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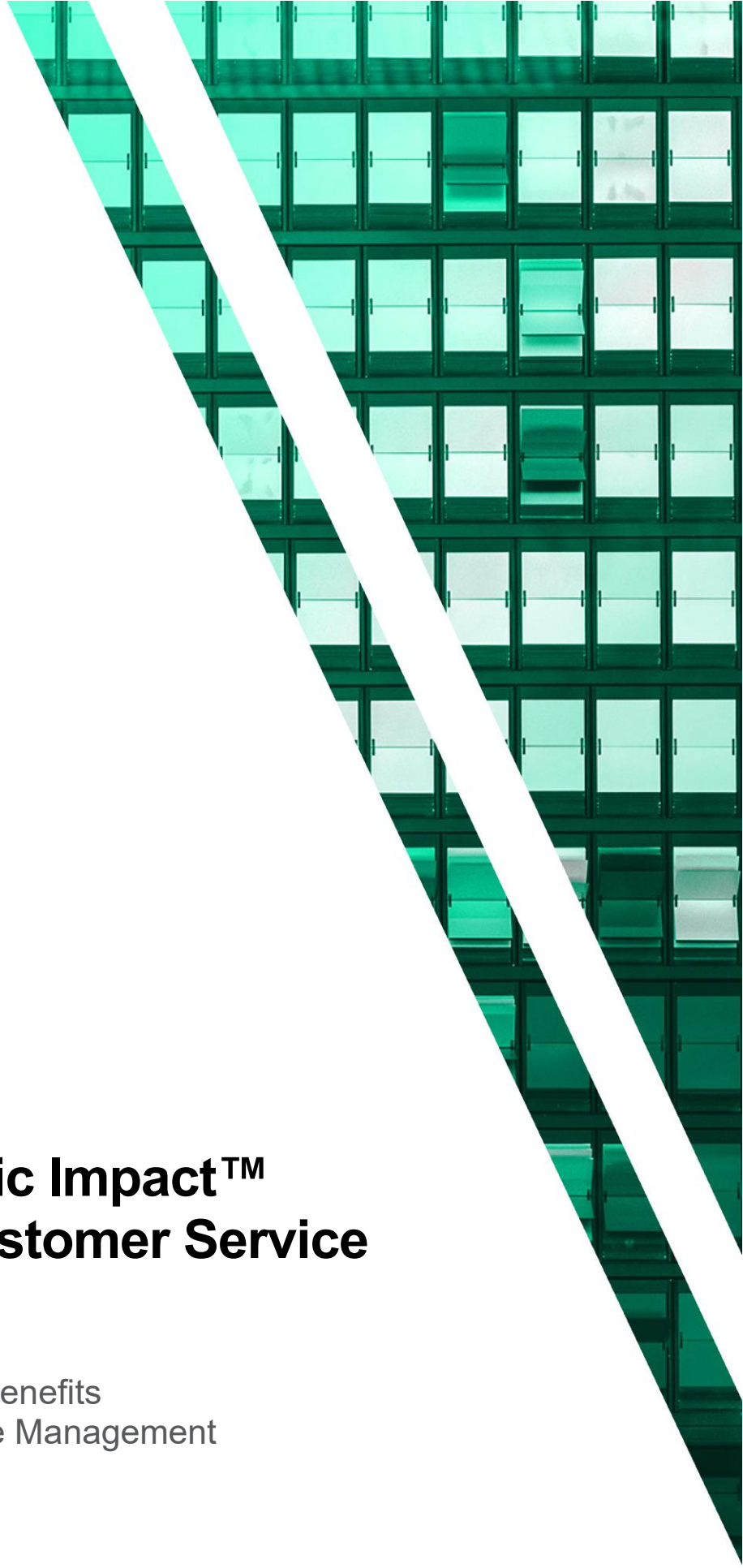

