

# The Total Economic Impact™ Of Basware's Procure-To-Pay Solution

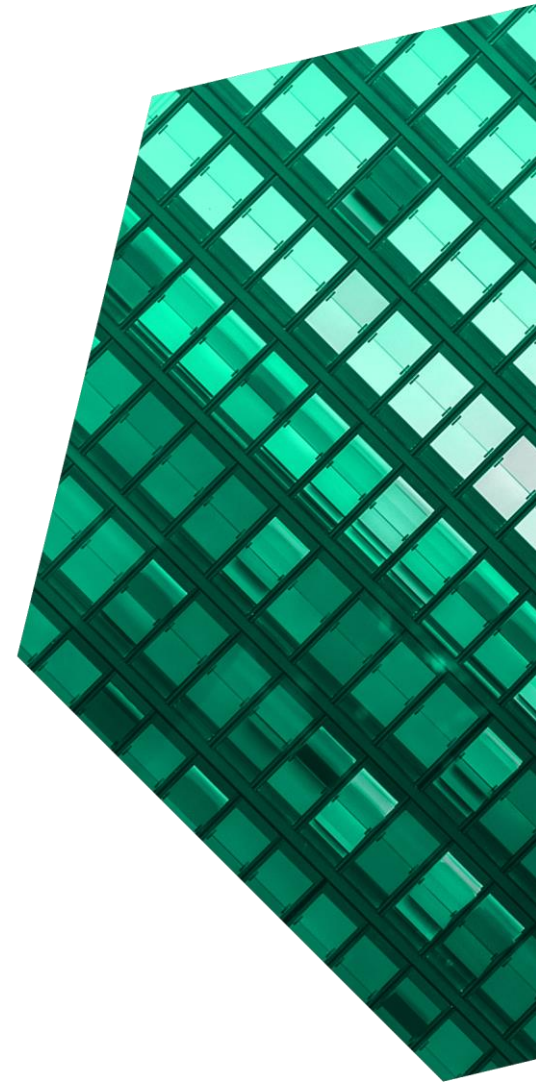
Cost Savings And Business Benefits  
Enabled By Basware's Procure-To-Pay Solution

JANUARY 2021

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Consulting Team: Aashish Sharma

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## ABOUT FORRESTER CONSULTING

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## Executive Summary

Procurement and accounts payable departments across small and big organizations are looking to streamline their processes, from requisition, creation and approval through purchase order (PO) management to invoice receipt and processing. Common challenges include manual and paper-based processes, lack of visibility, and limited spend management. These organizations can significantly reduce wasteful spending and improve processes if they use a single procure-to-Pay (P2P) solution.

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

The Basware P2P offering includes an accounts payable automation solution, e-invoicing services, and an e-procurement solution over the world's largest open business network.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed six customers with experience using Basware's P2P solution. For the purposes of this study, Forrester aggregated the experiences of the interviewed customers and combined the results into a single [composite organization](#).

Prior to using the P2P solution, the interviewees' organizations used manual, paper-based accounts payable processes with multiple checkpoints and time lapses, inefficient enterprise resource planning (ERP) applications, and poor visibility of procurement transactions.

These limitations led to inadequate spend management, limited invoice visibility, excess administration costs, and low-end user and supplier satisfaction.

### KEY STATISTICS



Return on investment (ROI)

**315%**



Net present value (NPV)

**\$3.84M**

After the investment in Basware's P2P solution, the interviewees' organizations streamlined their invoice purchases, enhanced efficiency of their procurement and accounts payable teams, moved maximum spend under management, and realized savings by reducing operating costs.

The following benefits are representative of those experienced by the interviewees' companies. Based on the results they obtained, Forrester estimated the likely financial impact on the composite organization described in this case study: a global, multibillion-dollar organization with \$200 million in annual spend.

## KEY FINDINGS

**Quantified benefits.** Risk-adjusted present value (PV) quantified benefits include:

- **Annual spend optimization of \$2.7 million.** Basware's P2P solution provides procurement staff with enhanced visibility of buying behaviors of various teams (e.g., knowing who is buying which products from which suppliers). This enables them to drive supplier consolidation, bring more spend under management, and reduce wasteful purchases. It also ensures users benefit from pre-negotiated supplier catalogs and contract prices. For the composite organization, Forrester assumes that P2P customers increase spend under management from an initial 30% to 75% over three years, and they reduce spend by 1% year-over-year (YoY) due to increased visibility and compliance. The associated savings have a three-year, risk-adjusted present value (PV) of approximately \$2.7 million.
- **Accounts payable (AP) productivity gains, \$736,837.** The AP productivity gains are mainly driven by a significant increase in electronic invoices and touchless processing of invoices through advanced matching and coding. Other factors for increased productivity include automated validation, streamlined routing, and a reduction of supplier inquiries. The composite organization is able to increase electronic invoices from 14% initially to 75% in Year 3, so decision-makers reassign 40% of the initial AP staff to other tasks. These AP productivity gains have a three-year, risk-adjusted PV of \$736,837.
- **Procurement productivity gains, \$679,361.** Procurement teams improve their sourcing processes and compliance, which results in efficiency gains. This also leads to optimization of the resource allocation, enabling decision-makers to reallocate procurement resources to other tasks. For the composite organization, these

procurement productivity gains have a three-year, risk-adjusted PV of \$679,361.

