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The Total Economic Impact™ Of parcelLab

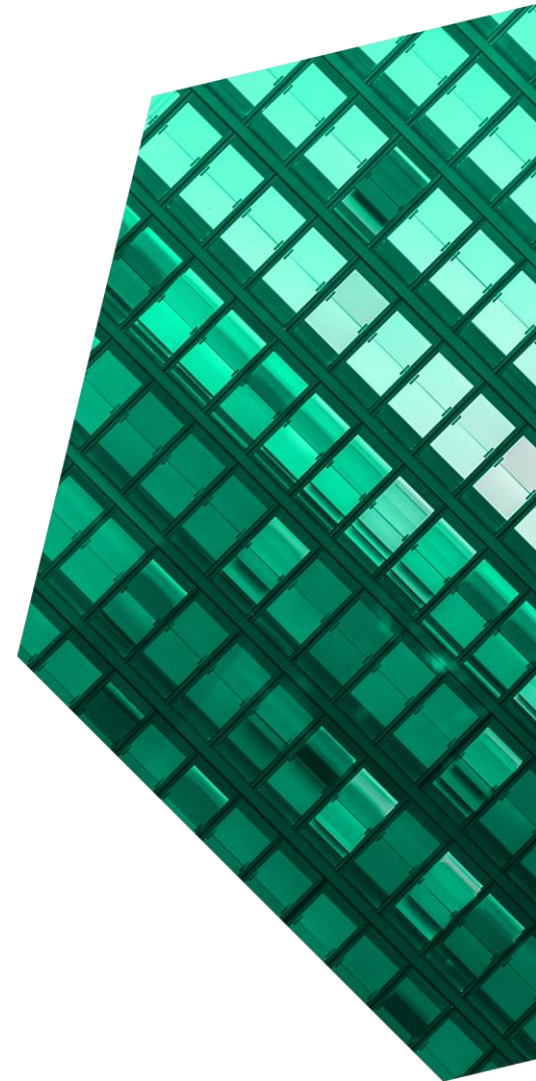
Cost Savings And Business Benefits
Enabled By parcelLab

OCTOBER 2023

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ABOUT FORRESTER CONSULTING

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Executive Summary

The post-purchase element of a buyer's lifecycle is just as important to organizations as the pre-purchase and purchase segments. Retailers are increasingly looking to implement advanced technology to customize their customers' purchasing journey and provide an improved end-to-end buying experience. Brands that focus on improving their customer experiences realize numerous benefits, such as increased revenue and cost efficiencies from retaining customers and better use of resources and data insights.

[parcelLab](#) is an e-commerce post-purchase experience and returns management platform. It enables brands to personalize their customer communications and build post-sales experiences tailored to their audience.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed the representative of a large retail organization selling women's fashion apparel with an annual revenue of \$1.48 billion with experience using parcelLab. Forrester used this experience to project a three-year financial analysis.

Reduction in customer contact center WISMO call volume

18%



KEY STATISTICS



Return on investment (ROI)
358%



Net present value (NPV)
\$7.02M

Prior to using parcelLab, the interviewee noted how his organization's previous post-purchase communications solution lacked customization and limited the frequency of outbound communications. Their previous solution was just as rigid, so any changes the organization wanted to make became too manual for his operations teams. These limitations led to his organization missing out on potential revenue from missed sales and marketing opportunities, as well as a very disjointed post-purchase customer shopping experience. In addition, the previous solution was unable to scale with his organization as it grew and evolved its strategy.

After the investment in parcelLab, the interviewee's organization was able to improve the level of personalization for its post-purchase communications and redirect shoppers back to its own website. Key results from the investment include an increase in revenue from recapturing traffic back to its own website, as well as cost and efficiency savings.²

KEY FINDINGS

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

- **Impact on profit of \$6.8 million from redirected traffic.** parcelLab leads customers directly back to the seller's website. Organizations can strategically target certain customers using personalized, post-purchase, promotional communication with embedded links. This convenience and improved customer experience can help organizations better retain their customers. The interviewee's organization sees a 37% increase in revenue each year from converting this recaptured traffic.

cost savings from no longer having to pay for these alternatives.

- **Resource management efficiency savings of \$382,000.** parcelLab brings a level of expertise to better support organizations in resolving delivery and post-purchase communication issues, improve the management of its post-purchase workflows, and provide an overall better post-purchase customer experience in line with business strategy.