The Total Economic Impact™ Of ServiceNow Customer Service Management

Cost Savings And Business Benefits Enabled By Customer Service Management

SEPTEMBER 2022

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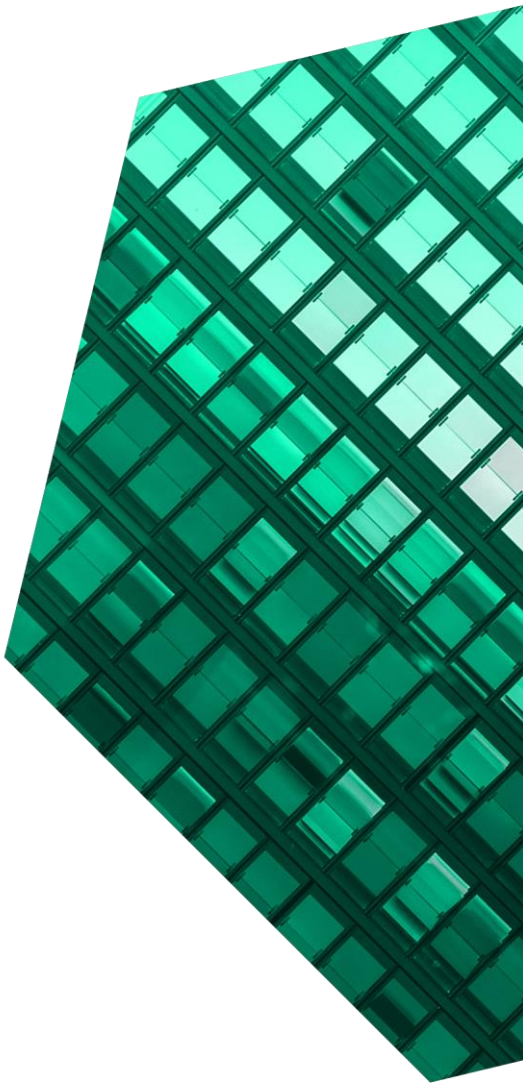

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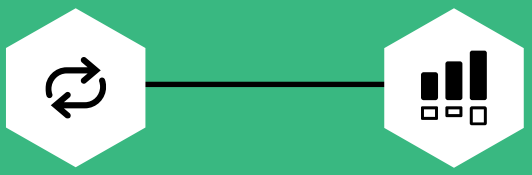
Executive Summary

ServiceNow Customer Service Management offers a modern, scalable platform with the capabilities to enhance efficiency to drive metrics at the center of service businesses. From deflection to first contact resolution, to improved routing and optimizing contact channels, to knowledge repositories that support service informed by experience, the solution has the power to lift both employee and customer satisfaction and help companies retain business and realize new opportunities.

ServiceNow Customer Service Management (CSM) is built on the Now Platform and connects the business — people, process, data, and systems — to orchestrate tasks involved in management of and response to customer service issues and questions throughout the customer journey lifecycle. The platform allows companies to resolve customer service inquiries by breaking down silos between departments and is equipped with key capabilities, such as cloud connectivity, proactive monitoring, and web portals, that allow for seamless management across channels for complex workflows to deliver efficient, coordinated service.

ServiceNow commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Customer Service Management.[1] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Customer Service Management on their organizations.

KEY STATISTICS



Return on investment (ROI)
170%

Net present value (NPV)
$9.03M

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives with experience using Customer Service Management. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a global provider of sales, support contracts, and virtual service in the technology sector with an annual revenue of $2 billion.

Prior to using the ServiceNow CSM, these interviewees noted how their organizations' patchwork of legacy homegrown, on-premises solutions could not handle the complex workflows needed to route customer service issues to the relevant department. Agents lacked a single source of truth, which led to slower and lower-quality customer service. Customer satisfaction metrics reflected frustration with agents who spent too much

Phone contact case reduction

Before
20%

After
12%

time hunting for information and inconsistent resolution of issues.

After the investment in ServiceNow Customer Service Management, the interviewees automated workflows and deflected contacts from less efficient channels to more effective ones, delivering an improved customer experience and higher customer loyalty.

The interviewees found that ServiceNow CSM's differentiated features like playbooks and process optimization helped their organizations leverage digital workflows, streamlining work and processes. With ServiceNow CSM, the companies provided their customers proactive service when and where they needed it, reducing customer effort and driving long-term loyalty.

KEY FINDINGS

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

- **Increased routing efficacy that leads to 18% more case deflection and 20% greater efficiency.** ServiceNow Customer Service Management empowers the composite organization's customers to self-serve requests and provides the visibility agents need to direct and resolve cases consistently and correctly the first time without escalating or routing between multiple departments as often. Over three years, the efficiencies shifting cases between departments and escalation tiers is worth more than $4.9 million to the composite organization.