- **End user productivity gains, \$494,187.** End users such as managers benefit from automated matching between the invoice and the corresponding purchase order, automatic rules that streamline the approval of recurring invoices, and a better presentation of the required data necessary to make an approval. This leads to time savings because end users no longer need to spend time on administrative duties, so they can use all or part of this freed-up time for other productive tasks. For the composite organization, the associated savings have a three-year, risk-adjusted present value (PV) of \$494,187.

**“We went into it really just thinking about getting more spend under control. That was our whole ROI. But so much more came out of our investment in Basware’s solution.”**

*Director of purchasing, worldwide nonprofit organization*

- **Early pay discounts, \$260,060.** Use of Basware's P2P solution leads to reduction in the invoice cycle times due to an increase in proportion of e-invoices, automation, and the level of straight-through processing. Due to shorter invoice cycles, decision-makers can choose to benefit more from early-pay discounts that some suppliers offer. For the composite organization, the associated savings have a three-year, risk-adjusted present value (PV) of \$260,060.
- **Legacy system maintenance cost savings, \$156,672.** Following the introduction of the Basware P2P solution, companies might be able to retire legacy systems. Moreover, there are

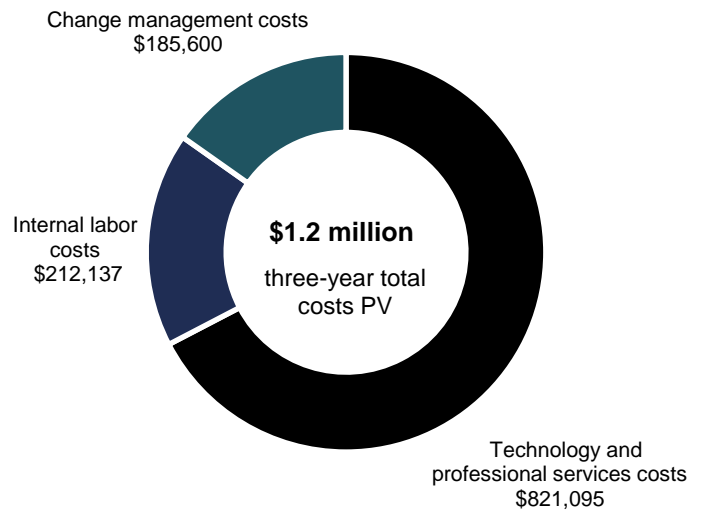
savings due to reduced paper costs and minimal invoice storage and logistics costs. For the composite organization, the associated savings have a three-year, risk-adjusted present value (PV) of \$156,672.

**Unquantified benefits.** The interviewed organizations also experienced the following key benefits, which are not quantified for this study:

- **Ease of effort and visibility.** The higher visibility of all invoices such as PO, non-PO, direct, indirect, and even invoices and purchases that did not originate from Basware's procurement system led to ease of managing the end-to-end invoicing cycle.
- **Mitigating the effect of the COVID-19 pandemic.** All organizations have been affected by the COVID-19 pandemic, but AP and procurement staff effectively managed their workload remotely in these unprecedented times due to the ease of logging to the Basware solution, giving them the ability to effectively work remotely on their queues, codes, and approvals.
- **Increased supplier satisfaction.** Using the Basware solution led to increased supplier satisfaction. They now get consistent messages, complete and detailed electronic POs, and prompt payments.

**Costs.** Risk-adjusted PV costs include:

- **Technology and professional services costs.** These fees include the professional services and startup costs of the P2P cloud solution, as well as the annual software subscription/licensing costs for a volume of 160,000 invoices and 30,000 purchase orders per year. They have a three-year, risk-adjusted present value (PV) of \$821,095.



- **Internal labor costs.** These costs are associated with the time and effort an organization's internal resources spend on the initial implementation and rollout of the P2P solution, ongoing support, supplier enablement, and overall governance over the course of three years. The associated costs have a risk-adjusted PV of \$212,137.
- **Change management and training costs.** These expenses include an estimation of change management resource and material costs, communication, and travel costs, as well as time spent on training by 500 end users as estimated for the composite organization. The change management costs have a risk-adjusted, three-year PV of \$185,600.