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

- **Improved data transparency.** parcelLab provides the organization with accessible and improved data insights. The readily available custom reports equip the interviewee's organization with the relevant information to make better-informed decisions. These data insights inform a number of strategic, decision-making processes and projects.
- **Increased Net PromoterSM (NPS) score.³** parcelLab helps to support and improve the organization's customer experience and satisfaction rating. The organization has seen a 10% improvement in its NPS score, which can be partially attributed to parcelLab.

“One positive piece of feedback I heard from the CSC team was about the self-service rate increase. Customers are happy that they can go online and track their package.”

Senior digital product manager, women's fashion retail

- **Reduction of “where is my order” (WISMO) call costs by \$750,000.** parcelLab increases the number of personalized post-purchase touchpoints between organizations and buyers, so customers are kept more up to date on delivery status. This leads to a reduction in customer WISMO queries and associated costs.
- **Legacy solution cost savings of \$1 million.** parcelLab replaces an existing post-purchase customer experience platform with a more-value-for-the-money solution. Organizations realize the

Improvement in
NPS score



- **Improved time to market and business confidence.** parcelLab provides the organization with the expertise and insights that gives it the

confidence to collaborate and work more efficiently. This makes the rollout of new features and functionality enhancements much quicker and easier, with little impact on the customer experience.

- **Improved returns process.** The parcelLab offering enables the organization to enhance and streamline its post-purchase returns processes so customers' refunds can be processed faster.

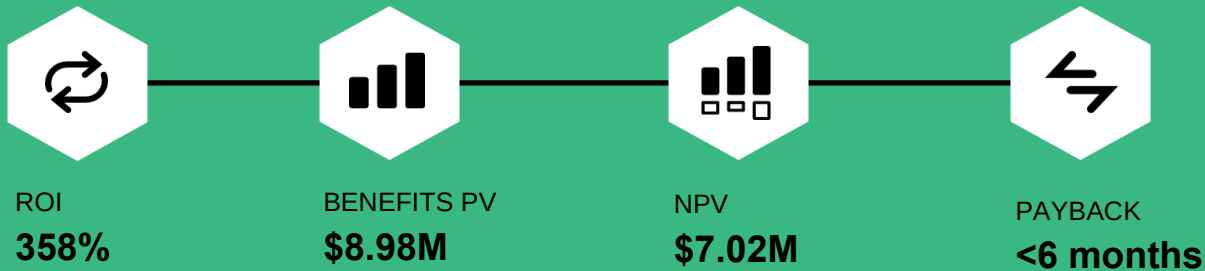
Costs. Three-year, risk-adjusted PV costs include:

- **License costs of \$1.7 million.** Organizations are charged based on the number of trackings (or deliveries) occurring over the contracted term.
- **Implementation costs of \$230,000.** Implementation costs comprise the resources required for planning, preparation, and deployment of the parcelLab solution, including decommissioning existing or legacy solutions).

The interview and financial analysis found that the representative's organization experiences benefits of \$8.98 million over three years versus costs of \$1.96 million, adding up to a net present value (NPV) of \$7.02 million and an ROI of 358%.

“My entire company knows the parcelLab team’s names by heart. If the output were low, nobody would know parcelLab, but since they are involved in helping to produce a lot of output, everybody is aware of it, and everybody wants to work with them.”

*Senior digital product manager,
women’s fashion retail*



Benefits (Three-Year)



“The CEO knows exactly what’s happening. She has spoken with parcelLab’s CEO multiple times. They have a collective collaboration and talk about how their companies are improving and how they can continue working together.”

— Senior digital product manager, women’s fashion retail

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 parcelLab.

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 parcelLab can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by parcelLab 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 parcelLab.

parcelLab 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.

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



DUE DILIGENCE

Interviewed parcelLab stakeholders and Forrester analysts to gather data relative to parcelLab.



INTERVIEW

Interviewed the representative of an organization using parcelLab to obtain data with respect to costs, benefits, and risks.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewee.



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 parcelLab Customer Journey

■ Drivers leading to the parcelLab investment

INTERVIEWEE'S ORGANIZATION

Forrester interviewed the representative of an organization that has experience using parcelLab. Their organization has the following characteristics:

- Annual revenue of \$1.48 billion with 19% annual growth rate.
- Women's fashion retailer.
- US headquarters.
- 18,500 employees.
- Has fully implemented the parcelLab Engage and Retain Suites for the past 12 months.

KEY CHALLENGES

The interviewee's organization used a post-purchase shipment tracking and customer experience platform before it engaged with the parcelLab team. The interviewee set out to help his organization execute its strategy and meet its goals by assessing the performance of and gaps in their current systems.