Efficiency gains up to

20%

- **Improved contact center efficiency, providing gains of $3.3 million through optimizing channel mix.** ServiceNow Customer Service Management equips the composite organization to move contacts from inefficient channels with longer resolution times and expensive channels involving more labor costs, such as phone and email, to efficient, cost-effective channels, such as web. Over the course of the three-year analysis, the composite organization realizes a risk-adjusted present value of $3.3 million related to this benefit**.**

Case deflection gains up to

18%

- **Improved customer satisfaction and retention.** Improvements to the composite organization's customer service spells greater customer satisfaction, which drives greater customer retention and higher revenue retention. Over the course of the three-year analysis, this benefit has a risk-adjusted present value of $4.2 million for the composite organization.
- **Improved employee training and retention.** Customer Service Management provides agent FTEs with new tools to access learning and best practices and removes friction that previously made resolving customer issues more difficult and time-consuming. Increased employee satisfaction translated into greater employee retention and lower turnover and hiring costs at the composite organization. Over the course of the three-year analysis, the risk-adjusted present value totals $1.2 million.

- **Legacy platform operating expenditure (opex) cost avoidance.** By replacing a patchwork of legacy systems, Customer Service Management makes it possible to fully deprecate and cease costly maintenance of legacy systems. Over the course of the three-year analysis, the composite organization realizes a risk-adjusted present value of $772,000 related to this benefit.

Unquantified benefits. Benefits that are not quantified in this study include journey mapping based on historical experience. Customer Service Management provides a centralized repository of successful approaches to solving customer issues. These internal best practices are based on past cases and enable agents to share knowledge and improve case-handling outcomes.

Costs. Three-year, risk-adjusted PV costs for the composite organization include investment costs. The composite organization experiences investment costs, such as license fees, and implementation costs, including training and third-party services. The three-year, risk-adjusted present value of investment costs totals $5.3 million.

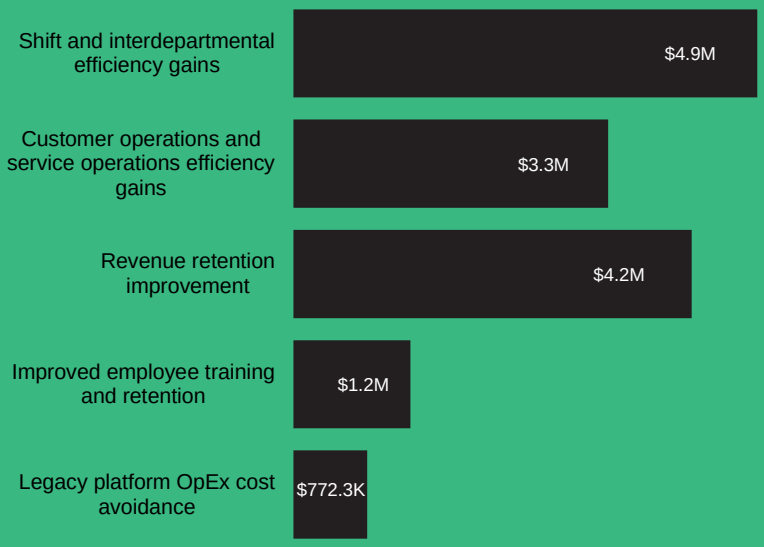
The representative interviews and financial analysis found that a composite organization experiences benefits of $14.34 million over three years versus costs of $5.31 million, adding up to a net present value (NPV) of $9.03 million and an ROI of 170%.

ROI
170%

BENEFITS PV
$14.34M

NPV
$9.03M

Benefits (Three-Year)



Service business revenue, 15% of overall revenue at the composite, increases by nearly 1%.

“I’m much more in touch with my customers; I’m much more in touch with my employees. They’re more empowered and we’re more creative as a result of our use of the platform.”

— VP of technical customer service, telecommunications

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 Customer Service Management.

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 Customer Service Management can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by ServiceNow 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 Customer Service Management.

ServiceNow 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.

