The Total Economic Impact™ Of The Phenom Intelligent Talent Experience Platform

Cost Savings And Business Benefits
Enabled By The Phenom Intelligent Talent Experience
Platform

NOVEMBER 2022

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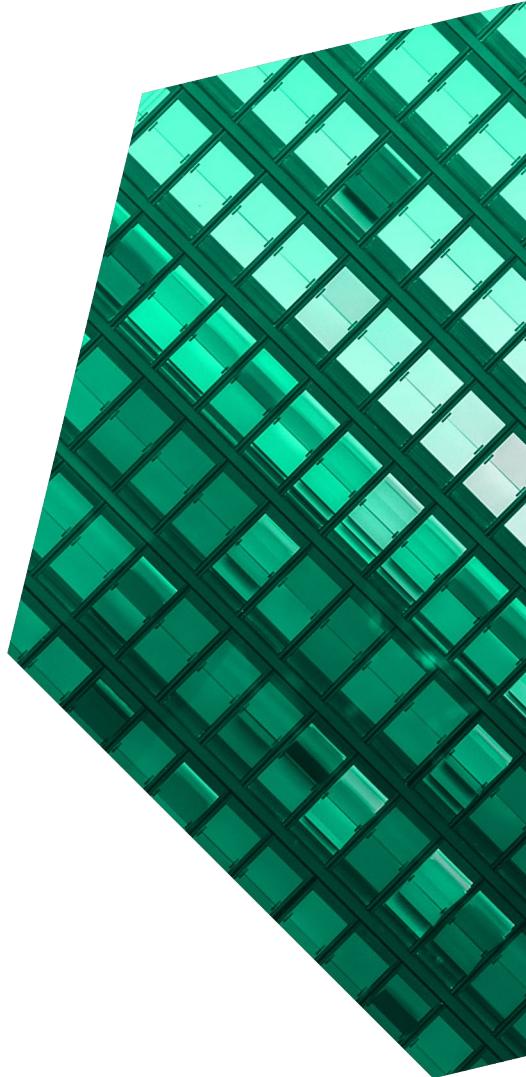
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Forrester provides independent and objective research-based consulting to help leaders deliver key transformation outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute on their priorities using a unique engagement model that tailors to diverse needs and ensures lasting impact. For more information, visit forrester.com/consulting.

Executive Summary

The Phenom Intelligent Talent Experience platform provides a comprehensive set of products and functionalities that enable organizations to engage with external and internal talent more effectively and more efficiently. Its AI-based functionality reduces the time to fill roles, increases internal mobility, drives more productive spending to attract talent, and enhances recruiter productivity. As a result, organizations that use Phenom are better equipped to hire, develop, and retain talent.

The Phenom Intelligent Talent Experience platform includes Candidate Experience, Employee Experience, Recruiter Experience, Manager Experience, HR Experience, and HRIS Experience. Each experience is tailored to those talent stakeholders' unique needs. Its artificial intelligence (AI)-enabled capabilities are a key element of how Phenom helps stakeholders execute faster and better across the talent acquisition, development, and retention journey.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed seven representatives at four companies with experience using Phenom. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a global company with $17 billion in annual revenue that makes 11,000 hires each year through a primarily recruiter-led hiring process.

Prior to using Phenom, these interviewees noted their organizations acquired and managed talent using relatively static homegrown career sites,

KEY STATISTICS

Return on investment (ROI)
449%

Net present value (NPV)
$24.3M

spreadsheets to capture data and track processes, and extensive other manual efforts made by talent staff. This prior approach left the organizations poorly equipped to compete for talent, operating manually and inefficiently, and lacking insight into their hiring processes, spending, and outcomes.

After investing in Phenom, the interviewees' organizations reduced their time to fill vacant positions; decreased their training and time to productivity (the elapsed time before a hire becomes fully productive) expenses because of improved internal mobility; increased the efficiency of their talent acquisition spending; and improved their recruiters' productivity.

KEY FINDINGS

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

- **Cost reduction valued at $16.9 million from decreasing time to fill.** Phenom accelerates efforts to identify, engage with, screen, and schedule interviews with candidates, speeding up hiring for the composite organization. It also enables the composite organization to develop larger and more qualified candidate pools. This reduced annual costs by $3.7 million in Year 1, $7.6 million in Year 2, and $9.7 million in Year 3 for a three-year PV of $16.9 million.

- **Cost reduction valued at $6.7 million from increasing internal mobility.** Because Phenom improves the composite organization's ability to fill open positions with internal candidates instead of buying talent externally, it decreases costs of new-hire onboarding, training, and time to productivity. This delivered cost reductions valued at $1.7 million in Year 1, $2.9 million in Year 2, and $3.6 million in Year 3 with a three-year PV of $6.7 million.

- **Savings valued at $3.7 million from more efficient spending to attract talent.** With Phenom, the composite organization gains insights that enable it to target its spending on job boards and social media to channels that surface high-quality candidates cost-effectively. This produced savings of $884,000 in Year 1, $1.5 million in Year 2, and $2.2 million in Year 3 with a three-year PV of $3.7 million.

- **Improved recruiter productivity valued at $2.3 million.** For the composite organization's recruiters, Phenom saves time on sourcing and nurturing candidate leads (due to its CRM, automations, chatbot, and internal and external talent community features); communicating with candidates; scheduling candidate interviews (due to its AI Scheduling product); and analyzing where their leads are in the hiring process and which of those leads ultimately get hired. The resulting efficiencies are valued at $388,000 in

Year 1, $941,000 in Year 2, and $1.6 million in Year 3 for a three-year PV of $2.3 million.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified in this study include:

- **Improved candidate experience that elevated an organization's brand.** By enabling organizations to improve the candidate experience, Phenom enhances their brand in the market for talent.

- **Increased satisfaction and retention of current employees.** Phenom Employee Experience and associated products increase employee satisfaction and retention by helping them understand their skills, identify career growth opportunities at their current employer, and actively shape their career path.

- **Reduced spending on external recruiters.** Phenom improves the effectiveness and efficiency of an organization's talent acquisition efforts, enabling less dependence on external recruiters.

- **Improved productivity around recruitment events.** For organizations that use recruitment events to attract candidates, Phenom makes it possible to automate or otherwise reduce the effort involved.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Phenom fees of $1.9 million.** Phenom fees include subscription fees for the platform components the composite organization uses and the mandatory Phenom implementation assistance. Subscription fees include a standard level of support.