The customer interviews and financial analysis found that a composite organization experiences benefits of \$5.06 million over three years versus costs of \$1.22 million, adding up to a net present value (NPV) of \$3.84 million and an ROI of 315%.



ROI  
**315%**



BENEFITS PV  
**\$5.06M**

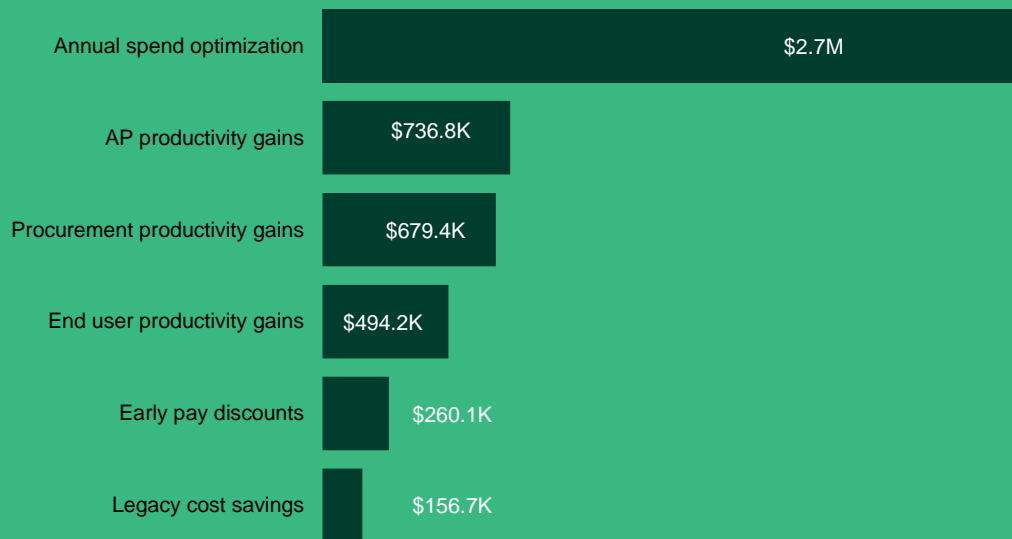


NPV  
**\$3.84M**



PAYBACK  
**11  
months**

### Benefits (Three-Year)





## 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 Basware's Procure-to-Pay solution.

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 Basware's Procure-to-Pay solution can have on an organization.

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Basware and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Basware's Procure To Pay solution.

Basware 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.

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



### DUE DILIGENCE

Interviewed Basware stakeholders and Forrester analysts to gather data relative to the Procure-to-Pay solution.



### CUSTOMER INTERVIEWS

Interviewed six decision-makers at organizations using Basware's Procure-to-Pay solution to obtain data with respect to costs, benefits, and risks.



### COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewed 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 interviewed organizations.



### 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 Basware Procure-To-Pay Solution Customer Journey

■ Drivers leading to the Basware Procure-To-Pay solution investment

Interviewed Organizations			
Industry	Region	Interviewee	Revenue
Industrial Products: metals and mining	USA	Corporate controller	\$2.2 billion
Nonprofit	USA	Director of purchasing	\$165 million
Oil and gas	USA	Financial strategy and controls – Sarbanes-Oxley Act (SOX) compliance manager	\$7.3 billion
Furniture retail	USA	Director of financial services operations	\$425 million
Sports management	Australia	National manager of financial systems	\$600 million
Oil and energy	EMEA	Business applications leader	\$213 million

## KEY CHALLENGES

Three of the six interviewees said their organizations deployed Basware's full P2P solution, while the other three interviewees said their organizations use the accounts payable automation solution, but they are either in the process of adding the procurement solution to it or they are thinking about doing so in the near future. All six organizations use Basware's cloud offerings

Prior to adopting Basware's P2P solution, the interviewees' organizations used multiple legacy systems and had no real end-to-end P2P systems in place. The interviewees' organizations struggled with common challenges, including:

- **Maintaining better visibility on spending.** Decision-makers struggled to manage their organizations' spending due to the inefficiencies of their ERP systems and the absence of a good procurement system. It was difficult to manage multiple suppliers and their catalogs due to insufficient visibility into purchasing activities.
- **Inefficient processes in invoice workflows.** Multiple checkpoints and lapses in time due to paper-based processes managed by different

trays and stacks of paper, bad coding, and issues with archiving systems led to challenges such as no visibility of invoices, shadow systems with invoices copies, cash-flow issues, and duplicate invoices across different accounting systems. This also resulted in missed opportunities to capture early-pay discounts.

- **Lack of visibility leading to end user challenges.** The interviewees' organizations had no holistic view of invoices available to process, regardless of having multiple KPIs and metrics. Decision-makers also wanted to remove inefficient data entry jobs and increase compliance of field staff to abide with purchasing and finance policies.