The interviewee noted how their organization struggled with common challenges, including:

- **Lack of sufficient branded communication with customers.** The organization's customer feedback showed that its existing level of post-purchase communication was becoming more and more of a pain point for its customers. The previous solution had a limited number of touchpoints. This meant the organization's customers were not sufficiently notified of the progress of their orders, placing additional strain on its customer service teams.⁴
- **Missed sales and marketing opportunities.** With the previous post-purchase solution, customers were taken to an external, third-party website post-purchase. The organization lost out on key opportunities to capture and retain these

customers with its engaging and targeted, branded promotions.⁵

- **Inability to provide the preferred level of customer experience.** The organization's previous solution could not provide the high and personalized level of customer experience (CX) that was required to meet the organization's standards. It also did not track the full returns journey process, which impacted the returns experience for customers. Finally, any required integrations and changes required very manual work for the organization's operations teams. These inconsistencies created a disjointed experience for the organization's customers and its own business internally.
- **Inflexibility to scale.** The organization's previous post-purchase customer experience solution had a rigid offering that didn't evolve in line with its brand and growth strategy. The interviewee also claimed that their previous solution lacked an extensive data history store, which prevented them from enhancing their customer experience journey and products.

"We are a retail brand. We know how to do retail product selling but not post-purchase. We know what we want but not how to get it."

*Senior digital product manager,
women's fashion retail*

INVESTMENT OBJECTIVES

The interviewee's organization searched for a solution that could help them:

- Improve the customer experience.
- Save costs and reduce the strain on its customer contact centers, particularly for their WISMO query volume.
- Maximize sales and marketing opportunities.
- Capture and use data insights to enhance their offering and scale their business.

After a competitive analysis assessing their needs and evaluating multiple vendors, the interviewee made a business case for his organization to invest in parcelLab and began deployment because:

- parcelLab worked with his organization as a proactive co-development partner, evolving together, in aligning and reaching their strategy objectives.
- parcelLab was the only vendor that supported his organization's returns and rules with the same carrier.
- parcelLab provided his organization with the data insights it needed to be competitive and retain customers.

USE CASE DESCRIPTION

To ensure the success of the implementation with the new operating system, the interviewee decided to deploy the parcelLab solution once the contract with the previous vendor had expired and his organization had completed the transformation of its new platform. The organization deployed the Engage and Retain Suite packages from parcelLab. It initially focused the use of the parcelLab solution based on its main priorities and goals: improve customer post-purchase experience, reduce strain on its customer contact center for WISMO queries, and increase its revenue and reduce costs. The next phase of the

organization's strategy was to focus resource efforts on measuring and improving the returns processes.

For this use case, Forrester has modeled benefits and costs over three years.

Key Characteristics

- **Fashion retailer with \$1.48 billion annual revenue**
- **Online revenue of \$296.6 million in the first year**
- **Revenue growth rate of 19% year over year**
- **Deployed the parcelLab Engage and Retain Suite packages**
- **parcelLab replaced previous post-purchase, third-party solution**
- **Deployed parcelLab after completing platform transformation**

Analysis Of Benefits

■ Quantified benefit data

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Impact on profit from redirected traffic	\$2,304,520	\$2,742,375	\$3,263,400	\$8,310,295	\$6,813,284
Btr	Reduction of WISMO call costs with parcelLab	\$301,644	\$301,644	\$301,644	\$904,932	\$750,144
Ctr	Legacy solution cost savings	\$318,250	\$475,000	\$475,000	\$1,268,250	\$1,038,755
Dtr	Resource management efficiency savings	\$153,615	\$153,615	\$153,615	\$460,845	\$382,018
	Total benefits (risk-adjusted)	\$3,078,029	\$3,672,634	\$4,193,659	\$10,942,738	\$8,984,201

IMPACT ON PROFIT FROM REDIRECTED TRAFFIC

Evidence and data. The interviewee explained that parcelLab led any customers who clicked on the links in their post-purchase communication updates were led directly back to his organization's website. The organization sent custom, promotional communication with each of its post-purchase updates to target certain markets and types of customers in line with its marketing strategy. He stated, "Recapturing this additional 340% customer traffic back to our website also increased our organization's conversion revenue by 37%."

