

FORRESTER®

# The Total Economic Impact™ Of gfknewron

Cost Savings And Business Benefits  
Enabled By gfknewron

OCTOBER 2022

# Table Of Contents

Consulting Team: Jaspreet Singh  
Varun Sedov

|  |           |
|--|-----------|
| <b>Executive Summary</b> .....   | <b>1</b>  |
| <b>The gfknewron Customer Journey</b> .....  | <b>6</b>  |
| Key Challenges.....  | 6         |
| Solution Requirements/Investment Objectives .....  | 7         |
| Composite Organization.....  | 7         |
| <b>Analysis Of Benefits</b> .....  | <b>8</b>  |
| Improved Operational Efficiency .....  | 8         |
| Improved Market Value .....  | 9         |
| Improved Profitability (Avoided Promotion).....  | 11        |
| Incremental Profit From Using gfknewron Predict<br>For Pricing And Portfolio Management..... | 12        |
| Unquantified Benefits.....   | 14        |
| Flexibility.....   | 14        |
| <b>Analysis Of Costs</b> .....   | <b>15</b> |
| Subscription Cost Of gfknewron.....  | 15        |
| Implementation And Training Cost .....   | 16        |
| <b>Financial Summary</b> .....   | <b>17</b> |
| <b>Appendix A: Total Economic Impact</b> .....   | <b>18</b> |
| <b>Appendix B: Endnotes</b> .....  | <b>19</b> |



## ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. For more information, visit [forrester.com/consulting](https://forrester.com/consulting).

© Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on the best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies.

## Executive Summary

The retail sector is experiencing staggering growth, driven by new technologies and an immersive online consumer experience. This shift in target audience behavior demands the adoption of a data-driven approach if organizations want to seize growth opportunities for greater ROI and resilience. Companies that quickly adapt their sales and marketing efforts to changing consumer and market trends are more effective in generating revenue and building the necessary agility to future-proof their business.

gfknewron is a data-driven market intelligence platform that combines and interprets market, consumer, and brand intelligence. It enables businesses to assess growth strategies, mitigate risks, and make the right decisions at speed. With its comprehensive point of sales data and consumer insights, enhanced with industry expertise, client success specialists, and data science, gfknewron empowers tech and durables manufacturers and retailers to drive revenue, influence consumer choice, and grow business to the next level.

The platform is comprised of three propositions:

- **gfknewron Market** provides up-to-date sales insights so that businesses know which products sold, when, and where in order to drive profits and accelerate growth.
- **gfknewron Consumer** empowers businesses to generate more demand and reach its target audiences by understanding who they are and how they think, act, and buy.
- **gfknewron Predict** allows organizations to mitigate risks and maximize tomorrow's potential with technology that forecasts market changes, scenario plans, and validates strategies before bringing them to market.

GfK commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying gfknewron.<sup>1</sup> The purpose of

### KEY STATISTICS



Return on investment (ROI)  
**345%**



Net present value (NPV)  
**\$3.76M**

this study is to provide readers with a framework to evaluate the potential financial impact of gfknewron on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five representatives with experience of using different propositions of gfknewron. The benefits in this study are applied in a way to demonstrate the value proposition of gfknewron Market and the incremental benefits of using gfknewron Consumer and gfknewron Predict. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a regional set up of a big global, multibillion-dollar B2C brand with 2 million customers and revenue of \$500 million per year that uses gfknewron Market, gfknewron Consumer, and gfknewron Predict.

Prior to using gfknewron, these interviewees noted how their sales and marketing teams struggled to keep on top of market and consumer trends and had limited visibility into their market share, brand performance, pricing, and competitive landscape. Brands and manufacturers had to rely on industry reports for high-level information, but these were neither granular nor timely enough. While data the retailers provided delivered useful metrics, it came with business-critical gaps and arrived in a format that required significant manual effort to render it useful. As a result, decision-makers felt that they were unable to keep up with rapidly changing consumer needs, buying patterns, and market opportunities; they sought a solution that would provide a complete and granular view into their respective brand categories and analyze the performance of their own brands and those of their competition.

After the investment in gfknewron Market, the interviewees reported gaining the market intelligence and competitive visibility needed to bolster their decision-making. Interviewees' organizations that also invested in gfknewron Consumer reported how they strengthened their brand positioning by better understanding their brand perception amongst consumers and also allowing them to create product launch tactics tailored to the profile of their target buyers. The interviewees who invested in gfknewron Predict mentioned how the platform helped them establish channel assortments, determine portfolio pricing, and run scenario planning simulations to optimize pricing and promotions, ultimately

contributing to revenue growth. Beyond revenue, gfknewron provided the interviewees with easy-to-understand market intelligence, giving them the right tools for informed decision-making and setting them up for success in growing their businesses with confidence.