- **Internal effort of $860,000 for implementation and ongoing management.** The composite organization implements Phenom using an internal team of talent acquisition, management,

and IT staff. That team jointly determines requirements and deploys and tests the Phenom solution, working in collaboration with a Phenom implementation team. The internal team also manages and optimizes Phenom on an ongoing basis.

- **Costs of $2.6 million for training on Phenom.** End-user training is critical to maximizing Phenom's impact on the composite organization by enabling recruiters to work more effectively and efficiently, while allowing employees to shape their career paths within the organization more actively.

The representative interviews and financial analysis found that a composite organization experiences benefits of $29.7 million over three years versus costs of $5.4 million, adding up to a net present value (NPV) of $24.3 million and an ROI of 449%.

ROI
449%

BENEFITS PV
$29.7M

NPV
$24.3M

PAYBACK
<6 months

Benefits (Three-Year)

Cost reduction from decreasing time to fill	$16.9M
Cost reduction from increasing internal mobility	$6.7M
Savings from more efficient spending to attract talent	$3.7M
Improved recruiter productivity	$2.3M
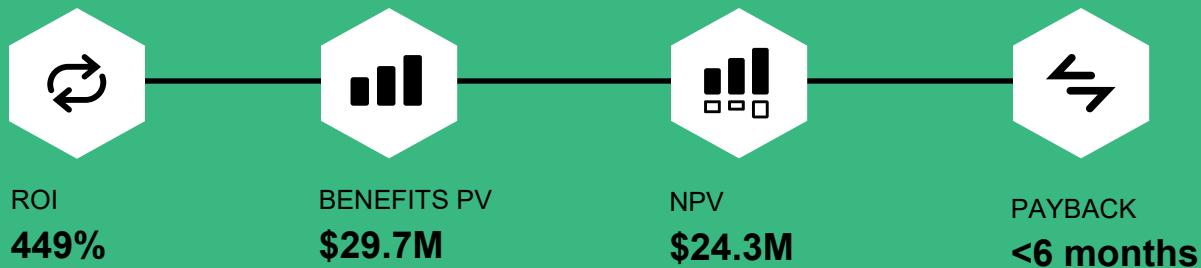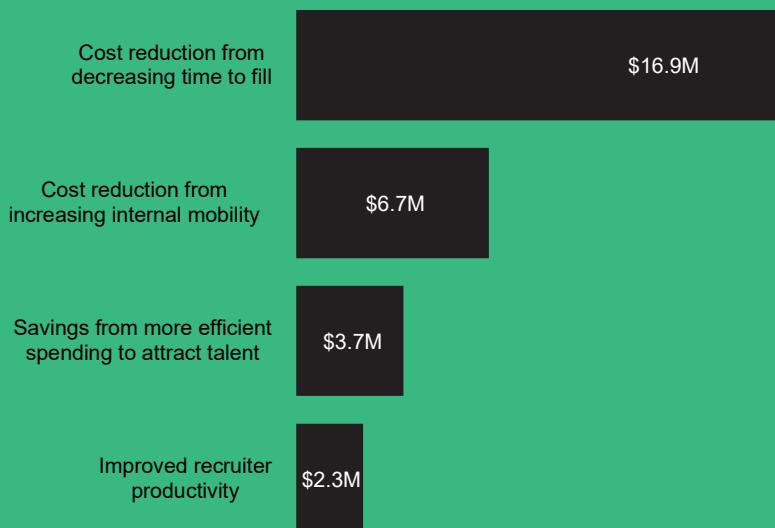
"We wouldn't be able to keep up with the competition without the functionality Phenom provides."

— Vice president of talent acquisition, industrial equipment

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 Phenom Intelligent Talent Experience platform.

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 Phenom can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Phenom 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 Phenom platform.

Phenom 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.

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

DUE DILIGENCE
Interviewed Phenom stakeholders and Forrester analysts to gather data relative to the Phenom platform.

INTERVIEWS
Interviewed seven representatives at a total of four organizations using Phenom to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION
Designed a composite organization based on characteristics of the interviewees' organizations.

FINANCIAL MODEL FRAMEWORK
Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.

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

The Phenom Intelligent Talent Experience Platform Customer Journey

Interviews

Role	Industry	Region	Annual hires
Chief talent acquisition officer	Healthcare	Headquartered in North America; regional operations	16,000
Director of talent acquisition strategy and operations	Healthcare	Headquartered in North America; regional operations	16,000
Director of talent selection innovation	Healthcare	Headquartered in North America; regional operations	16,000
Global HR systems manager	Logistics	Headquartered in Europe; global operations	10,000
Senior vice president of global HR systems and processes	Logistics	Headquartered in Europe; global operations	10,000
Senior director of talent acquisition	Transportation	Headquartered in North America; global operations	8,000
Vice president of talent acquisition	Industrial equipment	Headquartered in Europe; global operations	13,000

KEY CHALLENGES

Prior to deploying Phenom, the interviewees' organizations attracted, acquired, and managed talent using a combination of relatively static homegrown external and internal career sites along with talent staff's manual efforts. The interviewees noted how their organizations struggled with common challenges around recruiting and retaining talent, including:

- **Competition for talent.** Across the spectrum of talent acquisition and management, from sourcing, engaging, and hiring candidates to subsequently developing and retaining existing talent, interviewees felt their organizations were outcompeted. A director of talent selection innovation at a healthcare organization said, "When you're working from a spreadsheet, you've got a very finite list of candidates." A senior director of talent acquisition at a transportation company said: "Competition for candidates was increasing, yet we were basically limited to 'post and pray.' And we couldn't move candidates through the hiring process fast

enough, so sometimes we lost them to other employers."

- **External — and internal — expectations for the candidate experience.** Interviewees said that because of the competitive talent market, their organizations needed to deliver a compelling candidate experience that met both external and internal expectations. A vice president of talent acquisition at an industrial equipment company said, "We needed to provide candidates with a true career site, instead of simply a digital job listing."

A chief talent acquisition officer at a healthcare organization said: "We wanted to provide a much better candidate experience, one that more closely mirrored what we all experience from many companies as consumers. We knew candidates wanted things simple and transparent, yet our site's lack of personalization made it really difficult for them to get in there and find jobs. We wanted to up our game." A senior director of talent acquisition at a transportation company said: "We needed our candidate

experience to match the experience they have with us as customers. And we needed to make it possible for candidates to learn more and connect with us, when *they're* available — not only when our recruiters are available."