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

The ServiceNow Customer Service Management Customer Journey

Drivers leading to the Customer Service Management investment

Interviews

Role	Industry	Region	Before state	Number of agents
VP of customer experience	Software	North America, global	Dozens of homegrown, on-premises legacy solutions	600
VP of technical customer experience	Telecommunications	North America	Multitude of systems with duplicative functions, tactical functions, basic ticketing, and inventory	250
Head of operations and digital units	IT	EMEA, global	Internally developed open-source solution	500
Customer operation office lead	Software	EMEA, global	Heavy reliance on phone contact	1,500

KEY CHALLENGES

Prior to adopting ServiceNow Customer Service Management, the interviewees' organizations were reliant on a disparate range of legacy, on-premises customer service solutions that fell short of the needs of the businesses in several ways.

The interviewees noted how their organizations struggled with common challenges, including:

- **Inefficient service.** The patchwork of legacy systems meant that solving customer issues was more time-consuming and less accurate than it could be. Quality of service varied from contact to contact and was not always up to standards. Organizations relied on older, legacy means of contact, such as phone contacts, instead of moving into newer, more cost-effective channels that were easier for customers to use and less resource-intensive for the organizations to manage. Communication between departments was slow or ineffective, delaying resolution and dragging down the productivity of agent FTEs and interfering with service-level agreements (SLAs). Too often, customers found interacting with customer service frustrating.
- **Unhappy employees and customers.** Ineffective customer service led to unrecoverable business and lost revenue. Employee frustration with legacy tools contributed to employee turnover and forced the organizations to incur additional training and hiring costs.
- **Technical limits and barriers and high costs.** Large number of disparate older systems meant that representatives needed to undertake cumbersome efforts to resolve issues and that system maintenance was costly and time-consuming.

SOLUTION REQUIREMENTS

The interviewees' organizations searched for a solution that could:

- Provide reliable, global scaling in the cloud.
- Improve and increase self-service in line with customer needs.
- Improve processes by shifting organizations toward documentation and best practices.
- A standard consistent operational view into service and support delivery.

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 four interviewees, 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 growing, global, $2 billion company that provides sales, support contracts, and service in the technology sector. Approximately 15% of the total revenue is related to support-related contracts. To facilitate the support operations of 750 agent FTEs, the organization previously used multiple legacy on-premises application platforms. Given the patchwork of legacy systems, many are not well-integrated. Beyond agents, there are also IT engineers and multiple departments at the company that may become involved to bring cases to resolution.

Key assumptions

- **Technology company**
- **$2B annual revenue**
- **15% of revenue from service business**
- **750 customer service agent FTEs**
- **50,000 monthly contact points in year 1**

Deployment characteristics. ServiceNow Customer Service Management is deployed throughout the organization to replace multiple legacy on-premises systems for support and service. The composite organization uses a cloud-based deployment and has multiple integrations with business tool sets. The solution scales with the organization and the company has plans for further scaling in line with future growth.

> **"I don't need 26 knowledge repositories. I want one. I don't want 20 different logins. I want single sign-on for some of these portals. Those are the types of things that we need to do first to make larger scale customer satisfaction improvements."**
>
> *VP of customer experience, software*

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	Shift and interdepartmental efficiency gains	$1,867,320	$1,960,686	$2,058,720	$5,886,726	$4,864,712
Btr	Customer operations and service operations efficiency gains	$1,267,200	$1,330,560	$1,397,088	$3,994,848	$3,301,289
Ctr	Revenue retention improvement	$1,275,000	$1,912,500	$1,912,500	$5,100,000	$4,176,559
Dtr	Improved employee training and retention	$493,763	$493,763	$493,763	$1,481,288	$1,227,914
Etr	Legacy platform opex cost avoidance	$190,000	$380,000	$380,000	$950,000	$772,276
	Total benefits (risk-adjusted)	$5,093,283	$6,077,509	$6,242,071	$17,412,862	$14,342,750

SHIFT AND INTERDEPARTMENTAL EFFICIENCY GAINS

Evidence and data. Prior to adopting ServiceNow Customer Service Management, interviewees described how their customers were too often shuffled between agents and departments that struggled to solve their issues. The agents they spoke with did not have the visibility to fully understand and resolve the customer service challenges they faced given a lack of integration and communication between departments and a range of disparate platforms. Agents were left to piece together information from various platforms, which slowed service and resulted in customers being bounced around from department to department with no resolution. ServiceNow Customer Service Management provided a single overview to agents, increased self-service for customers, and improved the routing of cases.

- According to a VP of customer experience at a software company, “ServiceNow gives us one standard, consistent operational view into the support delivery for all of our customers and all of the products that we support them with.”