## KEY FINDINGS

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

- **Improved operational efficiency worth \$829,000.** The composite organization enjoys significant operational savings through reduction in data collection, analysis, and reporting effort due to use of gfknewron and its various propositions. The composite automates many of the manual and time-consuming processes around market analytics and data operations. The marketing insights and performance team frees up 80% of its time, which is mostly spent on manual processes (e.g., market analytics, data mapping and integration, reporting and creation of dashboards, etc.). The reduction in total FTEs for data collection combined with reduction in manual effort contributes to \$829,000 in savings to the composite organization, which represents 0.16% of its annual revenue
- **Improved market value of \$2.5 million.** gfknewron allows the composite organization to monitor market and consumer trends with its always-on market insights across all categories, giving it the opportunity to rapidly adapt its sales and marketing tactics (e.g., channel priorities, price promotions, and store allocations). For instance, it adjusts its pricing strategy for a particular category by checking the effect of increasing or decreasing the sale price of an item during a promotion event or sees performance across different channels. Overall, the ability to make faster, more informed data-driven decisions and create tailored marketing strategies and

Improved efficiency in data assimilation and analysis

80%



media campaigns for each category based on consumer trends and profiles improves the composite organization's market value by \$2.5 million, representing 0.5% of annual revenue.

- Improved profitability through avoided promotions worth \$425,000.** One of the key benefits of gfknewron Predict is the ability to perform a price elasticity analysis. This allows the composite organization to perform price elasticity analysis across one of its categories and get a temporary price reduction (TPR) score, which helps decision-makers understand the impact of changing the price especially during promotional events. The analysis also takes into account consumer buying trends, the brand value of the item, and the competition. The organization avoids an unnecessary 10% promotion on one of its categories during a sales promotion event. With an average of four promotional events spread across the year, the composite organization realizes savings of at least \$425,000 over a three-year period, which constitutes 0.08% of annual revenue for the composite.
- Incremental profit from using gfknewron Predict for pricing and portfolio management, resulting in incremental benefits of \$1.1 million.** In addition to panel data, gfknewron Predict allows the composite organization to monitor the performance of its products at a granular level across all categories and channels, giving it the opportunity to adapt its tactics (e.g., pricing strategy, channel mixes, and store allocations) quickly. It also uses gfknewron Predict to create tailored marketing campaigns and promotions based on customer profiles and demographics, resulting in an incremental benefit of over \$1.1 million, which represents 0.2% of annual revenue.

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

- Faster and/or improved decision-making.** The composite organization facilitates faster and more informed data-driven decision-making by providing frequent granular insights into each product category, performance, and market trends. gfknewron enables faster assimilation of a vast and disparate marketing and consumer data set improving the quality and breadth of information available to its decision-makers.
- Clear and easy-to-use dashboards.** gfknewron's ability to quickly create clean and usable dashboards, which sales and marketing teams used for reporting to their leadership and management teams, impressed all interviewees. Furthermore, having a consistent view of marketing data and insights, which were accessible for all employees, paved the way for more collaboration across teams.

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

- gfknewron platform subscription fees totaling \$1.1 million over three years.** gfknewron subscription costs are based primarily on the gfknewron propositions included and the number of categories covered.
- Implementation and training costs totaling \$22,000 over three years.** For the composite organization, the gfknewron onboarding process is seamless and quick. As a software-as-a-service (SaaS) solution, gfknewron requires minimal ongoing management. The cost includes the cost of training marketing, data insights, and advertising FTEs.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$4.85 million over three years versus costs of \$1.09 million, adding up to a net present value (NPV) of \$3.76 million and an ROI of 345%.