Modeling and assumptions. For this organization, Forrester assumes:

- The organization's initial online revenue is \$296.6 million each year.
- Its revenue grows by 19% year over year.
- An incremental uplift in conversion of the online revenue of 37% is achieved with parcelLab post-purchase communication
- Thirty percent of this uplift in online revenue conversion is attributable to parcelLab as the organization had also replatformed and run

various campaigns and promotions on its website.

- The organization has an operating margin of 10%.

Risks. The potential risks that can impact the benefit can be both qualitative and quantitative. These include variations in:

- The extent of traffic and visits to the organization's website.
- The conversion rate and average order value.
- The annual revenue growth rate and operating margin.
- An organization's promotional strategy and other campaigns that can impact the conversion rate and drive traffic to the website.

Results. To account for these risks, Forrester adjusted this benefit downward by 30%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$6.8 million.

Impact On Profit From Redirected Traffic					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Online converted revenue	Composite	\$296,592,000	\$352,944,000	\$420,000,000
A2	Incremental uplift in conversion revenue from redirected traffic	Interview	37%	37%	37%
A3	Attribution to parcelLab	Composite	30%	30%	30%
A4	Operating margin	TEI standard	10%	10%	10%
At	Impact on profit from redirected traffic	$A1 \times A2 \times A3 \times A4$	\$3,292,171	\$3,917,678	\$4,662,000
	Risk adjustment	↓30%			
Atr	Impact on profit from redirected traffic (risk-adjusted)		\$2,304,520	\$2,742,375	\$3,263,400
Three-year total: \$8,310,295			Three-year present value: \$6,813,284		

REDUCTION OF WISMO CALL COSTS WITH PARCELLAB

Evidence and data. parcelLab increased the number of personalized post-purchase touchpoints the organization has with its buyers. Regular order updates and notifications meant that the organization's customers were kept more up to date on the delivery of their orders and no longer needed to contact the customer service contact centers for WISMO queries. This significantly reduced the WISMO call volume that the organization received and also provided a better, more reliable customer experience, as it delivered what most retail customers wanted.⁶ Reduction in WISMO query volume also led to significant cost efficiencies for the organization.

- The interviewee outlined: "We have introduced four additional types of post-purchase touchpoints, which include order-on-track emails and delayed-order emails. These are brand-new emails with a 70% open rate and were not available with our previous platform."
- The interviewee also explained how his organization saw a significant reduction in the call volume of WISMO queries: "We previously had 252,000 contacts just for where is my order (over calls, chat, email, etc). That's a big number, and each time customers contacted our customer service, it was costing us \$7. So it's millions of contacts they were getting. We saw an 18% decrease in queries with parcelLab in a very short period. Going forward, it's just additional incremental cost savings that we'll see."

"Our goal was to save \$80,000 for the entire year, but with parcelLab, we saved this in four months! So now, whatever we are saving is additional."

Senior digital product manager, women's fashion retail

Modeling and assumptions. For this organization, Forrester assumes:

- The retailer has initial 252,000 WISMO contacts before implementing parcelLab.
- The organization sees an 18% reduction in WISMO contact volume.
- Each WISMO contact costs the organization \$7.

Risks. The potential risks that can impact the benefit include:

- Variation in the complexity of orders and deliveries.
- The cost per WISMO contact for an organization.
- The size and amenities of an organization's after-sales and post-purchase support infrastructure.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$750,000.

Reduction Of WISMO Call Costs With parcelLab					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Customer service center WISMO call volume before parcelLab	Interview	252,000	252,000	252,000
B2	Reduction in WISMO calls after parcelLab	Interview	18%	18%	18%
B3	CSC WISMO reduced call volume with parcelLab	B1*B2	45,360	45,360	45,360
B4	Total cost per WISMO call	Interview	\$7.00	\$7.00	\$7.00
Bt	Reduction of WISMO call costs with parcelLab	B3*B4	\$317,520	\$317,520	\$317,520
	Risk adjustment	↓5%			
Btr	Reduction of WISMO call costs with parcelLab (risk-adjusted)		\$301,644	\$301,644	\$301,644
Three-year total: \$904,932			Three-year present value: \$750,144		

LEGACY SOLUTION COST SAVINGS

Evidence and data. The organization's introduction of parcelLab's post-purchase solution meant that the prior post-purchase platform was decommissioned.

- The interviewee explained how his organization saw cost savings from decommissioning the previous post-purchase platform. He noted that although his organization replaced the previous solution with the same-sized tier package of parcelLab, parcelLab delivered better service and support. He also explained that parcelLab didn't charge for any additional changes or integrations, whereas the previous solution had.