- **Limited ability to build and benefit from a talent community.** With few digital tools beyond a simple external website for job postings and no candidate relationship management (CRM) system, the interviewees' organizations couldn't engage and remain in contact with their career site visitors and build an online talent community over time. A director of talent acquisition strategy and operations at a healthcare organization said, "If potential candidates looked at jobs on our website but didn't apply, we had no ability to capture that traffic and their digital footprints so we could reach out to them later." A senior director of talent acquisition at a transportation company said, "We had no way to reconnect with prior applicants who hadn't been hired."

- **Lack of tools to support internal mobility and employee retention.** With career growth a top concern for employees, talent leaders naturally want to facilitate internal talent mobility by filling jobs with their current employees. But without the right tools, talent mobility was cumbersome for all parties involved. Organizations wanted to fill open roles more easily and improve employee satisfaction and retention by making internal opportunities and career paths more evident and actionable to their employees.

- **The cost of vacancies.** Although the economic impact of a vacancy depends on the nature of a role, interviewees noted that every open position impaired their organization in some way. A senior director of talent acquisition at a transportation company said, "Every day a position is open, it costs the company money." A director of talent acquisition strategy and operations at a healthcare organization said, "We have to bring

in an agency or contingent labor, which increases our costs."

- **Manual and inefficient talent acquisition processes.** Compounding the other challenges, recruiters at the interviewees' organizations operated inefficiently. A chief talent acquisition officer at a healthcare company said, "Our recruiting processes were really just time and labor with recruiters having to sort through many rocks to find a gem."

At every step of the talent acquisition process, recruiters had to execute manually, from sourcing, outreach, screening candidates against job requirements, and scheduling interviews, to analyzing channel effectiveness and other results. They relied primarily on disparate job boards to source candidates and developed shortlists manually on spreadsheets. Recruiters' bandwidth constrained their manual follow-up (e.g., emails, phone calls) with those top candidates. Recruiters complained that scheduling interviews and other candidate contact took a lot of their time.

A director of talent acquisition strategy and operations at a healthcare organization said: "Every single thing was manual. We had no way to do email blasts. We had no text messaging to communicate with candidates. We had no CRM, and everything was on spreadsheets. Our main source was a few of the job boards."

- **Inadequate analytics around hiring processes, spending, and outcomes.** Interviewees' organizations lacked visibility to key data across the full spectrum of their talent acquisition and retention efforts. Recruiters couldn't readily determine the level of candidate engagement or the current status of a candidate. Talent acquisition teams couldn't assess which job boards and social media channels most cost-effectively surfaced qualified candidates. A vice president of talent acquisition at an industrial

equipment company said: "A lot of the pretty limited analytics we did have were kept on spreadsheets. It was a 'stick your finger in the air to determine which way the wind is blowing' approach."

> **"Our CEO wanted to fill more jobs internally, and we wanted to provide opportunities for our people."**
>
> *Vice president of talent acquisition, industrial equipment*

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 seven 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 global company that generates $17 billion annually and employs 53,000 employees. Due to a combination of growth and attrition, it needs to fill approximately 11,000 roles each year. It hires most candidates through a recruiter-led process with support from hiring managers, interview teams, and HR leaders.

Deployment characteristics. The composite organization purchases five of the experiences available from the Phenom Intelligent Talent Experience platform in addition to some optional components:

- Candidate Experience, including Chatbot and Events.

- Employee Experience, including Talent Marketplace, Referrals, and Gigs.

- Recruiter Experience, including AI Scheduling and Talent CRM with an initial 40 CRM licenses that grows to 120 over several years.

- Manager Experience, including Talent Analytics.

- HRIS Experience for integration with existing HR technology.

The composite organization implements Phenom (including end-user training) with a combination of Phenom professional services and internal resources from its IT and talent acquisition and management business functions. It pays for standard Phenom support. It integrates Phenom with one of the many applicant tracking systems (ATS) that the Phenom platform supports.

Once Phenom's functionality is implemented and fully available, the composite organization's IT and talent staff invest time to expand usage and adoption including new features as they are introduced.

Key Assumptions
- **$17 billion annual revenue**
- **Global company**
- **11,000 hires each year**
- **Primarily recruiter-led hiring process**
- **Five Phenom experiences used**

Analysis Of Benefits

■ Quantified benefit data as applied to the composite

	Total Benefits					
Ref.	**Benefit**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Atr	Cost reduction from decreasing time to fill	$3,666,465	$7,552,918	$9,724,382	$20,943,764	$16,881,302
Btr	Cost reduction from increasing internal mobility	$1,716,204	$2,947,809	$3,641,440	$8,305,452	$6,732,258
Ctr	Savings from more efficient spending to attract talent	$884,000	$1,547,000	$2,210,000	$4,641,000	$3,742,554
Dtr	Improved recruiter productivity	$388,351	$941,180	$1,599,534	$2,929,064	$2,332,634
	Total benefits (risk-adjusted)	$6,655,019	$12,988,906	$17,175,356	$36,819,280	$29,688,748

COST REDUCTION FROM DECREASING TIME TO FILL

Evidence and data. After deploying the Phenom Intelligent Talent Experience platform, the interviewees' organizations decreased their average time to fill. Phenom turbocharged the talent acquisition process, reducing time to fill for the interviewees' organizations. It helped those organizations accelerate their efforts to identify, engage with, screen, and schedule candidates and enabled them to develop larger and more qualified candidate pools that facilitated faster hiring.

Interviewees' explanations of how Phenom reduced the time to fill included the following:

- The Phenom Candidate Experience functionality enabled the interviewees' organizations to engage more effectively — and stay engaged — with potential candidates by providing AI-driven, highly personalized career site experiences and job recommendations to career site visitors. This increased the engagement and conversion of those visitors and resulted in a higher volume and quality of applicants.

- Phenom's CRM provided recruiters with a database of potential applicants to pursue, and its AI capabilities helped recruiters find qualified candidates in that database. As a result, recruiters could rapidly develop a candidate pool for a posted role. The Phenom CRM included resumes of prior applicants sourced from an organization's ATS and of other individuals who had joined the organization's Phenom-based talent community.

- With Phenom, recruiters scored candidates, prioritized the best-fit candidates for additional engagement efforts, and automated some of their engagement efforts with those candidates. This increased the recruiters' efficiency and accelerated the hiring process.

- Phenom Employee Experience capabilities, including a Talent Marketplace and an employee referrals feature, helped organizations identify strong internal candidates more readily for open positions. The ease of employee referrals via Phenom Employee Experience prompted an overall increase in referral volume, because of employees either alerting a coworker through the Phenom Talent Marketplace or sharing the posting with external contacts. Phenom's CRM

improved organizations' ability to track and engage with those referrals.