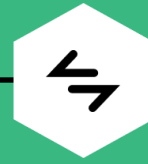
ROI  
**345%**



BENEFITS PV  
**\$4.85M**

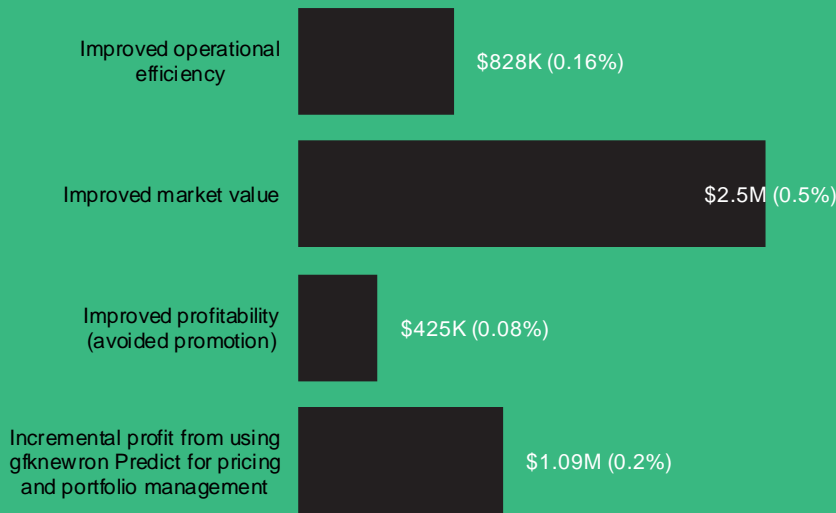


NPV  
**\$3.76M**



PAYBACK  
**<6  
months**

### Benefits (Three-Year)



The benefits are represented as absolute value and as % of annual revenue for the composite organization.

**“gfknewron is a game changer for us. It allowed us to identify weak areas in each category, help shape our media campaigns, and improve brand equity in record time”**

— General manager, market and shopper insights, domestic appliances

## 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 gfknewron.

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 gfknewron can have on an organization.

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by GfK 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 gfknewron.

GfK 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.

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



### DUE DILIGENCE

Interviewed GfK stakeholders and Forrester analysts to gather data relative to gfknewron.



### INTERVIEWS

Interviewed five representatives at organizations using gfknewron 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 gfknewron Customer Journey

■ Drivers leading to the gfknewron investment

| Interviews                                   |                      |               |                |
|--|----------------------|---------------|----------------|
| Role   | Industry             | Region        | Annual Revenue |
| General manager                              | Domestic appliances  | South America | \$68 million   |
| Group manager, market and shopper insights   | Domestic appliances  | EMEA          | \$800 million  |
| Team leader for customer and market insights | Domestic appliances  | EMEA          | \$1 billion    |
| Product lead, Western Europe                 | Grooming             | EMEA          | \$143 million  |
| Marketing specialist                         | Consumer electronics | EMEA          | \$350 million  |

## KEY CHALLENGES

Prior to using gfknewron, sales and marketing teams had limited access to market intelligence, consumer trends, and competitive analysis, which hindered the decision-makers' ability to respond rapidly to changes in the market and to competitors' moves. They relied heavily on market data, which was infrequent and often too old and too high level to be relevant.

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

- **Insufficient frequency and granularity of data.** Prior to gfknewron, interviewees relied on industry reports or market data from other suppliers. However, the data did not provide enough granularity, customization, or timeliness regarding their target markets and consumer buying trends. They also lacked regional and sales insights into brand performance across multiple channels.
- **Laborious and time-consuming assimilation of data.** Prior to gfknewron, interviewees' analysts spent a significant proportion of time pulling, formatting, and consolidating market data to extract actionable intelligence and prepare their analysis and reports. The team leader for customer and market insights at a domestic

**“gfknewron provides a single connected view across all our channels allowing us to very quickly assess performance and fine-tune our pricing strategy.”**

*Group manager, market and shopper insights, domestic appliances*

appliances organization said: “Prior to gfknewron, I was going out and downloading massive reports. Then, we were reconfiguring them and creating our own internal templates to digest it into ways to help us manage our business, and that unto itself was laborious.”

- **Irrelevant reporting and dashboards.** The product lead at a grooming firm said: “The reporting module that we used previously was woefully inadequate. The dashboard was not very relevant and difficult to customize because of which our leadership teams found it hard to



**“We use gfknewron’s always-on market insights extensively to track promotion success, check competitor performance, and monitor consumer buying trends; extremely impressive”**

*Team leader for customer and market insights, domestic appliances*

make sense of the data and make informed decisions.”

**SOLUTION REQUIREMENTS/INVESTMENT OBJECTIVES**

The interviewees’ organizations searched for a solution that could:

- Provide a configurable, out-of-the-box solution that minimizes the amount of customization the organization requires.
- Provide a granular view of the market and consumer buying trends.
- Provide real insights into their target market, customer profiles, demographics, and the competitive landscape.
- Facilitate their analysts to develop insights and dashboards that are fast, easy to prepare, and actionable.

After a request for proposal (RFP) and business case process evaluating multiple vendors, the interviewees’ organizations chose gfknewron based on its out-of-box capabilities, deployment simplicity, and depth of insights into the target market and consumer trends.

