincom | 7 days*2 cycles | 14 | 14 | 14 |
| D3 | Number of brands using Cincom CPQ | | 2 | 3 | 3 |
| D4 | Days saved in new quote process | (D1-D2)*D3 | 68 | 102 | 102 |
| D5 | Fully burdened product manager annual salary | (\$157,950/261)*D4 | \$41,152.72 | \$61,728.59 | \$61,728.59 |
| D6 | Fully burdened engineer annual salary | (\$114,750/261)*D4 | \$29,897.55 | \$44,845.83 | \$44,845.83 |
| D7 | Number of proposals per year (90 dealers) | 45 | 45 | 45 | 45 |
| D8 | Average percentage of time spent doing quote-related work | 10% | 10% | 10% | 10% |
| D9 | Productivity recapture | 50% | 50% | 50% | 50% |
| Dt | Time savings on quote process | (D5+D6)*D7*D8*D9 | \$159,858 | \$239,787 | \$239,787 |
| | Risk adjustment | ↓10% | | | |
| Dtr | Time savings on quote process (risk-adjusted) | | \$143,873 | \$215,809 | \$215,809 |

Unquantified Benefits

The interviewed customer identified the following additional benefits of using Cincom CPQ but were not able to quantify the benefits at the present time.

- › **Reduced risk from sales turnover.** Dealers make large investments finding and training specialized salespeople. The knowledge that niche salespeople gain is often only in their heads and not documented. Cincom CPQ mitigates this risk by capturing important product and process information, which can be leveraged by future sellers. The applications manager reported: “A huge amount of our product knowledge was tribal, so it would be held in the heads of engineers and product managers. We are at a high amount of risk based on the proficiency of a dealership for specific territory. You couldn’t hire a generic salesperson to sell one of these products; the learning curve is deep. CPQ allows you to more easily staff the sales department of dealerships. We institutionalized product and configuration information which reduced the risk that if you lost a very knowledgeable sales rep in a specific region, you may not be able to replace them.”



Cincom CPQ has been used as a recruitment tool to bring on more quality dealerships.

- › **Enabled “getting in front of the RFP” and increased sales.** Sales is a volume game, and any roadblocks that stop sellers from competing might as well be detour signs. Successful companies win more business by enabling sales to quickly and easily create and deliver accurate proposals. “Salespeople will tell you the most critical thing in a bid situation is getting that specification in front of the bid committee while they are still forming their product requirements. You want to be in as early as possible when that bid opens and as close to the market rate as possible.” The application manager continued: “Depending on the workload, or what the dealership thought its chances to win were, you might have situations where they would just pass. CPQ eases their ability to generate a quality specification. It means that we are getting our spec in front of more customers.”
- › **Improved order to cash cycle time.** By providing improved product descriptions, configuration rules, and current pricing information, the accuracy of the orders improved, and the product was ready to build faster. Ultimately, this allowed the manufacturer to shorten its cycle from order to cash. The applications manager said, “Every time something would change, they would basically have to review the entire configuration repeatedly because they couldn’t tell what the impact was. When the business could say, ‘We’re done; we’re ready to invoice this,’ this is when the impact was made to order cycle time.” The applications manager reported a 30% improvement in order to cash.

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement CPQ and later realize additional uses and business opportunities, including:

- › **Improved dealer experience.** In this industry, manufacturer-dealer contracts are usually exclusive, which puts increased burden on the manufacturer to optimize its relationship with the dealer. The application manager described the value specifically to increasing the company’s channel: “Dealers are making a pretty big choice when they decide to hook up with us.” He continued, “During dealership onboarding, I’ve had dealers say, ‘You know, this is what we’ve been waiting for,’ or, ‘I wish we had had this at brand X.’”
- › **Expansion of dealer revenue.** The organization described that by deploying Cincom CPQ, it has been able go after new “conquest dealers.” The applications manager said: “We’ve used it as a recruitment tool when we bring on new dealerships. It’s helped us expand our dealer channel and recruit more quality dealerships based on having those applications in place.” Though not included in the previous financial analysis, Forrester estimates what it would be worth to the business if the manufacturer could bring on an additional five dealers.
 - From numbers taken from the annual report, we assumed an average yearly deal size of \$405,000.
 - Most dealers would sell 1 unit per year based on the market demand for the types of vehicles the manufacturer sells.
 - The potential increased revenue would be worth more than \$2 million to the organization.