- The quality of referred candidates also aided hiring. A director of talent selection innovation at a healthcare organization said: "Referrals help us identify high-quality candidates. Compared to the overall pool of applicants, the referred candidates generally have a stronger fit with the qualifications and, during interviews, prove to be a stronger fit with our culture. As a result, we end up hiring a higher percentage of the candidates who've been referred."

- Because Phenom enabled recruiters to get a faster response from candidates by using text messaging instead of phone calls or email, and automated some aspects of candidate scheduling, it decreased the elapsed time needed to complete various parts of the hiring process.

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

- An average of 11,000 hires are completed each year.

- Before Phenom, the average elapsed time to fill a role is 10 weeks.

- With Phenom, the time to fill decreases by 10% in Year 1, a cumulative 20% in Year 2, and a cumulative 25% in Year 3.

- The average cost of a vacancy is 150% of the wages for the vacant role, reflecting the use of contractors or employee overtime to cover vacant roles and assuming a 40-hour work week.

- The wages-only blended hourly rate across the composite organization is derived by multiplying the blended fully burdened hourly compensation (where benefits are valued at 35% of wages) referenced elsewhere in this case study by 0.7407.

> **"Phenom's level of sophistication and what we're able to do within its CRM using the AI, marketing, email blasts, and text messaging is all a big improvement. We had none of that prior to Phenom."**
>
> *Director of talent acquisition strategy and operations, healthcare*

- Thirty percent of the reduced time to fill is attributable to Phenom with the remaining reduction due to organizations' other changes, such as standardizing and streamlining hiring processes.

- The percentage reduction in time to fill for the overall composite organization increases over time, as a growing number of its recruiters adopt Phenom.

Risks. The reduced costs from decreasing time to fill will vary based on:

- The daily cost of a vacancy, which is unique to each organization and varies considerably. It depends on the nature of each organization's workforce and the resulting economic impact of vacant roles. Certain vacant roles may have an immediate impact on an organization's revenue (e.g., if an airline must cancel flights or a hospital must delay elective surgeries), while other vacancies cause less visible yet still significant harm (e.g., delaying a revenue-producing or cost-reduction initiative). In applying the framework presented in this case study, use an estimated cost of vacancy appropriate to your organization.

- Average number of hires each year.

- An organization's baseline average number of weeks to fill a position before Phenom.

- The level of market competition for the roles that need to be filled.

- Prevailing compensation rates for those roles.

- How thoroughly an organization capitalizes on Phenom's functionality.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $16.9 million.

Cost Reduction From Decreasing Time To Fill

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Average number of hires annually	Composite	11,000	11,000	11,000
A2	Average weeks to fill a position before Phenom	Interviews	10	10	10
A3	Percentage reduction in time to fill	Interviews	10%	20%	25%
A4	Subtotal: Reduction in average time to fill with Phenom (weeks)	A2*A3	1.0	2.0	2.5
A5	Average cost of a vacancy as a percentage of wages	Assumption	150%	150%	150%
A6	Hours worked per week	Composite	40	40	40
A7	Employee blended average hourly rate (without benefits)	G13*0.7407	$23.15	$23.84	$24.56
A8	Subtotal: Weekly cost of a vacancy	A5*A6*A7	$1,389	$1,430	$1,473
A9	Percentage of reduced time to fill attributable to Phenom	Interviews	30%	30%	30%
At	Cost reduction from decreasing time to fill	A1*A4*A8*A9	$4,583,081	$9,441,147	$12,155,477
	Risk adjustment	↓20%			
Atr	Cost reduction from decreasing time to fill (risk-adjusted)		$3,666,465	$7,552,918	$9,724,382
	Three-year total: $20,943,764		**Three-year present value: $16,881,302**		

COST REDUCTION FROM INCREASING INTERNAL MOBILITY

Evidence and data. Phenom helped the interviewees' organizations increase their internal mobility (i.e., the percentage of open positions they filled with internal candidates) by enabling them to create a better career experience for employees. The intuitive Phenom Talent Marketplace and its AI-driven personalized job recommendations (identified and sent to employees without the need for human intervention) increased employees' engagement and visibility to career growth opportunities. This prompted a higher volume and quality of internal applicants for posted roles and, ultimately, a higher percentage of internal hires.

A vice president of talent acquisition at an industrial equipment company said: "Our employees have their own career site now and they can set up alerts — that's critical. They also can search or filter for jobs and save their favorites and we can push jobs to them that may be of interest. They can track their applications. All of that has a positive impact."

Phenom Employee Experience also included an internal referrals capability, which interviewees said increased the volume of internal referrals for open roles and contributed to the greater percentage of internal hires.

Because internal hires need less orientation and training and get productive faster, this increased percentage of internal hires decreased costs for the interviewees' organizations in two ways:

Increase in internal hires

30%

- By reducing the magnitude and resulting cost of new-hire onboarding and training.

- By shortening time to productivity (i.e., the elapsed time before a hire became fully productive).

A director of talent acquisition strategy and operations at a healthcare organization said: "Somebody internal hits the ground running. They already know the culture and really just need to learn the ropes of the new department. Our costs to onboard and train an internal hire are a fraction of those for an external hire. It's a huge win for us, compared to backfilling a role with somebody external and having to orient and train them."

Cost savings aside, an organization's stated focus on internal mobility can make it more attractive to candidates and later serve as a retention tool. A senior director of talent acquisition at a transportation company said: "Many people we interview are already thinking of their next role, if hired — not just the one for which they are interviewing. So, our focus on internal mobility is appealing."

The percentage of internal hires increased over time at the interviewees' organizations, reflecting employees' increasing engagement with Phenom Talent Marketplace and talent staff's increasing use of the platform's capabilities.

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

- An average of 11,000 hires are completed each year.

- Before Phenom, 21.5% of those hires were made internally.

- With Phenom, the percentage of internal hires increases by 15% in Year 1, a cumulative 25% in Year 2, and a cumulative 30% in Year 3.

- For each external hire, the average cost of training and reduced initial productivity is 25% of that hire's annual fully burdened compensation.

- The average cost of an internal hire's training and reduced initial productivity is 50% less than that cost for an external hire.

- Seventy percent of the cost reduction from increasing internal mobility is attributable to Phenom with the remaining reduction due to organizations' other changes, such as standardizing and streamlining hiring processes.

Risks. The cost reduction from increasing internal mobility will vary based on:

- The availability of, and resulting degree of competition from, external opportunities.

- The baseline percentage of hires made internally before Phenom.