Modeling and assumptions. For this organization, Forrester assumes:

- The organization paid an annual \$500,000 per year for its legacy post-purchase solution, with no additional integrations undertaken.
- The legacy solution was decommissioned over four months in the first year, which relates to a 67% cost savings in Year 1 and 100% cost savings in Years 2 and 3.

Risks. The potential risks that can impact the benefit include:

- Variation in legacy cost and service requirements.
- The strategy and complexities of decommissioning a legacy platform.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$1.0 million.

“With parcelLab, we are able to send them whatever data they need to make that feature happen. It’s a single feed that they need, and they are able to work with it and create journeys on top of it.”

Senior digital product manager, women’s fashion retail

Legacy Solution Cost Savings					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Legacy solution costs	Interview	\$500,000	\$500,000	\$500,000
C2	Proportion of savings	Interview	67%	100%	100%
Ct	Legacy solution cost savings	C1*C2	\$335,000	\$500,000	\$500,000
	Risk adjustment	↓5%			
Ctr	Legacy solution cost savings (risk-adjusted)		\$318,250	\$475,000	\$475,000
Three-year total: \$1,268,250			Three-year present value: \$1,038,755		

RESOURCE MANAGEMENT EFFICIENCY SAVINGS

Evidence and data. parcelLab's level of expertise helped the organization better resolve any issues and improved the management of its post-purchase workflows.

- The interviewee explained that the resource time and effort required to resolve any issues with his organization's legacy platform were significantly reduced with parcelLab's support and proficiency. He shared: "The time spent on management with our previous solution, including issue resolutions, integration changes, and retrieving data, is now automated. We no longer have to go to our provider to ask for data as it's readily available via a self-service domain. Now the hours spent on any management and issue resolution are significantly reduced with parcelLab — by almost half."
- The interviewee also explained that his organization's replatforming transformation (which was a multiyear project) added some further complexity to their project requests, but he said, "Nothing was too much trouble with parcelLab."
- The interviewee also noted: "A lot of these issues were resolved with information from parcelLab, which we can then consider in our implementations going forward. [We can] be more proactive to reduce further potential issues and resolve [them] quicker and easier in the future, enabling us to offer a better all-around customer experience."
- The interviewee gave an example of how previously, it took six people in his IT and analyst team (including himself) approximately six weeks to resolve an issue or work on integration changes that the business wanted to make. This was reduced to a resolution time of three weeks with a team of three people who liaise directly

over a call or chat with parcelLab support to combat any issues as they occur.

- He provided another example where the retailer used parcelLab's expertise during its competitive analysis stage to ascertain the location of some missing customer order deliveries. parcelLab was able to provide insight into specific data and tracking references that his organization's legacy platform did not offer. By understanding how the new set of references could be applied, his teams were able to track down the orders, update their customers, and make the necessary changes to their systems to prevent similar incidents from occurring.

"We pull manual reports from the parcelLab app and send it to our merchandise team to review all the product returns and reasons from past periods. parcelLab has a nice breakdown of item-level reporting that you can select from 5,000 customers who are saying there's a quality or sizing issue."

*Senior digital product manager,
Women's fashion retail*

Modeling and assumptions. For this organization, Forrester assumes:

- A team of six FTEs takes an average of 1,140 hours to manage and resolve any issues and make changes before engaging with parcelLab
- The average fully burdened hourly rate per FTE working on the management and issue resolutions is \$70.

- Once parcelLab is deployed, a team of three FTEs takes an average of 570 hours to manage and resolve any issues and make changes.
- Each FTE repurposes 50% of their time saved into productive tasks.

Risks. The potential risks that can impact the benefit include:

- An organization's strategy and project complexities.

- The resource skill set an organization has available.
- The salaries of the resources required for specific tasks.

Results. To account for these risks, Forrester adjusted this benefit downward by 30%, yielding a three-year, risk-adjusted total PV of \$382,000.