**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 five 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 is a regional set up of a big global, multibillion-dollar B2C brand. It operates across multiple categories that provide sales, customer support, and service/warranty support for its domestic appliances’ products in high volume. It has \$500 million in annual revenue and is growing at around 5% year-over-year (YOY). The composite organization has a strong brand with global operations spread across EMEA, APAC, and LATAM and a large customer base of about 2 million customers.

**Deployment characteristics.** The composite organization purchases panel data and gfknewron Consumer for two of its product categories and three sub-categories. Additionally, it also procures gfknewron Predict for one category.

**Key Assumptions**

- **\$500 million in annual revenue**
- **2 million customers**
- **5% YOY growth in accounts**
- **Operations in LATAM, EMEA, and APAC**

# 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            | Improved operational efficiency  | \$333,216   | \$333,216   | \$333,216   | \$999,648   | \$828,659     |
| Btr            | Improved market value  | \$960,000   | \$1,008,000 | \$1,058,400 | \$3,026,400 | \$2,500,977   |
| Ctr            | Improved profitability (avoided promotion)   | \$163,200   | \$171,360   | \$179,928   | \$514,488   | \$425,166     |
| Dtr            | Incremental profit from using gfknewron Predict for pricing and portfolio management | \$420,240   | \$441,252   | \$463,315   | \$1,324,807 | \$1,094,803   |
|                | Total benefits (risk-adjusted)   | \$1,876,656 | \$1,953,828 | \$2,034,859 | \$5,865,343 | \$4,849,605   |

## IMPROVED OPERATIONAL EFFICIENCY

**Evidence and data.** Interviewed executives said that gfknewron significantly reduced the data collection effort and the average time spent on marketing and reporting activities, thereby improving operational efficiency and leading to significant savings for their organizations.

- Most interviewees' organizations saved on average 3 FTEs' worth of data collection and analysis effort, freeing up some of their staff for more value-added activities.
- The interviewed marketing specialist at a consumer electronics firm reported that with gfknewron, many of the reports and dashboards were run and updated automatically. This freed up about 80% of the marketing and data analysts' time that they previously spent on these manual tasks.

**Modeling and assumptions.** Forrester assumes the following about the composite organization:

- The composite saves 3 FTEs' worth of data collection and analysis effort.

- gfknewron saves 80% of the time spent on marketing analytics and reporting,
- gfknewron helps capture 70% of productivity, allowing it to be put back into more value-add work like analyzing data.
- Fully burdened annual salary is calculated as 1.35 times of base salary to account for employer's costs, including benefits, taxes, overhead, etc.
- The model assumes 2,080 hours to arrive at hourly rate based on fully burdened annual salary.

**Risks.** Factors that could impact the realization of this benefit include the following:

- How mature an organization's marketing and analytics operations were prior to the investment.
- How much of the productivity is captured and utilized elsewhere

**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 \$829,000.

| Improved Operational Efficiency    |   |  |  |           |           |
|------------------------------------|---|--|--|-----------|-----------|
| Ref.                               | Metric  | Source   | Year 1                                     | Year 2    | Year 3    |
| A1                                 | Reduction in data collection effort (FTEs)  | Composite  | 3  | 3         | 3         |
| A2                                 | Marketing, insights, and advertising FTE average blended fully-burdened annual salary | TEI standard   | \$104,000                                  | \$104,000 | \$104,000 |
| A3                                 | Average time spent on market analytics and reporting (hours per week)                 | Assumption   | 40   | 40        | 40        |
| A4                                 | Time saved on marketing analytics and reporting with gfknewron                        | Interviews   | 80%  | 80%       | 80%       |
| A5                                 | Marketing, insights, and advertising FTE fully- burdened hourly rate                  | A2/2,080   | \$50                                       | \$50      | \$50      |
| A6                                 | Productivity captured   | TEI standard   | 70%  | 70%       | 70%       |
| At                                 | Improved operational efficiency   | $A1 \cdot A2 + A3 \cdot A4 \cdot A5 \cdot A6 \cdot 52$ | \$370,240                                  | \$370,240 | \$370,240 |
|                                    | Risk adjustment   | ↓10%   |  |           |           |
| Atr                                | Improved operational efficiency (risk-adjusted)                                       |  | \$333,216                                  | \$333,216 | \$333,216 |
| <b>Three-year total: \$999,648</b> |   |  | <b>Three-year present value: \$828,659</b> |           |           |

### IMPROVED MARKET VALUE

**Evidence and data.** Most interviewees highlighted gfknewron’s deep, always-on market insights into the performance of their brand, the target market, consumer buying trends, and the competitive landscape, allowing them to adjust their marketing strategies, channel mixes, media campaigns, and stock allocations rapidly and achieve higher market gains and improving their market value.