- Whether an organization used practices or technologies prior to Phenom that delivered any of the same efficiencies.

- What new hires need to master, based on the nature of the most common roles and the complexity of the organization.

- How thoroughly an organization capitalizes on Phenom Employee Experience.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $6.7 million

Cost Reduction From Increasing Internal Mobility

Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Annual number of hires	Composite	11,000	11,000	11,000
B2	Baseline percentage of hires made internally before Phenom	Interviews	21.5%	21.5%	21.5%
B3	Increase in the percentage of internal hires after Phenom	Interviews	15%	25%	30%
B4	Subtotal: Percentage of hires made internally after Phenom	B2*(1+B3)	24.73%	26.88%	27.95%
B5	Subtotal: Incremental number of internal hires	B1*(B4-B2)	355	592	710
B6	Average annual fully burdened employee compensation	TEI standard	$65,000	$66,950	$68,959
B7	Average per hire cost of training and reduced initial productivity, as a percentage of annual fully burdened compensation for each external hire	Interviews	25%	25%	25%
B8	Decrease in costs of training and reduced initial productivity for each internal hire	Interviews	50%	50%	50%
B9	Subtotal: Savings on the average per hire cost of training and reduced initial productivity as a percentage of annual fully burdened compensation for each external hire	B7*B8	12.5%	12.5%	12.5%
B10	Percentage attributable to Phenom	Interviews	70%	70%	70%
Bt	Cost reduction from increasing internal mobility	B5*B6*B9*B10	$2,019,063	$3,468,010	$4,284,047
	Risk adjustment	↓15%			
Btr	Cost reduction from increasing internal mobility (risk-adjusted)		$1,716,204	$2,947,809	$3,641,440
	Three-year total: $8,305,452		Three-year present value: $6,732,258		

SAVINGS FROM MORE EFFICIENT SPENDING TO ATTRACT TALENT

Evidence and data. Using the Phenom Intelligent Talent Experience platform enabled the interviewees' organizations to target their spending on job boards and social media to channels that cost-effectively surfaced high-quality candidates.

The interviewees said that by using Phenom they spent less to gain visibility to potential applicants while still attracting the same number of applicants. They attributed this to Phenom's analytics around the impact of that spending, which helped them know

what channels worked best for various types of roles and shift their spending based on those outcomes.

A senior director of talent acquisition for a transportation company said: "Phenom has absolutely changed where and on what we spend money, and when, to attract talent. We can tell, by location and for each day, the impact of that spending: how many people came to the career site, what they looked at, at what time of the day, and how many of them we hired. That's powerful in helping our talent acquisition team determine where and when to post." A vice president of talent acquisition at an

industrial equipment company said: "The job boards are expensive, but with Phenom I can see where my candidates are coming from, and who clicked to apply. Phenom's analytics are very valuable. They drill pretty much as far as you want to go."

Phenom's analytics around spending to attract talent also helped the organizations plan and budget at a more granular level. A vice president of talent acquisition at an industrial equipment company said: "Now, we can make informed business decisions with data. I can proactively take data to the leadership team or to my boss, the [chief human resources officer] (CHRO), and say, 'Look, this is why we're doing this.' Or I can build my budget and say, 'This is why we need to spend X more dollars on a particular channel, because a lot of our successful candidates are coming from there.' Just getting a lot of candidates doesn't make those the right candidates. So, Phenom's analytics help us avoid unnecessary costs, build our budgets, and determine where to shift acquisition spending so we're not wasting money."

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

- Before Phenom, the baseline annual total spend on job boards and social media to attract candidates is $6.5 million.

- With Phenom, that annual spend is reduced by 20% in Year 1, a cumulative 35% in Year 2, and a cumulative 50% in Year 3, while still converting to the same annual number of hires.

- Eighty percent of that savings is attributable to Phenom with the rest attributable to other improvements in the organization's reporting and data tools.

- The reduction in spending grew over time, reflecting the composite organization's expanded

> **"We can make strategic decisions to spend correctly, where needed and drive candidates to conversion off of that spend."**
>
> *Senior director of talent acquisition, transportation*

use of these Phenom analytics and deeper insights around how to apply them.

Risks. The savings from more efficient spending to attract talent will vary based on:

- An organization's baseline spending before Phenom.

- Prevailing rates for the channels best suited for reaching targeted candidates.

- Level of competition for the targeted candidates.

- Whether an organization used point solutions prior to Phenom that delivered any of the same talent spending efficiencies.

- How thoroughly an organization capitalizes on Phenom's functionality.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $3.7 million.

Savings From More Efficient Spending To Attract Talent

Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Baseline annual total spend on job boards and social media to attract candidates before Phenom	Interviews	$6,500,000	$6,500,000	$6,500,000
C2	Reduction in annual spending to attract talent while still converting to the same annual number of hires after Phenom	Interviews	20%	35%	50%
C3	Percentage attributable to Phenom	Interviews	80%	80%	80%
Ct	Savings from more efficient spending to attract talent	C1*C2*C3	$1,040,000	$1,820,000	$2,600,000
	Risk adjustment	↓15%			
Ctr	Savings from more efficient spending to attract talent (risk-adjusted)		$884,000	$1,547,000	$2,210,000
	Three-year total: $4,641,000		**Three-year present value: $3,742,554**		

IMPROVED RECRUITER PRODUCTIVITY

Evidence and data. With the Phenom Intelligent Talent Experience platform, recruiters at the interviewees' organizations saved time on sourcing and nurturing candidate leads, scheduling interviews with candidates, and other efforts.

Interviewees mentioned the following recruiter productivity improvements:

- **Sourcing candidates.** Phenom enabled organizations to automatically build a database of potential applicants and hires within their Phenom CRM through their ongoing talent acquisition efforts using the Phenom platform. Phenom's AI capabilities then enabled recruiters to identity qualified candidates from that database, and thus reduced the time that a recruiter spent sourcing a candidate pool for a posted role.

  This included easily revisiting resumes (brought into Phenom through the integration between Phenom and an organization's applicant-tracking system) of prior applicants who had not been hired but appeared to be well-aligned with a current job posting, and pursuing individuals whose information was in the database because they had joined the organization's talent community. All this leveraged a cross-organization CRM that grew over time — not a limited number of resumes captured on an individual recruiter's hard drive.

  A director of talent acquisition strategy and operations at a healthcare organization said, "Sourcing efforts that previously took two hours can be done in 30 minutes using the CRM, especially by using its AI." A global HR systems manager at a logistics company said, "We now have 1.5 million people in our talent pool, which helps us a lot, especially with Phenom's AI-driven skills and job matching." A senior director of talent acquisition at a transportation company said, "Our efficiencies from Phenom include having a ready pipeline of candidates to campaign when a role is available."