Resource Management Efficiency Savings

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Average time team spent on management and issue resolution with prior solution (hours)	Composite	1,140	1,140	1,140
D2	Average fully burdened hourly cost of FTE working with prior solution	TEI standard	\$70	\$70	\$70
D3	FTEs required with prior solution	Interview	7	7	7
D4	Average time team spends on management and issue resolutions with parcelLab (hours)	Composite	570	570	570
D5	FTEs required with parcelLab	Interview	3	3	3
D6	Cost with prior solution	$D1 \times D2 \times D3$	\$558,600	\$558,600	\$558,600
D7	Efficiency cost savings	$D6 - (D2 \times D4 \times D5)$	\$438,900	\$438,900	\$438,900
D8	Productivity recapture rate	TEI standard	50%	50%	50%
Dt	Resource management efficiency savings	$D7 \times D8$	\$219,450	\$219,450	\$219,450
	Risk adjustment	↓30%			
Dtr	Resource management efficiency savings (risk-adjusted)		\$153,615	\$153,615	\$153,615
Three-year total: \$460,845			Three-year present value: \$382,018		

UNQUANTIFIED BENEFITS

The interviewee mentioned the following additional benefits that his organization experienced but was not able to quantify:

- **Improved data transparency.** parcelLab helped the organization to prioritize product and service development projects to focus on improving its offering.

The interviewee noted: “The number of these projects increased with parcelLab as they have so many more data insights, and the process of getting and understanding the data is less time-consuming and more seamless now. Before, we had to repeatedly ask our vendor for the data and explanations. Now with parcelLab, they have it to hand in reports.”

The data insights also helped the organization reduce the number of other issues and fixes that were required. The interviewee explained: “Previously, hard fixes were required as the issues we faced (like broken data, etc.) were more complex and deeper, whereas now, it’s just more simple errors that our [customer service teams] can see into and resolve, so parcelLab has reduced the support effort needed. We are also using this data to make better judgment calls on our roadmap. For example, we are working on a plan to do instant refunds for segmented customers based on their behavior, using the data from parcelLab. We are also looking to use parcelLab to integrate with our distributed order management system to start sending communications to our stores and warehouses about their upcoming stock insights for replenishment and/or new items.” This inventory transparency can be relayed back to customer and helps organizations to manage and meet customer expectations and offer better shopping experiences.⁷

- **Increased NPS score.** Improving the Customer Experience journey can positively influence NPS

and other customer satisfaction scores.⁸ One major focus area for the interviewee and his organization was customer satisfaction and experience. After implementing parcelLab, the firm not only saw a reduction in customer complaints but also saw its customer NPS score increase by 10%.

“We can personalize our post-purchase communication based on customer purchases. [For example], adding links to download our mobile app or sign up for our SMS program [and] giving them more ways to get engaged and bring them back to our site. That’s our strategy — to do more cross-selling between brands as we’ve seen our customers are not shopping between our brands.”

Senior digital product manager, women’s fashion retail

The interviewee explained the importance of personalizing the customer communication to their customers’ experience: “If you’re in the retail world, you have to be personalized, otherwise you’re going to start losing customers. Our customers are very loyal to us. So we want to do personalization — especially with new customers, as we want to retain them.”

- **Improved time to market and business confidence.** parcelLab allowed the organization to work more efficiently and collaboratively. The interviewee explained how parcelLab

enabled his team to fully test out new features and functionality before rolling them out, so there was less of an impact on the end customer's journey. He shared: "Things are easier to roll out as teams and departments seem to be more onboard and collaborative. The business is confident to go ahead with parcelLab's ideas as we're seeing positive results with them straight away. They trust parcelLab. Our previous solution didn't allow for any testing before releasing any new functionalities — it was just straight out to production. It makes it so much easier to work with [parcelLab] when everyone internally is on board."

- **Improved returns process.** The parcelLab Retain Suite enabled the organization to enhance its post-purchase returns processes. The interviewee highlighted how the retailer sought to streamline its refund process so refunds could be more quickly processed and credited back to

"If the customer experience is good then they're going to come back and shop with us again."

*Senior digital product manager,
Women's fashion retail*

customers, materially improving the returns experience. The interviewee noted: "We have recently launched QR codes for returns. Customers can now easily make returns digitally without printing the return labels at home. It's more sustainable and saves them, and our company on costs, adds to our data insights, and provides a good CX." These approaches lead to attracting and retaining of values-motivated consumers.⁹

FLEXIBILITY

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

- **Partnered growth.** The interviewee spoke about the relationship and scalability with parcelLab. He said: "parcelLab are more engaged and proactive in evolving with us. They are scaling with us like we are scaling, so that's what I like about this partnership. We both are increasing with capabilities in alignment. As we come up with new ideas, we validate them with parcelLab. It allows us to be scalable, agile, and flexible. Whereas our previous platform charged us extra for any integration changes, parcelLab does not, so there's no barrier. parcelLab made our infrastructure more agile to add or remove functionalities easily, so our organization can grow."

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)).