- The general manager of a large south American domestic appliances organization explained how gfknewron identified weak areas in one of their key product lines, allowing them to tailor their media campaign and improve brand equity.
- The group manager for market and shopper insights at a domestic appliances company highlighted the deep insights gfknewron provided into the success of their campaigns and promotions and the granularity of market and consumer data. This level of granularity was crucial in preparing targeted marketing campaigns for each of their product categories

**“gfknewron Lost Shopper provided evidence that we are losing in the elderly target market. This gave us an opportunity to rapidly adjust our media and go-to-market strategy. It all boils down to better informed decisions, not gut feeling.”**

*Product lead, Western Europe, grooming firm*

across all channels and helped them be at least 50% quicker in making decisions and responding to competitor moves.

**Modeling and assumptions.** Forrester assumes the following about the composite organization:

- The composite has annual revenue of \$500 million across 10 categories.
- The composite experiences an increase of 4% by market value annually across the chosen category with an industry average operating margin of 8%.
- The revenue uplift attributable to gfknewron is 60%.
- Revenue uplift may be attributed to other factors like discounts, promotions, campaign efforts, and other customer incentives for purchasing the chosen brand.
- The uplift in revenue may be different.

**Risks.** Factors that could impact the realization of this benefit include the following:

- The average revenue uplift could be lower.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2.5 million.

| <b>Improved Market Value</b>         |  |                 |  |               |               |
|--------------------------------------|--|-----------------|--|---------------|---------------|
| <b>Ref.</b>                          | <b>Metric</b>  | <b>Source</b>   | <b>Year 1</b>                                | <b>Year 2</b> | <b>Year 3</b> |
| B1                                   | Organization annual revenue                                  | Composite       | \$500,000,000                                | \$525,000,000 | \$551,250,000 |
| B2                                   | Revenue contribution of selected category                    | A1/10           | \$50,000,000                                 | \$52,500,000  | \$55,125,000  |
| B3                                   | Market share of category before GfK                          | Interviews      | 9%   | 9%            | 9%            |
| B4                                   | Market share of category after GfK                           | Interviews      | 13%  | 13%           | 13%           |
| B5                                   | Incremental revenue generated through increased market share | $(B2/B3*B4)-B2$ | \$22,222,222                                 | \$23,333,333  | \$24,500,000  |
| B6                                   | Revenue uplift attributed to GfK                             | Composite       | 60%  | 60%           | 60%           |
| B7                                   | Operating margin   | TEI standard    | 8%   | 8%            | 8%            |
| Bt                                   | Improved market value  | $B5*B6*B7$      | \$1,066,667                                  | \$1,120,000   | \$1,176,000   |
|                                      | Risk adjustment  | ↓10%            |  |               |               |
| Btr                                  | Improved market value (risk-adjusted)                        |                 | \$960,000                                    | \$1,008,000   | \$1,058,400   |
| <b>Three-year total: \$3,026,400</b> |  |                 | <b>Three-year present value: \$2,500,977</b> |               |               |

## IMPROVED PROFITABILITY (AVOIDED PROMOTION)

**Evidence and data.** Some of the interviewees' organizations invested in the gfknewron Predict module in addition to gfknewron Market and gfknewron Consumer. These organizations described how gfknewron Predict allowed them to gain deeper insights into the buying behaviors of their customers, which allowed them to adjust their price and promotion strategies across marketing touchpoints based on the demographics and profiles of their buyers. They particularly liked the fact that the information was presented in one connected view which gave them greater visibility.

- The Western European product lead for a domestic appliances organization said: "By using gfknewron Predict price elasticity analysis, we were able to avoid a significant revenue erosion. We would have lost 12% of revenues by increasing price for one of our high-performing brands by €3 in Q1 [a total loss of \$16.8 million, with a reduction of 4.8% in value and 12.6% in volume, or 409,000 pieces]."
- A team leader for customer and market insights described how they used gfknewron Predict to simulate future scenarios and temporary pricing adjustments and fine-tune and optimize their pricing strategy, especially during promotional events.

**Modeling and assumptions.** Forrester assumes the following about the composite organization:

- The composite organization is looking to offer a promotion of 10% on a category (originally priced at \$1,000) and expects to sell 6,000 units during the promotion.
- The average monthly revenue is based on the total annual revenue of \$500 million divided equally into 10 categories that the composite sells in the market.
- The price simulation analysis from gfknewron Predict reveals that the promotion will not have a material impact in the quantity of units sold and may, in fact, erode the brand.
- Using this analysis, a decision is made to not apply the price promotion during the event thereby saving a potential revenue erosion.
- Model assumes the composite offers four such promotions in a calendar year thereby providing a net risk adjusted improved profitability of \$425,000 for the chosen category.