  In addition, Phenom's AI-driven candidate recommendations and tools for scoring candidates increased recruiters' confidence that their targeted candidates would be a good fit.

- **Nurturing candidate leads.** Phenom replaced recruiters' spreadsheets and manual effort with a CRM and automation, simplifying candidate

nurturing. Prior to Phenom, each recruiter had entered leads on their own spreadsheets, and then had to remember to follow up with those candidates. With Phenom, those efforts were automated within the CRM.

Phenom also decreased the time that recruiters spent creating and using candidate shortlists. Its dynamic list functionality enabled recruiters to set up saved dynamic lists that were automatically populated based on data captured in the CRM, and automatically email those short-listed candidates.

Phenom provided recruiters with analytics that enabled them to determine a candidate's level of engagement and if, when, and how to best follow up. A director of talent acquisition strategy and operations at a healthcare organization said: "We can do an email blast to a thousand candidates and then determine who opened it. That narrows our pool of those who are truly engaged. We can see who was engaged enough to open the email and maybe we'll go back in and try to re-engage by sending them another email blast or text message. A smaller number will respond to that second outreach, and we'll give those candidates a call to try to re-engage if we see that they haven't applied."

- **Communicating with candidates, including automated interview scheduling**. With Phenom, talent acquisition staff simplified and accelerated candidate interactions (e.g., by using text messaging) or even automated some of those interactions (e.g., with Phenom's AI-powered conversational chatbot). Phenom AI Scheduling handled many administrative aspects of scheduling candidate interviews that were formerly addressed manually.

A director of talent acquisition strategy and operations at a healthcare organization said: "Phenom's text messaging capabilities are a huge timesaver for communicating with

candidates. Previously that took a lot of back-and-forth: phone calls, or trying to get them on the phone, or emails. It could take hours or days to hear back from somebody, but now we get responses from candidates within seconds."

A senior director of talent acquisition at a transportation company said, "Our recruiter efficiencies from Phenom include the automated generation of job alerts and talent community emails."

- **Streamlining and accelerating analysis**. Phenom's analytics reduced cumbersome manual analyses by recruiters, such as determining where their leads were in the hiring process and which of them ultimately got hired. A director of talent acquisition strategy and operations at a healthcare organization said: "Before Phenom, recruiters would have to go back to their spreadsheets, look up their candidates in our ATS, figure out where those candidates were in the hiring process, and over time determine which of them got hired. Now that analysis is all automated."

Total hours saved by each recruiter increased over time as organizations and individual recruiters got more familiar with Phenom's capabilities.

Although most interviewees' organizations leveraged recruiter time savings to enable an individual recruiter to manage a larger portfolio of searches comfortably and effectively, one interviewee said that their organization instead applied the freed-up hours to "higher-touch" recruiter-candidate interactions that had been infeasible before Phenom automated or reduced minutiae and administrative tasks.

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

- The number of recruiters using Phenom increases from 40 in Year 1 to 80 in Year 2 and 120 in Year 3.

- Phenom Career Site, CRM, Chatbot, and internal and external talent community features saved each recruiter 2.5 hours each week in Year 1, 3 hours each week in Year 2, and 3.5 hours each week in Year 3.

- Phenom AI Scheduling saves each recruiter 2 hours each week in Year 1, and 2.5 hours each week in Years 2 and 3.

- Other Phenom efficiencies save each recruiter 4 hours each week in Year 1, 4.5 hours each week in Year 2, and 5 hours each week in Year 3.

- The cited recruiter efficiencies are fully attributable to Phenom.

- Recruiters work 48 weeks each year and productively apply 50% of the time that they save.

Risks. Improved recruiter productivity will vary based on:

- The number of recruiters using Phenom.

- Whether an organization used point solutions prior to Phenom that delivered any of the same recruiter efficiencies.

- Whether an organization used process choices (e.g., pairing recruiters with talent scouts focused

"Phenom saves a lot of time that recruiters previously spent scheduling initial screening interviews and also the subsequent interviews with hiring managers by automating much of that scheduling effort.

Global HR system manager, logistics

on identifying candidates) prior to Phenom that delivered any of the same recruiter efficiencies.

- How thoroughly an organization capitalizes on Phenom's functionality.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $2.3 million.

Time saved each week per recruiter

11 hours

Improved Recruiter Productivity

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Number of recruiters using Phenom	Composite	40	80	120
D2	Hours saved by each recruiter each week on sourcing and nurturing leads	Interviews	2.5	3.0	3.5
D3	Hours saved by each recruiter each week on scheduling	Interviews	2.0	2.5	2.5
D4	Hours saved by each recruiter each week from other Phenom efficiencies	Interviews	4.0	4.5	5.0
D5	Subtotal: Total hours saved by each recruiter each week	D2+D3+D4	8.5	10.0	11.0
D6	Number of weeks worked per year	Composite	48	48	48
D7	Percent captured	TEI standard	50%	50%	50%
D8	Fully burdened hourly compensation for recruiter	G6	$52.88	$54.47	$56.10
Dt	Improved recruiter productivity	D1*D5*D6*D7*D8	$431,501	$1,045,755	$1,777,260
	Risk adjustment	↓10%			
Dtr	Improved recruiter productivity (risk-adjusted)		$388,351	$941,180	$1,599,534
	Three-year total: $2,929,064		Three-year present value: $2,332,634		

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Improved candidate experience that elevated an organization's brand.** Interviewees' organizations used Phenom to improve their candidate experience and thus enhance their brand in the market for talent. A vice president of talent acquisition for an industrial equipment company said: "The candidate experience was why we did this, and that's been a big impact. Phenom has made our brand shine much better when it comes to the candidate experience and how we show up online." A senior director of talent acquisition at a transportation company said: "With Phenom we can deliver branded, consistent, and timely communications that educate candidates about what it's like to work here, which directly impacts a candidate's experience even before they apply. Once a candidate has applied, we use Phenom CRM and Phenom Campaigns to send tips and tricks prior to an interview, to help them prepare."

- **Increased satisfaction and retention of current employees.** Interviewees said that, because Phenom Employee Experience helped employees understand their skills, identify career growth opportunities within their current employer, and actively shape their career path, their organizations' retention rates increased. A chief talent acquisition officer at a healthcare organization said: "Our [Talent Marketplace] improves retention, because it used to be if our employees couldn't find their next opportunity within our organization, they could certainly find it outside. So, we feel that we've been able to improve retention and keep our coworkers here, by driving up our internal transfers."