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the “right” or the ability to engage in future initiatives but not the obligation to do so.



The potential increased revenue to the business is estimated to be worth more than \$2 million.

- › **Improved upsell opportunities.** After deploying CPQ, the organization has better visibility to promote additional components, after-market parts, and warranties. The applications manager said, “Having the order history inside CPQ does allow us to track their service and maintenance, which gives us the ability for things like upselling warranties.”

Analysis Of Costs

QUANTIFIED COST DATA

| Total Costs | | | | | | |
|----------------------------------------------|-----------|-----------|-----------|-----------|-------------|---------------|
| COST | INITIAL | YEAR 1 | YEAR 2 | YEAR 3 | TOTAL | PRESENT VALUE |
| Cincom annual license fees | \$0 | \$90,000 | \$135,000 | \$135,000 | \$360,000 | \$294,816 |
| Professional services and hosting fees | \$496,125 | \$164,378 | \$57,243 | \$39,202 | \$756,947 | \$722,300 |
| Costs for client-facing implementation team | \$207,900 | \$207,900 | \$0 | \$0 | \$415,800 | \$396,900 |
| Administrative costs for ongoing maintenance | \$0 | \$216,810 | \$216,810 | \$216,810 | \$650,430 | \$539,174 |
| Total costs (risk-adjusted) | \$704,025 | \$679,088 | \$409,053 | \$391,012 | \$2,183,177 | \$1,953,210 |

Cincom Annual License Fees

Interviewed organizations paid annual license fees for Cincom CPQ.

Based on the customer interview:

- › The manufacturer pays Cincom \$45,000 per company.
- › In Year 1 of the model, the customer had two companies running Cincom CPQ.
- › The customer had three companies running in Years 2 and 3 of the model.

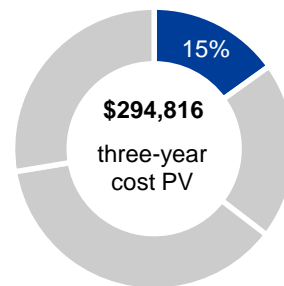
This cost can vary due to uncertainty related to:

- › Number of sales staff on CPQ.
- › Negotiated monthly license costs.

However, for this model, Forrester didn't risk-adjust these numbers because they were directly reported to us by the customer.

This analysis yields a three-year total PV of \$294,816.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total costs to be a PV of nearly \$2.0 million.



**Annual License Fees:
15% of total costs**

Cincom Annual License Fees: Calculation Table

| REF. | METRIC | CALC. | INITIAL | YEAR 1 | YEAR 2 | YEAR 3 |
|------|--------------------------------------------|-------------------------------|---------|----------|-----------|-----------|
| E1 | License fees | \$45,000 per year per company | \$0 | \$45,000 | \$45,000 | \$45,000 |
| E2 | Number of business units using Cincom | | 0 | 2 | 3 | 3 |
| Et | Cincom annual license fees | $E2 * E3$ | | \$90,000 | \$135,000 | \$135,000 |
| | Risk adjustment | 0% | | | | |
| Etr | Cincom annual license fees (risk-adjusted) | | \$0 | \$90,000 | \$135,000 | \$135,000 |

Professional Services And Hosting Fees

The interviewed organization described professional services costs paid to Cincom for initial deployment as well as hosting fees for its software-as-a-service (SaaS) instance.

- › The professional services fees for the initial deployment were \$472,500.
- › At the time of the initial deployment, the customer had limited IT bandwidth and required Cincom to completely set up, configure, and deploy the system (turn-key approach). Cincom also offers and will recommend to customers the option to choose a mentoring approach (train the trainer), which significantly reduces startup costs and provides a better transfer of knowledge to enable customers to be self-sufficient moving forward.
- › In Year 1, the company added an additional company and therefore paid \$134,050 in professional services fees.
- › In Years 2 and 3 combined, the company paid fees of \$46,850 for ad hoc professional services work.
- › The organization paid hosting fees to Cincom each year for the single SaaS instance.