“They’re able to work with us and our requirements and make it happen for us, and that’s what I like — that they’re listening to their customers to build their own roadmap. [For] something that may not be included, they were eventually able to create [it] and give it to us. For the extra spend we have with parcelLab, we’re getting a lot more from them in the long run, so it’s like a cost savings in my opinion.”

*Senior digital product manager,
women’s fashion retail*

Analysis Of Costs

■ Quantified cost data

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Etr	License costs	\$0	\$585,900	\$697,221	\$829,693	\$2,112,814	\$1,732,213
Ftr	Implementation costs	\$230,000	\$0	\$0	\$0	\$230,000	\$230,000
	Total costs (risk-adjusted)	\$230,000	\$585,900	\$697,221	\$829,693	\$2,342,814	\$1,962,213

LICENSE COSTS

Evidence and data. parcelLab bases its pricing on the number of deliveries or “trackings” per order. Organizations work with parcelLab to use historical records to estimate projected trackings and orders.

- The interviewee explained that there were two elements to his organization’s contract: the flat rate for the total number of trackings in their contract period of 36 months and a higher rate for any surplus tracking that exceeded the contracted amount.

He added that his organization saw improved results with parcelLab and that there were no additional charges for any changes or integrations they wanted to make.

Modeling and assumptions. For this organization, Forrester assumes:

- The cost of the contracted trackings over 36 month period averages \$700,000 per year.
- The number of projected trackings grows by 19% year over year.
- The organization does not exceed its contracted trackings. (It is on track to stay within its provisioned trackings.)

- Pricing may vary. Contact parcelLab for additional details.

Risks. The potential risks that can impact this cost are:

- Variation in contracted cost rates for trackings.
- The extent of any surplus trackings exceeding the contracted amount.
- The agreed number of total trackings and period of contract.

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 \$1.7 million.

License Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Number of projected trackings	Interview		11,160,000	13,280,400	15,803,676
E2	Contracted cost per tracking	Interview		\$0.05	\$0.05	\$0.05
E3	Orders exceeding projected trackings	Interview		0	0	0
E4	Contracted cost per excess tracking	Interview		\$0.06	\$0.06	\$0.06
Et	License costs	$(E1 \cdot E2) + (E3 \cdot E4)$	\$0	\$558,000	\$664,020	\$790,184
	Risk adjustment	↑5%				
Etr	License costs (risk-adjusted)		\$0	\$585,900	\$697,221	\$829,693
Three-year total: \$2,112,814			Three-year present value: \$1,732,213			

IMPLEMENTATION COSTS

Evidence and data. The implementation of parcelLab required some resource effort from the organization to best leverage the platform. parcelLab works with organizations to understand their goals and strategy to best position the alignment of parcelLab tools.

- The interviewee explained how his organization delayed the implementation of parcelLab. The firm wanted to ensure that it could be implemented once the contract with its legacy solution had expired, as well as after its new platform transformation and operating system, without interrupting the service to customers.
- The interviewee noted the ease of the implementation for his resource teams with the support of parcelLab. He explained how the teams worked together and easily repointed the APIs from their legacy platform to parcelLab: “parcelLab were really proactive to get us set up correctly before our contract start date so that we would be ready and hit the ground running. Although some time was taken up for creating the additional customization and rules of our post-purchase emails and templates, this now helps us to manage our customer communication and SLAs and in turn helps us to control and [reduce] the customer contact center call volume.”
- The interviewee described the overall process of working with parcelLab to plan and prepare the platform for his organization, noting that it took approximately four months in total. The implementation itself took two months, with the actual deployment requiring two days.
- Comparing parcelLab to the previous solution, the interviewee claimed, “Even with

implementations now, parcelLab are very clear and outline what they require from us so that we can allocate sufficient resources to get the work done [and plan our timelines].”

Modeling and assumptions. For this organization, Forrester assumes:

- The planning and preparation of the parcelLab platform requires 40% of a 10-FTE team’s time for four months.
- The implementation and deployment of the platform requires 20% of the 10-FTE team’s time for two months.
- The monthly cost of the team’s implementation and deployment effort is \$10,000.

Risks. The potential risks that can impact the cost include.

- The level of complexity of an organization’s infrastructure and processes.
- The variation in an organization’s legacy setup and contract term.
- The capacity and skill set of an organization’s resources.
- The strategy and other business projects of an organization.