**Risks.** Factors that could impact the realization of this benefit include the following:

- The average revenue erosion could be lower per promotion event.
- The volume of units sold and the unit pricing may be different.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$425,000.

| Improved Profitability (Avoided Promotion) |  |              |  |             |             |
|--|--|--------------|--|-------------|-------------|
| Ref.                                       | Metric   | Source       | Year 1                                     | Year 2      | Year 3      |
| C1   | Average monthly revenue of category                        | Composite    | \$4,000,000                                | \$4,200,000 | \$4,410,000 |
| C2   | Average price promotion                                    | Assumption   | \$100                                      | \$100       | \$100       |
| C3   | Number of units sold during promotion                      | Assumption   | 6,000                                      | 6,300       | 6,615       |
| C4   | Avoided revenue erosion due to promotion                   | Interviews   | \$600,000                                  | \$630,000   | \$661,500   |
| C5   | Average number of promotions per year in the category      | Interviews   | 4  | 4           | 4           |
| C6   | Operating margin   | TEI standard | 8%   | 8%          | 8%          |
| Ct   | Improved profitability (avoided promotion)                 | C4*C5*C6     | \$192,000                                  | \$201,600   | \$211,680   |
|  | Risk adjustment  | ↓15%         |  |             |             |
| Ctr  | Improved profitability (avoided promotion) (risk-adjusted) |              | \$163,200                                  | \$171,360   | \$179,928   |
| <b>Three-year total: \$514,488</b>         |  |              | <b>Three-year present value: \$425,166</b> |             |             |

### INCREMENTAL PROFIT FROM USING GFKNEWRON PREDICT FOR PRICING AND PORTFOLIO MANAGEMENT

**Evidence and data.** The interviewees whose organizations invested in gfknewron Predict mentioned that one of the most useful features was the ability of the tool to predict sales volumes and perform intelligent, data-driven pricing simulations that allowed decision-makers to see the effect of their pricing strategy without taking any unnecessary risks and be able to adjust the pricing and stock allocations of their products based on always-on market data and the result of the simulation.

- A marketing specialist at a consumer electronics firm said: “We want to be the leader in our target market and we rely heavily on gfknewron Predict for customer profiling and demographic analysis to predict sales volumes, especially during key sales events like Black Friday, etc. With gfknewron Predict, we have experienced significant uplifts sometimes as much as 20% over the sale events [representing as much as 250,000 additional sales by volume].”

**“gfknewron Predict has been instrumental in achieving a 10% reduction in unsold stock, thereby improving operational performance at a store level.”**

*- Marketing specialist, consumer electronics*

- The group manager for market and shopper insight at a large domestic appliances organization described how they have optimized the allocation of stock at each store by using gfknewron Predict to forecast sale volumes by store. This has reduced unsold stock at each store from around 35% to about 25%.

**Modeling and assumptions.** Forrester assumes the following about the composite organization:

- The composite organization is using gfknewron Predict for one category of product.

- It experiences an uplift of 20% during a sale event of which 60% is attributed to gfknewron Predict.
- Composite organizes four such events in a year.
- By using gfknewron Predict to optimize store allocations, it reduces unsold stock by 10%.
- At each store, there is 35% of unsold stock by volume based on industry averages.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$1.1 million.

**Risks.** Factors that could impact the realization of this benefit include the following:

- The average volume uplift could be lower per sale event.
- The percent of reduction in inventory may be lower.