This cost can vary due to uncertainty related to:

- › The number of SaaS deployments.
- › The cost and scope of the professional services required.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of \$722,300.



In Year 1, the company paid \$134,050 in professional services fees.

Professional Services And Hosting Fees: Calculation Table

| REF. | METRIC | CALC. | INITIAL | YEAR 1 | YEAR 2 | YEAR 3 |
|------|--------------------------------------------------------|----------------|-----------|-----------|----------|----------|
| F1 | Professional services | Source: Cincom | \$472,500 | \$134,050 | \$32,017 | \$14,835 |
| F2 | Hosting fees | Source: Cincom | | \$22,500 | \$22,500 | \$22,500 |
| Ft | Professional services and hosting fees | G1+G2 | \$472,500 | \$156,550 | \$54,517 | \$37,335 |
| | Risk adjustment | ↑5% | | | | |
| Ftr | Professional services and hosting fees (risk-adjusted) | | \$496,125 | \$164,378 | \$57,243 | \$39,202 |

Costs For Client-Facing Implementation Team

The interviewed organization described the internal costs for the initial deployment of the Cincom CPQ solution. During the customer interview, Forrester heard:

- › The Cincom CPQ product has been in use in one company since 2008. The setup costs for that company were not calculated in this study. The second business unit setup cost is represented in Year 1 of the table. The company added a third company running Cincom CPQ in the third year of the Forrester model.
- › The initial deployment required a team of 10 internal staff. Some of that internal team of 10, such as the product experts from sales and engineering, dedicated 100% of their time to this project for six months. Others, such as the finance representatives, were able to participate at points in time where their specific expertise was required. For these reasons, Forrester assigned an average participation time of 40% to the team.

This cost can vary due to uncertainty related to:

- › Fully burdened salary.
- › Required implementation and deployment effort.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$396,900



Six months per company
Total implementation and deployment time

Costs For Client-Facing Implementation Team: Calculation Table

| REF. | METRIC | CALC. | INITIAL | YEAR 1 | YEAR 2 | YEAR 3 |
|------|-------------------------------------------------------------------|---------------------|-----------|-----------|--------|--------|
| H1 | Number of people involved in project | 10 | 10 | 10 | | |
| H2 | Average monthly fully burdened salary of team involved in project | \$94,500/12 | \$7,875 | \$7,875 | | |
| H3 | Number of months working on the project | 6 | 6 | 6 | | |
| H4 | Percentage of time dedicated to project | 40% | 40% | 40% | | |
| Ht | Costs for client-facing implementation team | $F1 * F2 * F3 * F4$ | \$189,000 | \$189,000 | | |
| | Risk adjustment | ↑10% | | | | |
| Ftr | Costs for client-facing implementation team (risk-adjusted) | | \$207,900 | \$207,900 | | |

Administrative Costs For Ongoing Maintenance

The applications manager reported to Forrester that once the initial deployment is complete, the ongoing maintenance activities include adding new users, onboarding new dealers, and rolling out changing product specifications.

- › Four FTEs support the Cincom deployments at the business unit.
- › Their fully burdened annual salary is \$98,550 each.
- › They spend 50% of their time managing the applications and working with IT on technical maintenance.

This cost can vary due to uncertainty related to:

- › The requirement of the business
- › Fully burdened salary.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$539,174



Four FTEs
spend 50% of their time
on ongoing
management.