A global HR systems manager at a logistics company said: "It's great if we can fill more roles with our internal talent because it helps retention. Even if people aren't interested in a suggested role and don't want to apply for it, they still feel appreciated, from the employee experience perspective. So, we're really putting internal sourcing on our recruiters' agenda and into their KPIs."

A director of talent selection innovation at a healthcare organization said: "The ability to easily refer candidates within Phenom increases employee engagement. Our employees have been really enthusiastic about helping meet hiring goals by using the referral capability to highlight candidates they feel are a strong fit for a current job posting, or simply for a particular job category."

A vice president of talent acquisition at an industrial equipment company said: "With Phenom, employees can track their referrals, which makes people feel good so they tend to do more referrals. Phenom reinforces that good behavior."

- **Reduced spending on external recruiters.** Because Phenom improved the effectiveness and efficiency of their talent acquisition efforts, the interviewees' organizations decreased their use of external recruiters. The vice president of talent acquisition at an industrial equipment company said: "We're using external recruiters less because our internal recruiters have a million and a half leads in a database and a better ability to reach out. And we don't need external recruiters if we can find the candidates internally."

A global HR systems manager at a logistics company said that before Phenom, 50% of that organization's knowledge worker hires had involved paying external recruiters to help identify and screen candidates. Now with Phenom, only 20% do.

- **Improved productivity around recruitment events.** A senior director of talent acquisition at a transportation company that used Phenom Events for many events each year described how Phenom made it possible to automate or otherwise reduce much of the required effort. With Phenom, talent acquisition staff handled front-end candidate screening for which the organization had previously paid a third-party. It also automated much of the event follow-up, such as sharing information about the hiring process. Phenom analytics enabled them to automatically determine how many of the candidates sourced via an event ultimately applied for a role.

FLEXIBILITY

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

- **Leveraging deployed Phenom experiences more fully.** After deployment, interviewees' organizations continued to discover new ways to leverage the extensive functionality within each of their Phenom experiences.

- **Deploying additional Phenom experiences and add-ons.** The Phenom platform currently includes six experiences and optional add-on functionalities. Interviewees' organizations typically deployed more of those experiences and add-ons over time.

- **Deploying Phenom's hosted apply functionality.** Although none of the interviewees' organizations used Phenom's hosted apply functionality, several said they plan to do so within the next few years, and they looked forward to the seamless application experience and additional analytics it will make possible.

- **Capitalizing on new Phenom functionality as it is introduced.** The interviewees' organizations anticipated using additional Phenom functionality as the platform continues to evolve with new products and feature enhancements.

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**
Etr	Phenom fees	$224,573	$650,806	$683,806	$716,806	$2,275,991	$1,919,891
Ftr	Internal effort for implementation and ongoing management	$348,142	$200,089	$206,092	$212,274	$966,596	$859,849
Gtr	Training on Phenom	$1,837,581	$324,548	$317,984	$315,365	$2,795,477	$2,632,359
	Total costs (risk-adjusted)	$2,410,295	$1,175,443	$1,207,881	$1,244,445	$6,038,064	$5,412,099

PHENOM FEES

Evidence and data. Phenom fees reflected subscription fees for the platform components and the mandatory Phenom implementation assistance. The subscription fees included a standard level of support.

Since customer-specific factors determined subscription fees, consult with Phenom for likely costs specific to your organization when conducting your analysis. Your organization's fees may differ from the composite organization's fees.

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

- The organization deploys the following platform components in the cloud:

    - Candidate Experience, including Career Site, CMS, Chatbot, Events, military code search, and one language subtenant.

    - Employee Experience, including Talent Marketplace, Referrals, and Gigs.

    - Recruiter Experience, including AI Scheduling, Talent CRM, and Campaigns (email and SMS).

    - Manager Experience, including Talent Analytics.

    - HRIS Experience for integration with existing HR technology.

- The organization pays for standard Phenom support.

- Recruiter Experience includes 40 CRM licenses in Year 1, 80 CRM licenses in Year 2, and 120 CRM licenses in Year 3.

- Phenom implementation fees are 40% of Year 1 subscription fees.

Risks. Phenom fees will vary based on:

- How many and which Phenom capabilities are implemented.

- Scope of the implementation.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1.9 million.

Phenom Fees

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Phenom subscription fees	Composite		$591,642	$621,642	$651,642
E2	Phenom implementation fees	Composite	$204,157			
Et	Phenom fees	E1+E2	$204,157	$591,642	$621,642	$651,642
	Risk adjustment	↑10%				
Etr	Phenom fees (risk-adjusted)		$224,573	$650,806	$683,806	$716,806
	Three-year total: $2,275,991			Three-year present value: $1,919,891		

INTERNAL EFFORT FOR IMPLEMENTATION AND ONGOING MANAGEMENT

Evidence and data. The interviewees' organizations implemented Phenom using a team of their talent acquisition and management staff (e.g., project manager, director, senior recruiters, talent coordinators) and varied IT staff (e.g., project manager, HRIS specialist, system architect, other senior IT staff) who jointly determined requirements and deployed and tested the Phenom solution.

This internal team collaborated closely with a Phenom professional services team to ensure a timely and effective implementation.

Interviewees stressed the importance of training and change management in maximizing their organizations' benefits from Phenom. Talent staff led efforts around internal communications, content of the Phenom experiences, and modifications to workflows and processes.

On an ongoing basis, IT and talent staff managed the Phenom experiences, supported end users, and determined how to further leverage Phenom's existing functionality and new capabilities as they were introduced.

Although some interviewees' organizations deployed several Phenom experiences during an initial implementation and subsequently added one or more other experiences, for simplicity the financial model depicts a single implementation covering all the composite organization's Phenom experiences.

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

- IT staff spends a combined total of 2,912 hours over six months on implementation. This represents 100% of an IT project manager's time; 30% for an HRIS specialist; 30% for a system architect; and 40% for three other senior IT staff members spanning integration, security, and other IT considerations.

- Talent staff spends a combined total of 2,548 hours over six months on implementation (including training and change management). This represents 100% of an HR project manager's time; 25% for a director of HR; and 30% for two senior recruiters and two talent coordinators.

- IT staff spends a combined 1,872 hours on management and support each year.

- HR staff spends a combined 1,248 hours on management and support each year.

Risks. Internal effort for implementation and ongoing management will vary based on:

- The prior state of an organization's talent operations.