| <b>Incremental Profit From Using gfknewron Predict For Pricing And Portfolio Management</b> |  |                         |  |             |             |
|---|--|-------------------------|--|-------------|-------------|
| Ref.  | Metric   | Source                  | Year 1                                       | Year 2      | Year 3      |
| D1  | Average monthly units sold in category   | Composite               | 30,000                                       | 31,500      | 33,075      |
| D2  | Uplift in sales (by volume) during sales event   | Composite               | 20%  | 20%         | 20%         |
| D3  | Percentage of uplift attributed to gfknewron Predict   | Interviews              | 60%  | 60%         | 60%         |
| D4  | Price per unit   | Assumption              | \$400  | \$400       | \$400       |
| D5  | Subtotal: Incremental revenue during sales event   | $D1 * D2 * D3 * D4 * 4$ | \$5,760,000                                  | \$6,048,000 | \$6,350,400 |
| D6  | Reduction in unsold inventory  | Interviews              | 10%  | 10%         | 10%         |
| D7  | Additional units sold each month   | $D1 * 35% * D6$         | \$1,050                                      | \$1,103     | \$1,158     |
| D8  | Subtotal: Incremental revenue through reduction of unsold inventory                                  | $D7 * D4$               | \$420,000                                    | \$441,000   | \$463,050   |
| D9  | Operating profit   | TEI standard            | 8%   | 8%          | 8%          |
| Dt  | Incremental profit from using gfknewron Predict for pricing and portfolio management                 | $(D5 + D8) * D9$        | \$494,400                                    | \$519,120   | \$545,076   |
|   | Risk adjustment  | ↓15%                    |  |             |             |
| Dtr   | Incremental profit from using gfknewron Predict for pricing and portfolio management (risk-adjusted) |                         | \$420,240                                    | \$441,252   | \$463,315   |
| <b>Three-year total: \$1,324,807</b>  |  |                         | <b>Three-year present value: \$1,094,803</b> |             |             |

## UNQUANTIFIED BENEFITS

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

- **Faster and/or improved decision-making.** One of the key benefits all interviewees highlighted was the granularity of data and the depth of insights available from gfknewron. The ability to assimilate this complex data set in a rapid time and create data-driven actionable insights that were ready to consume and be shared across the organization enabled these organizations to respond rapidly to customer needs and competition moves. In some cases, interviewees have said they have cut down decision-making time by as much as 50%.

Having marketing data and insights now accessible for all employees across the organization also paved the way for more collaboration across teams. In particular, the interviewees mentioned that sales teams were more proactive in looking and sharing these marketing insights.

- **Clear and easy-to-use dashboards.** As the general manager of a consumer electronics firm noted: “The quality of dashboards readily available from gfknewron is outstanding and miles ahead of anything I have previously seen or used. This has really made it easy for our leadership to get a sense of the performance of our brands across all channels and provide a consistent view across the organization of trends in the market and customer buying patterns.”

## FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement gfknewron and later realize additional uses and business opportunities, including the expansion of the use of gfknewron to other channels and markets. Interviewees’ organizations

**“We are working with GfK to use printed media share analysis as an effective means to understand brand value and market share. With the right data set, this will give interesting insights into our brand’s visibility in printed media.”**

*- Marketing specialist, consumer electronics*

are looking to expand their use of the platform to a variety of channels and more markets, which would contribute to additional revenue generation. The ease of use and the ability to scale makes it easier for organizations to extend the use of gfknewron to more product categories, markets, and channels

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         | Subscription cost of gfknewron   | \$0      | \$409,500 | \$429,975 | \$451,474 | \$1,290,949 | \$1,066,823   |
| Ftr         | Implementation and training cost | \$12,600 | \$8,190   | \$1,260   | \$1,260   | \$23,310    | \$22,033      |
|             | Total costs (risk-adjusted)      | \$12,600 | \$417,690 | \$431,235 | \$452,734 | \$1,314,259 | \$1,088,856   |

## SUBSCRIPTION COST OF GFKNEWRON

**Evidence and data.** Interviewees told Forrester that gfknewron's pricing was based on country, number of product lines, and frequency of data.

**Modeling and assumptions.** Forrester composite organization uses gfknewron Consumer for two categories and three subcategories and gfknewron Predict for market sizing and Competitor analysis for one category.

**Risks.** Factors that could potentially impact the fees paid to GfK include the following:

- Potential increases in the unit pricing per category or region.
- A change in the way fees are charged.

**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 \$1.1 million.

| Subscription Cost Of gfknewron |  |                               |         |                                       |           |           |
|--------------------------------|--|-------------------------------|---------|---------------------------------------|-----------|-----------|
| Ref.                           | Metric   | Source                        | Initial | Year 1                                | Year 2    | Year 3    |
| E1                             | Subscription costs for gfknewron Market (two categories) | Composite, 5% YOY growth rate |         | \$300,000                             | \$315,000 | \$330,750 |
| E2                             | Subscription costs for gfknewron Predict (one category)  | Composite, 5% YOY growth rate |         | \$90,000                              | \$94,500  | \$99,225  |
| Et                             | Subscription cost of gfknewron                           | E1+E2                         | \$0     | \$390,000                             | \$409,500 | \$429,975 |
|                                | Risk adjustment  | ↑5%                           |         |                                       |           |           |
| Etr                            | Subscription cost of gfknewron (risk-adjusted)           |                               | \$0     | \$409,500                             | \$429,975 | \$451,474 |
| Three-year total: \$1,290,949  |  |                               |         | Three-year present value: \$1,066,823 |           |           |

**IMPLEMENTATION AND TRAINING COST**

**Evidence and data.** Since gfknewron was offered as a SaaS-based service, there was no development effort required for the interviewees’ organization. There was a cost associated with training the marketing and sales teams.