“ServiceNow [was] a main contributor in supporting our transition moving from an on-prem company to a cloud company. We needed to shift almost all [of] our processes from reactive support to react[ing] to what customers need. We moved into a proactive [model] so we highly use the combination of [the] ServiceNow platform in order to help us to gain this benefit.”

Customer operation office lead, software

- A VP of customer experience at a software company shared how Customer Service

Management helped their organization solve key challenges: “When it comes to support engagement, every customer wants better [and] faster. They want us to read their minds and know what their problem was yesterday. When it comes to response and resolution, we use ServiceNow in order to drive those metrics.” This ability to identify and resolve cases proactively had the added benefit of improving overall workstreams through more efficient handling.

- By establishing self-service portals and proactive monitoring, ServiceNow Customer Service Management enabled certain organizations to deflect up to 35% of their customer service cases, at times resolving issues before the customer even noticed.

Modeling and assumptions. For the composite organization, Forrester assumes:

- Seven percent of all cases require escalation or shift to a second department.
- The complexity and costs associated with an escalated or shifted case is higher than a case that is resolved without escalation or shift.
- Up to 18% of all cases, including all service divisions at the composite, are deflected using Customer Service Management.
- Contact efficiency increases by up to 20% given better routing and better information available to agents.

Risks. Factors that may impact the magnitude of this benefit category include whether organizations use a single funnel and can route contacts.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $4.9 million.

Shift And Interdepartmental Efficiency Gains

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Tickets requiring interdepartmental assistance/escalation	Assumption	42,000	44,100	46,305
A2	Cost of escalated/shifted cases	Assumption	$5,460,000	$5,733,000	$6,019,650
A3	Deflected cases	Interviews	18%	18%	18%
A4	Contact efficiency for cases requiring interdepartmental assistance/escalation	Interviews	20%	20%	20%
At	Shift and interdepartmental efficiency gains	A2*(A3+A4)	$2,074,800	$2,178,540	$2,287,467
	Risk adjustment	↓10%			
Atr	Shift and interdepartmental efficiency gains (risk-adjusted)		$1,867,320	$1,960,686	$2,058,720
	Three-year total: $5,886,726		**Three-year present value: $4,864,712**		

CUSTOMER OPERATIONS AND SERVICE OPERATIONS EFFICIENCY GAINS

Evidence and data. ServiceNow Customer Service Management empowered companies to increase efficiency in their contact center, impacting service operations as well as customer operations.

- Customer Service Management made it possible to reduce costly and labor-intensive contacts, such as phone and email, while increasing more efficient contacts, such as web, saving costs and labor.
- Interviewees told stories of shifting from more expensive and labor-intensive ticketing to low-cost self-service. As a VP of customer experience at a software company put it: "We were looking to help our customers self-serve. Instead of just going into our support portal and logging a ticket, they would go to the knowledge base versus going into just create a ticket. Now, we see [knowledge base usage] doubled. We see our customers responding and going, 'I want to engage with self-service. I want to find my solution and move on with my day. I don't need to create a ticket.'"
- An interviewed VP of technical customer experience at a telco company shared that proactive monitoring with Customer Service Management reduced customer calling for status updates by 20% and overall call volume by 20%. Meanwhile, a customer operation office lead at a software company shared that call volume decreased by 40% with a 30% to 35% increase in case deflection.

Modeling and assumptions. For the composite organization, Forrester assumes:

- Phone, web, and email contacts represented 20%, 40%, and 40% of all contacts, respectively.
- Phone contacts shift 40% lower and email contacts shift 80% lower given web portal and automation implementation. Web channels provide service with improved efficacy while delivering more cost-effective services.
- The number of service requests grow with organizational growth, increasing the value of the benefit.

Risks. Factors that may impact the magnitude of this benefit category include:

- The composition and cost of contact types may vary
- Support case costs may vary based on the product line contemplated.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of $3.3 million.