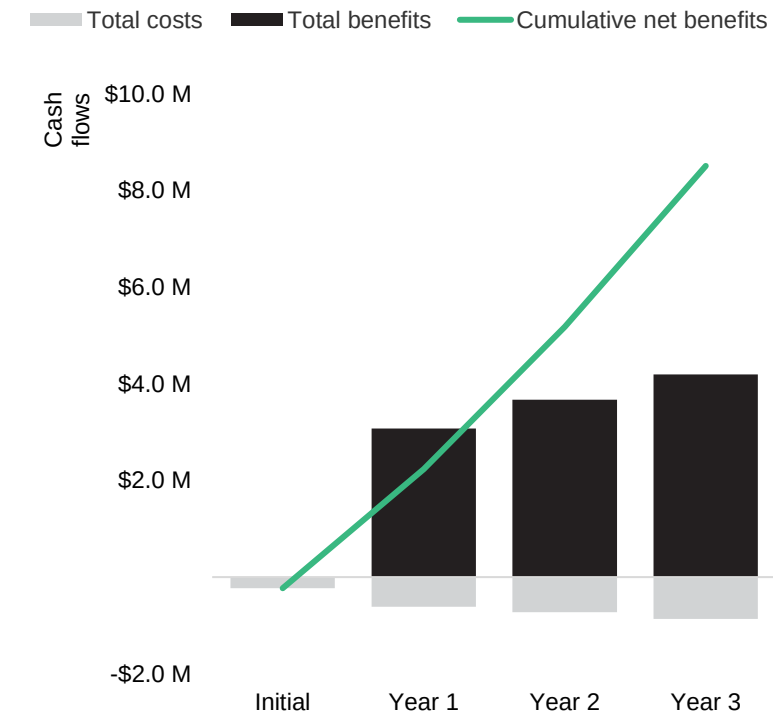
Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of \$230,000.

Implementation Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Planning and preparation period (months)	Interview	4			
F2	Monthly cost of planning and preparation FTE's involvement	TEI standard	\$10,000			
F3	Proportion of time required for planning	Composite	40%			
F4	FTEs involved	Composite	10			
F5	Implementation period (months)	Interview	2			
F6	Proportion of time required for implementation and deployment	Composite	20%			
Ft	Implementation costs	$(F1 \cdot F2 \cdot F4 \cdot F3) + (F5 \cdot F2 \cdot F4 \cdot F6)$	\$200,000	\$0	\$0	\$0
	Risk adjustment	↑15%				
Ftr	Implementation costs (risk-adjusted)		\$230,000	\$0	\$0	\$0
Three-year total: \$230,000			Three-year present value: \$230,000			

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 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	(\$230,000)	(\$585,900)	(\$697,221)	(\$829,693)	(\$2,342,814)	(\$1,962,213)
Total benefits	\$0	\$3,078,029	\$3,672,634	\$4,193,659	\$10,942,738	\$8,984,201
Net benefits	(\$230,000)	\$2,492,129	\$2,975,413	\$3,363,966	\$8,601,508	\$7,021,988
ROI						358%
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: Supplemental Material

Related Forrester Research

["Modular Content Is The Key To Customizing Experiences At Scale,"](#) Forrester Research, Inc., May 13, 2021.

Appendix C: 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.

² Source: ["Retailers: Orchestrate And Invest In Great Post-Purchase Experience,"](#) Forrester Research, Inc., April 8, 2020.

³ Net Promoter, NPS, and the NPS-related emoticons are registered U.S. trademarks, and Net Promoter Score and Net Promoter System are service marks, of Bain & Company, Inc., Satmetrix Systems, Inc. and Fred Reichheld.

⁴ Source: ["Leverage Order Management Systems To Conquer US Consumers' Elevated Fulfillment Expectations,"](#) Forrester Research, Inc., December 5, 2022.

⁵ Source: November 19, 2020, ["Retailers: Optimize Your Post-Purchase Experience To Delight And Win Customers,"](#) Webinar.

⁶ Source: ["US Consumers Want Retailers To Offer Delivery Estimates Throughout The Purchase Path,"](#) Forrester Research, Inc., May 23, 2023.

⁷ Source: ["Retailers Create Trust Through Inventory And Delivery Visibility,"](#) Forrester Research, Inc., May 27, 2022.

⁸ Source: Shar VanBoskirk, ["**UPDATE** Customer Experience Matters More Than Points In Building Loyalty,"](#) Forrester Blogs.

⁹ Source: ["How To Embed Values-Driven Marketing Into Customer Journeys,"](#) Forrester Research, Inc., July 7, 2023.

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