**Modeling and assumptions.** Forrester assumes the following about the composite organization:

- Six marketing and sales staff are trained initially and in Year 1. This number drops to two in Years 2 and 3.
- An average of 40 initial training hours, which reduces to 26 hours in Year 1 and 12 hours in Years 2 and 3.
- The average fully burdened hourly rate of a marketing, insights, and advertising FTE is \$50.

**Risks.** The risks of fluctuations in this cost are relatively low. Factors that could potentially impact the fees paid to GfK include the following:

- The salaries of an organization’s marketing and sales staff.
- Differences in the training needs and costs for the staff.

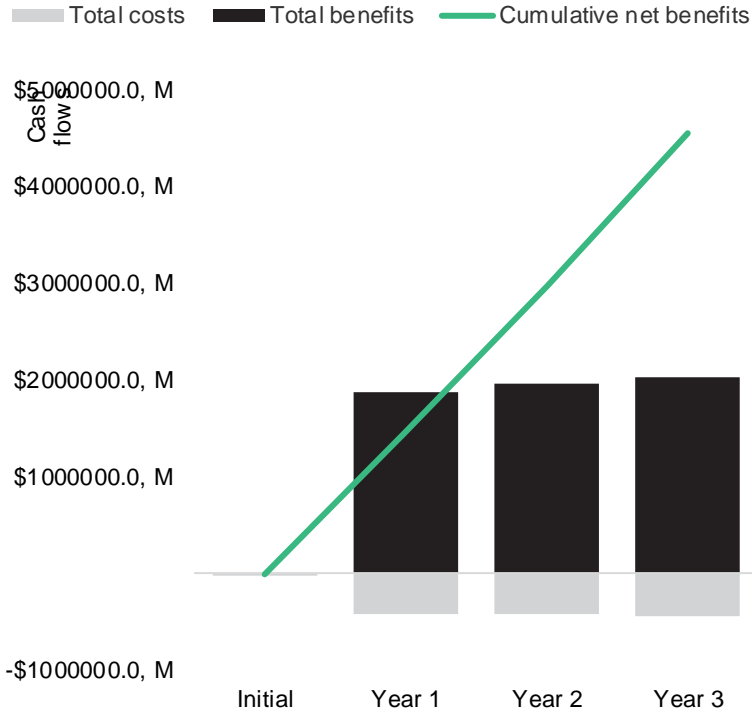
**Results.** To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$22,000.

| Implementation And Training Cost  |  |              |   |         |         |         |
|-----------------------------------|--|--------------|---|---------|---------|---------|
| Ref.                              | Metric   | Source       | Initial                                   | Year 1  | Year 2  | Year 3  |
| F1                                | Number of marketing, data insights, and advertising FTEs to be trained | Interviews   | 6   | 6       | 2       | 2       |
| F2                                | Number of hours of training  | Interviews   | 40  | 26      | 12      | 12      |
| F3                                | Marketing, insights, and advertising FTE fully-burdened hourly rate    | TEI standard | \$50                                      | \$50    | \$50    | \$50    |
| Ft                                | Implementation and training cost                                       | F1*F2*F3     | \$12,000                                  | \$7,800 | \$1,200 | \$1,200 |
|                                   | Risk adjustment  | ↑5%          |   |         |         |         |
| Ftr                               | Implementation and training cost (risk-adjusted)                       |              | \$12,600                                  | \$8,190 | \$1,260 | \$1,260 |
| <b>Three-year total: \$23,310</b> |  |              | <b>Three-year present value: \$22,033</b> |         |         |         |

# 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    | (\$12,600) | (\$417,690) | (\$431,235) | (\$452,734) | (\$1,314,259) | (\$1,088,856) |
| Total benefits | \$0        | \$1,876,656 | \$1,953,828 | \$2,034,859 | \$5,865,343   | \$4,849,605   |
| Net benefits   | (\$12,600) | \$1,458,966 | \$1,522,593 | \$1,582,125 | \$4,551,084   | \$3,760,749   |
| ROI            |            |             |             |             |               | 345%          |
| Payback        |            |             |             |             |               | <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

---

<sup>1</sup> 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.

FORRESTER®