> **"We are measuring [metrics] and [deflection] has increased a lot. And by deflection, I mean the number of cases that the customer finds the issue [answer] by themself in the portal. [In other words], the customer wanted to open a case but they found [their] issue in the portal, so they actually troubleshot and fixed [it] and did everything by themselves."**
>
> *Customer operation office lead, software*

Customer Operations And Service Operations Efficiency Gains					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Number of phone contacts prior to ServiceNow	Composite	10,000	10,500	11,025
B2	Number of web contacts prior to ServiceNow	Composite	20,000	21,000	22,050
B3	Number of email contacts prior to ServiceNow	Composite	20,000	21,000	22,050
B4	Subtotal: Total customer contact points per month prior to ServiceNow	B1+B2+B3	50,000	52,500	55,125
B5	Number of phone contacts with ServiceNow	40% reduction from B1	6,000	6,300	6,615
B6	Number of web contacts with ServiceNow	100% increase from B2	40,000	42,000	44,100
B7	Number of email contacts with ServiceNow	80% reduction from B3	4,000	4,200	4,410
B8	Subtotal: Total business support contacts with ServiceNow per month	B5+B6+B7	50,000	52,500	55,125
B9	Cost per phone contact	Composite	$45	$45	$45
B10	Cost per web contact	Composite	$28	$28	$28
B11	Cost per email contact	Composite	$32	$32	$32
Bt	Customer operations and service operations efficiency gains	Delta in total costs between prior and current contact points, annual	$1,584,000	$1,663,200	$1,746,360
	Risk adjustment	↓20%			
Btr	Customer operations and service operations efficiency gains (risk-adjusted)		$1,267,200	$1,330,560	$1,397,088
	Three-year total: $3,994,848		**Three-year present value: $3,301,289**		

REVENUE RETENTION IMPROVEMENT

Evidence and data. ServiceNow Customer Service Management delivered positive customer experiences that helped interviewees retain and grow business.

- A VP of technical customer experience at a telecommunications company reported a 15% improvement in customer retention with Customer Service Management.
- Customer Service Management allowed the interviewees' organizations to implement and expand preemptive service and notifications.
- According to a head of operations and digital units at an IT company, Customer Service Management played a key role in meeting SLAs, "We are on target with SLAs and [service-level objectives] (SLOs) that we have with our customers. It's really great."
- The percentage of retained customers increased by a percentage point.

Modeling and assumptions. For the composite organization, Forrester assumes:

- Across three years, the retention rate increases from 0.50% to 0.75% as customer service improves.
- The composite organization's ability to resolve cases faster and provide helpful, intuitive self-service portals for customers to resolve issues and questions drives this improvement.
- This improvement in retained revenue applies to service and support contracts.

Risks. Factors that may impact the magnitude of this benefit category include:

- The size and extent of service and support contracts.
- The amount of revenue at risk, especially as it pertains to the prevalence of multi-year contracts.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $4.2 million.

Revenue Retention Improvement

Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Total annual revenue	Composite	$2,000,000,000	$2,000,000,000	$2,000,000,000
C2	Revenue retention affected by customer service	Interviews	15%	15%	15%
C3	Percentage increase in customer retention	Interviews	0.50%	0.75%	0.75%
Ct	Revenue retention improvement	C1*C2*C3	$1,500,000	$2,250,000	$2,250,000
	Risk adjustment	↓15%			
Ctr	Revenue retention improvement (risk-adjusted)		$1,275,000	$1,912,500	$1,912,500
	Three-year total: $5,100,000			**Three-year present value: $4,176,559**	

IMPROVED EMPLOYEE TRAINING AND RETENTION

Evidence and data. With the tools ServiceNow Customer Service Management provided, agents were equipped not only to deliver efficient and helpful customer service, but also to collaborate with colleagues, grow their expertise for successful outcomes, and find more satisfaction in their work.

- An interviewed head of operations and digital units at an IT company reported a 33% increase in employee satisfaction among agents using Customer Service Management.
- Resolving issues was faster and less cumbersome for agents.
- Greater satisfaction at work prevented attrition and attendant hiring and training costs to restaff.
- An interviewed VP of technical customer experience at a telco company shared that Customer Service Management allowed the company to absorb growth without increasing headcount.

Modeling and assumptions. For the composite organization, Forrester assumes:

- Employee satisfaction increased by 33%.
- The attrition rate for composite organization's contact center is 35%, in line with traditional attrition rates for FTEs at contact centers.
- These factors result in a 12% overall decrease in attrition rate.
- Recruiting and hiring costs total $4,000 per new hire.
- Agents require an 80-hour ramp and have a fully burdened hourly rate of $25.