- The scope and complexity of the Phenom deployment.

- The amount of content an HR organization develops for use in its Phenom experiences.

- An organization's prevailing culture around talent management.

- The experience and capabilities of an organization's IT and HR staff.

- The extent to which an organization continues to expand and evolve its use of Phenom's full capabilities.

- Prevailing local compensation rates.

Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of $860,000.

Internal Effort For Implementation And Ongoing Management

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	IT staff time spent on implementation and management (hours)	Interviews	2,912	1,872	1,872	1,872
F2	IT blended fully burdened hourly rate	TEI standard	$57.69	$57.69	$59.42	$61.20
F3	HR staff time spent on implementation and management (hours)	Interviews	2,548	1,248	1,248	1,248
F4	HR blended fully burdened hourly rate	TEI standard	$52.88	$52.88	$54.47	$56.10
Ft	Internal effort for implementation and ongoing management	(F1*F2)+(F3*F4)	$302,732	$173,990	$179,210	$184,586
	Risk adjustment	↑15%				
Ftr	Internal effort for implementation and ongoing management (risk-adjusted)		$348,142	$200,089	$206,092	$212,274
	Three-year total: $966,596			**Three-year present value: $859,849**		

TRAINING ON PHENOM

Evidence and data. Interviewees said that training of end users played an important role in maximizing Phenom's impact on their organizations by enabling recruiters to work more effectively and efficiently and enabling employees to shape their career paths within the organization more actively.

Phenom provided the initial training of the implementation team as part of their professional services fee. Organizations typically then used a "train the trainer" approach with talent staff training recruiters, other talent staff, and all other employees. Talent staff typically delivered ongoing training in subsequent years.

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

- During implementation, 40 recruiters and five other talent staff each spend six hours in Phenom training.

- During Years 2 and 3, an additional 40 recruiters spend six hours in initial training so they may begin to use Phenom, increasing the total number of recruiters using Phenom to 120 in Year 3.

- In Year 1, nine backfill recruiters and other talent staff (who replace talent staff who had been trained during implementation) each spend six hours in initial Phenom training. This grows to 17 in Year 2 and 25 in Year 3.

- In Year 2, 45 recruiters and other talent staff, who completed initial training more than a year earlier, each spend two hours in updates training covering new Phenom functionality. In Year 3, 85 talent staff members each spend two hours in updates training.

- During implementation, 53,000 employees spend one hour in Phenom training.

- Each year, the organization fills 11,000 roles. As the percentage of roles filled internally increases,

the number of hires that need to spend an hour in Phenom training decreases.

Risks. The costs for training on Phenom will vary based on:

- The number of users trained.

- Users' comfort with technology.

- Prevailing local compensation rates.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $2.6 million.

Training On Phenom

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Number of existing recruiters and other talent staff receiving initial training on Phenom	Interviews	45		40	40
G2	Number of backfill recruiters and other talent staff receiving initial training on Phenom	Interviews		9	17	25
G3	Hours each spends on initial training	Interviews	6	6	6	6
G4	Number of existing recruiters and talent staff that receive updates training	Interviews			45	85
G5	Hours each spends on updates training	Interviews			2	2
G6	Talent staff blended fully burdened hourly rate	TEI standard	$52.88	$52.88	$54.47	$56.10
G7	Subtotal: Recruiter and talent staff training	(((G1+G2)*G3))+(G4*G5))*G6	$14,278	$2,856	$23,529	$31,416
G8	Number of current employees trained to use the internal career site	Composite	53,000			
G9	Number of hires	Composite		11,000	11,000	11,000
G10	Percentage of hires that were internal and did not need Phenom training	Interviews		15%	25%	30%
G11	Subtotal: Number of new hires trained to use the internal career site	G9*(1-G10)		9,350	8,250	7,700
G12	Hours each spends in training	Interviews	1	1	1	1
G13	Employee blended fully burdened hourly rate	TEI standard	$31.25	$31.25	$32.19	$33.15
G14	Subtotal: Employee training	(G8+G11)*G12*G13	$1,656,250	$292,188	$265,547	$255,279
Gt	Training on Phenom	G7+G14	$1,670,528	$295,044	$289,076	$286,695
	Risk adjustment	↑10%				
Gtr	Training on Phenom (risk-adjusted)		$1,837,581	$324,548	$317,984	$315,365
	Three-year total: $2,795,477			**Three-year present value: $2,632,359**		

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

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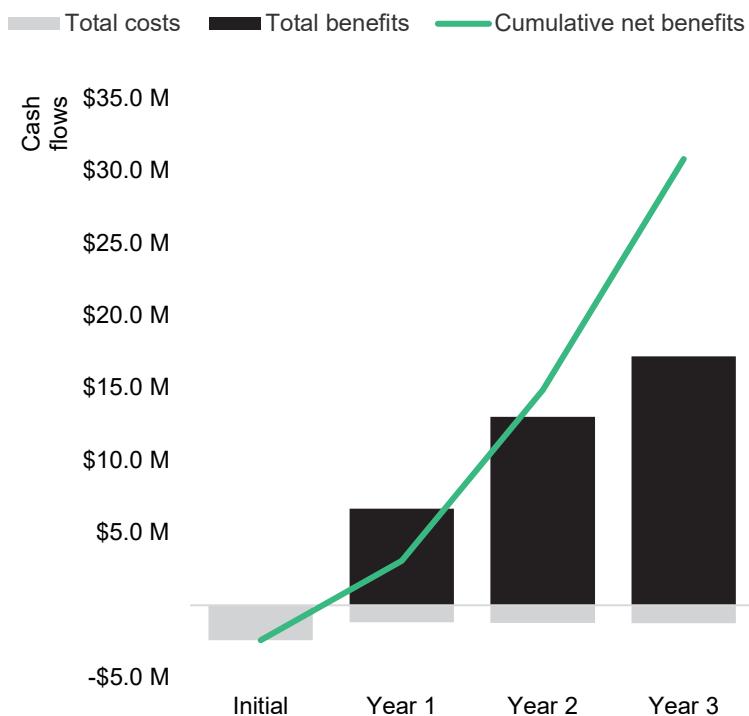
The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

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	($2,410,295)	($1,175,443)	($1,207,881)	($1,244,445)	($6,038,064)	($5,412,099)
Total benefits	$0	$6,655,019	$12,988,906	$17,175,356	$36,819,280	$29,688,748
Net benefits	($2,410,295)	$5,479,576	$11,781,024	$15,930,911	$30,781,216	$24,276,649
ROI						449%
Payback period						<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] 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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