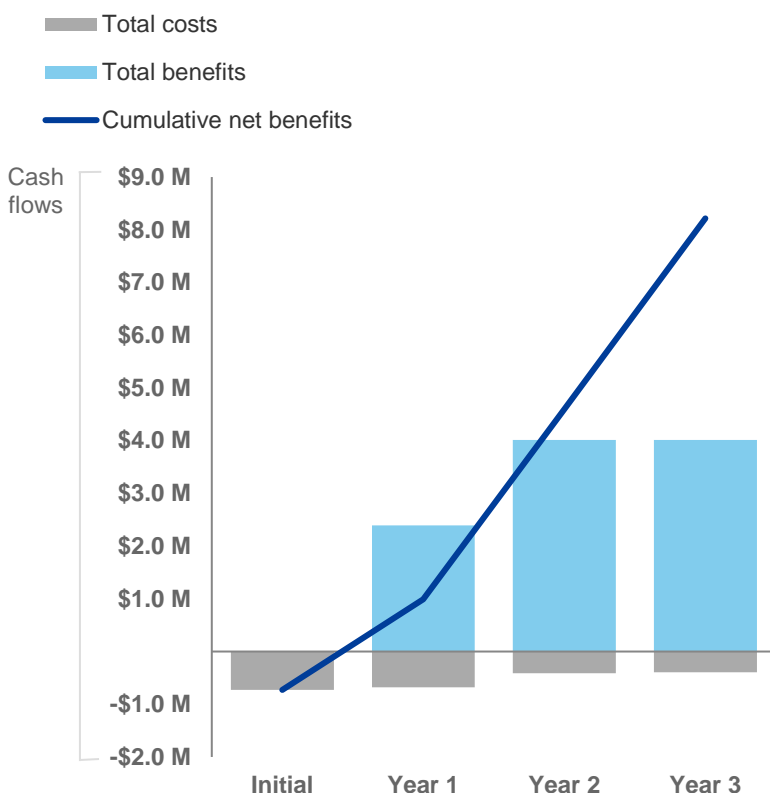
Administrative Costs For Ongoing Maintenance: Calculation Table

| REF. | METRIC | CALC. | INITIAL | YEAR 1 | YEAR 2 | YEAR 3 |
|------|--------------------------------------------------------------|----------------|---------|-----------|-----------|-----------|
| G1 | Number of people | 4 | | 4 | 4 | 4 |
| G2 | Fully burdened annual salary | \$98,550 | | \$98,550 | \$98,550 | \$98,550 |
| G3 | Percentage of time for maintenance of three companies | 50% | | 50% | 50% | 50% |
| Gt | Administrative costs for ongoing maintenance | $G1 * G2 * G3$ | \$0 | \$197,100 | \$197,100 | \$197,100 |
| | Risk adjustment | ↑10% | | | | |
| Gtr | Administrative costs for ongoing maintenance (risk-adjusted) | | \$0 | \$216,810 | \$216,810 | \$216,810 |

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 interviewed 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 Table (Risk-Adjusted)

| | INITIAL | YEAR 1 | YEAR 2 | YEAR 3 | TOTAL | PRESENT VALUE |
|----------------|-------------|-------------|-------------|-------------|---------------|---------------|
| Total costs | (\$704,025) | (\$679,088) | (\$409,053) | (\$391,012) | (\$2,183,177) | (\$1,953,210) |
| Total benefits | \$0 | \$2,574,358 | \$4,193,294 | \$4,193,294 | \$10,960,946 | \$8,956,342 |
| Net benefits | (\$704,025) | \$1,895,270 | \$3,784,241 | \$3,802,282 | \$8,777,769 | \$7,003,132 |
| ROI | | | | | | 359% |
| Payback period | | | | | | <6 |

Cincom CPQ: Overview

The following information is provided by Cincom. Forrester has not validated any claims and does not endorse Cincom or its offerings.

Creating a Better Buying EXPERIENCE with Cincom CPQ™ Is as Easy as 1-2-3!

- 

1. Inform

 - Role-based access for dealers, distributors and independent reps
 - Guided selling in any language and currency
- 

2. Sell

 - Manage pricing, including discounts and special requests
 - Business Intelligence (BI) analytics
 - Faster, accurate quotes
- 

3. Propose

 - Relevant documents/info from ERP or CRM systems
 - Branded, "good, better, best" options that fit needs of prospect

Cincom technology has powered businesses since 1968.

Today, Cincom CPQ transforms selling processes, driving revenue by making it easier to configure, price and quote complex products and services. In other words, Cincom CPQ makes it easier for your customers to buy from you.

Ready to see what Cincom CPQ can do for you?

➔ Learn More at www.cincom.com/CPQ

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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.