> **"We have more coverage availabilities, because we've got a greater cross-skilled group of people, which means that we need less people to maintain the balance. We have definitely reduced attrition. We've reduced our number of agents as a result of efficiencies."**
>
> *VP of technical customer service, telecommunications*

Risks. Factors that may impact the magnitude of this benefit category include:

- Variation in the length of time individual agents require to ramp and attain proficiency in their roles.
- Agent compensation and hiring costs.
- Initial attrition rate, which may be higher or lower at organizations.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of $1.2 million.

Improved Employee Training And Retention					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
D1	Increase in employee satisfaction experience percentage with ServiceNow implementation	Interviews	33%	33%	33%
D2	Traditional attrition rate	Assumption	35%	35%	35%
D3	Decrease in attrition rate (percentage points)	D1*D2	12%	12%	12%
D4	Customer service representative FTEs	Composite	750	750	750
D5	Expected savings in training and ramp upon turnover	80-hour ramp*$25*D3*total agents	$173,250	$173,250	$173,250
D6	Total recruiting and hiring costs	Agent attrition avoided*$4,000 per hire	$346,500	$346,500	$346,500
Dt	Improved employee training and retention	D5+D6	$519,750	$519,750	$519,750
	Risk adjustment	↓5%			
Dtr	Improved employee training and retention (risk-adjusted)		$493,763	$493,763	$493,763
	Three-year total: $1,481,288		**Three-year present value: $1,227,914**		

LEGACY PLATFORM OPEX COST AVOIDANCE

Evidence and data. Implementing ServiceNow Customer Service Management meant that interviewees' organizations could shift away from a patchwork of legacy systems that did not communicate and could not scale. Further, these systems required significant effort on the part of the interviewees' organizations' staff to maintain aging systems.

- In most cases, licenses for deprecated systems were purchased in perpetuity and represented a sunk cost.
- Companies experienced high levels of ongoing maintenance costs prior to deprecation of legacy systems.

Modeling and assumptions. For the composite organization, Forrester assumes:

- Legacy systems, including homegrown and various purchased platforms, have annual costs of $2 million.
- Though platform fees are sunk costs, maintenance, service, and support costs are avoided by deprecating legacy systems. These costs represent 20% of total costs.

"The back end of the platform build is enabled to customize [and] answer a requirement [in] 50% less [time] than it was with the legacy system. If I want to build a new process in legacy systems, it took me two months; now, it takes me two weeks or one month. They have the same resources but I'm getting much, much more."

Customer operation office lead, software

- System deprecation occurs gradually, and half of the maintenance costs still occur in Year 1.
- In Years 2 and 3, the full 20% of costs to maintain legacy systems is avoided as all legacy systems deprecate.

Risks. Factors that may impact the magnitude of this benefit category include:

- The number and costs of legacy systems retired.
- Whether legacy systems are in use for other purposes, preventing retirement.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of $772,000.

Legacy Platform Opex Cost Avoidance

Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	Customer platform legacy platform costs	Composite	$2,000,000	$2,000,000	$2,000,000
E2	Legacy solution maintenance, support, and administration	Assumption	10%	20%	20%
Et	Legacy platform opex cost avoidance	E1*E2	$200,000	$400,000	$400,000
	Risk adjustment	↓5%			
Etr	Legacy platform opex cost avoidance (risk-adjusted)		$190,000	$380,000	$380,000
	Three-year total: $950,000			**Three-year present value: $772,276**	

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include journey mapping based on historical experience. Customer Service Management provided a centralized repository of successful approaches to solving customer issues. Interviewees described how Customer Service Management gave agents playbooks for success and lessons learned from prior cases. These internal best practices were based on past cases and enabled agents to share knowledge and improve case handling outcomes.

According to a VP of technical customer service at a telecommunications company: “We use dashboards and we talk about what’s happening. And then, that drives conversations, which drives collaboration, which drives outcomes. ServiceNow has been the common platform. It’s like the television set that everyone gathers around and watches. Before you had TV, you’d wonder what these people would do. They certainly wouldn’t gather together and look at each other’s faces and talk. So, that’s what’s been I think most successful for us is our teams are collaborative. They are forward-thinking. They are anticipating the next steps that they need to take for successful customer outcomes. And they are all doing that with a common view to what ServiceNow is telling them.”

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Customer Service Management and later realize additional uses and business opportunities, including the fact that CSM opens new possibilities for upselling and cross-selling. Sales teams could build upon the insights into customer satisfaction and service performance to support timely, thoughtful approaches to cross-selling and upselling.

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**	**Year 4**	**Total**	**Present Value**
Ftr	Investment costs	$1,680,000	$1,383,375	$1,491,919	$1,521,135	$0	$6,076,429	$5,313,456
	Total costs (risk-adjusted)	$1,680,000	$1,383,375	$1,491,919	$1,521,135	$0	$6,076,429	$5,313,456

INVESTMENT COSTS

Evidence and data. For the interviewees' organizations, ServiceNow Customer Service Management implementation was commonly part of a larger digital transformation strategy. Prior to production, interviewees' companies completed a multistage, months-long planning and implementation process including:

- Several months of planning/mapping, integration, and testing.
- Process and workflow realignment.
- Typically hiring an external professional services team to assist with the implementation process. Professional services costs varied based on the complexity and nature of the deployment.
- An initial training period of two to four weeks for agents with two hours per year of ongoing training.

Modeling and assumptions. For the composite organization, Forrester assumes:

- With the support of third-party professional services partners, the composite organization implements ServiceNow Customer Service Management during a three-month period.
- Training and ramping of Customer Service Management power users occurs over a period of two to three weeks.
- Deployment costs total $1.6 million in the initial period.
- Licensing, management, and upgrades at list pricing are $1.2 million in Year 1 and grow by 5% in subsequent years as a result of growth in the composite organization.
- Training costs for two hours of training per year per power user increase by 5% in Years 2 and 3.

Risks. Factors that may impact the magnitude of this cost category include variation in nature of deployment, integrations, and professional services required.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $5.3 million.

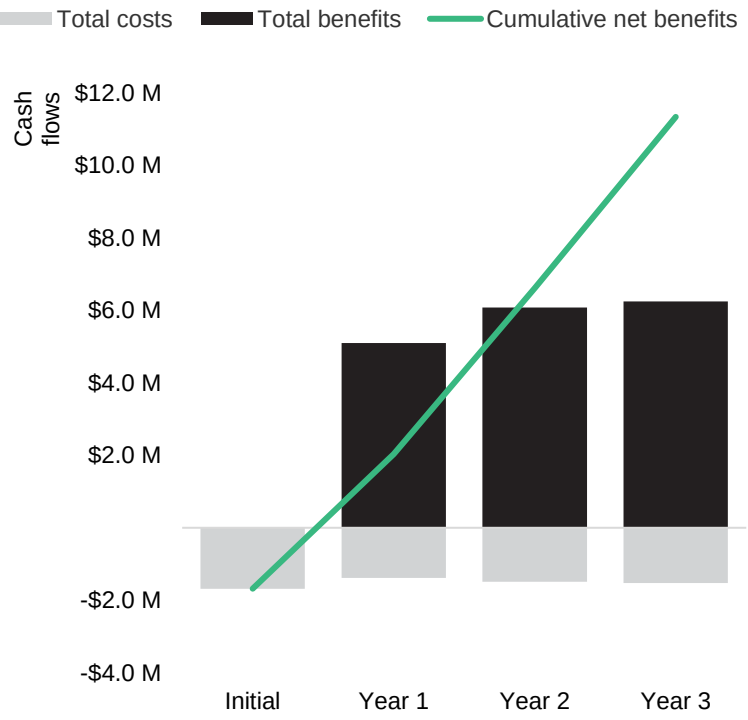
Investment Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	ServiceNow investment costs	Interviews		$1,200,000	$1,260,000	$1,323,000
F2	Implementation and training costs	Interviews	$1,600,000	$117,500	$121,500	$125,700
Ft	Investment costs	F1+F2	$1,600,000	$1,317,500	$1,420,875	$1,448,700
	Risk adjustment	↑5%				
Ftr	Investment costs (risk-adjusted)		$1,680,000	$1,383,375	$1,491,919	$1,521,135
	Three-year total: $6,076,429			**Three-year present value: $5,313,456**		

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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

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

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($1,680,000)	($1,383,375)	($1,491,919)	($1,521,135)	($6,076,429)	($5,313,456)
Total benefits	$0	$5,093,283	$6,077,509	$6,242,071	$17,412,862	$14,342,750
Net benefits	($1,680,000)	$3,709,908	$4,585,590	$4,720,936	$11,336,433	$9,029,294
ROI						170%

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%.

Appendix B: Endnotes

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