## SOLUTION REQUIREMENTS/INVESTMENT OBJECTIVES

The interviewees' organizations searched for a solution that could:

- Offer better visibility into invoice processing and actual spend.



- › Create procurement and accounts payable efficiencies through automation of purchasing and invoice processing.
- › Increase spend under management and realize cost reductions.
- › Improve satisfaction of suppliers, procurement staff, AP staff, and end users.

## 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 interviewees' organizations, 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 organization is a global, multibillion-dollar B2B organization with \$2 billion in annual revenue.

The organization had no previous Basware solution in place, and employees used standalone purchasing and invoicing tools for procurement and accounts payables.

**Deployment characteristics.** The organization has global operations with 30,000 employees spread across multiple continents and a diverse supplier base of 3,000 big and small suppliers.

# 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	Annual spend optimization	\$180,000	\$900,000	\$2,430,000	\$3,510,000	\$2,733,133
Btr	AP productivity gains	\$153,000	\$306,000	\$459,000	\$918,000	\$736,837
Ctr	Procurement productivity gains	\$153,000	\$306,000	\$382,500	\$841,500	\$679,361
Dtr	End user productivity gains	\$198,720	\$198,720	\$198,720	\$596,160	\$494,187
Etr	Early-pay discounts	\$54,000	\$108,000	\$162,000	\$324,000	\$260,060
Ftr	Legacy cost savings	\$63,000	\$63,000	\$63,000	\$189,000	\$156,672
	Total benefits (risk-adjusted)	\$801,720	\$1,881,720	\$3,695,220	\$6,378,660	\$5,060,250

## ANNUAL SPEND OPTIMIZATION

**Evidence and data.** Interviewees mentioned their struggles with getting spend under management, which made it difficult for decision-makers to identify where to best achieve cost savings through, for example, supplier consolidations and negotiation of better tier pricing. With the introduction of Basware's P2P solution, the organizations' decision-makers were able to track and manage their spend categories and direct more spend to their preferred suppliers. Better tier pricing helped them to enforce price compliance, which led to cost savings.

**Modeling and assumptions.** For the composite organization, Forrester assumes that

- The spend under management increases from 30% initially to 75% in Year 3 of the analysis.
- The increased visibility due to the integrated P2P solution allows the organization to realize incremental cost savings between 1% and 3% of the spend under management.

**"For us, there was a lot of benefit to move to an automated solution, especially as a global company. We had no visibility to anything outside of the US. Basware now provides us with that visibility and the ability to streamline. We get a holistic view of the company across multiple segments and multiple entries."**

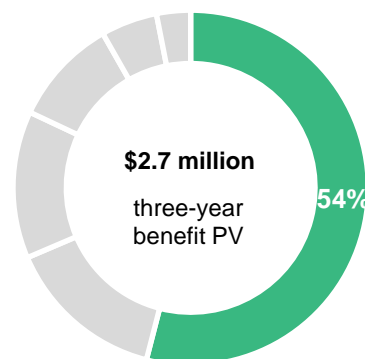
*Financial strategy and controls – SOX compliance manager, oil and gas drilling and production operations firm*

## Risks.

- The interviewees said their organizations had different levels of spend visibility, and there are certainly differences in their supplier preferences.
- The potential of cost savings due to spend optimizations varies by organization.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2.7 million.

*Annual Spend Optimization [54% of total benefits]  
[\$2.7 million three-year benefit PV]*



## Annual Spend Optimization

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
A1	Annual spend	Composite organization		\$200,000,000	\$200,000,000	\$200,000,000
A2	Spend under management	Customer interviews	30%	40%	55%	75%
A3	Increased spend under management since introduction of Basware P2P cloud solution	$A2(Y) - A2(\text{Initial})$		10%	25%	45%
A4	Spend optimizations (as %) due to increased visibility and compliance			1.0%	2.0%	3.0%
At	Annual spend optimization	$A1 * A3 * A4$	\$0	\$200,000	\$1,000,000	\$2,700,000
	Risk adjustment	↓10%				
Atr	Annual spend optimization (risk-adjusted)		\$0	\$180,000	\$900,000	\$2,430,000
Three-year total: \$3,510,000			Three-year present value: \$2,733,133			

## AP PRODUCTIVITY GAINS

**Evidence and data.** Each of the interviewees said their organization had realized AP productivity gains due to the deployment of the Procure-to-Pay and accounts payable solution.

- Key changes and benefits realized were increased proportion of e-invoices and the introduction of automatic matching of invoices with purchase orders and contracts.
- The organizations also benefited from a reduction of supplier inquiries due to increased visibility and reduced cycle times. These improvements enabled decision-makers to reallocate accounts payable resources to other tasks.

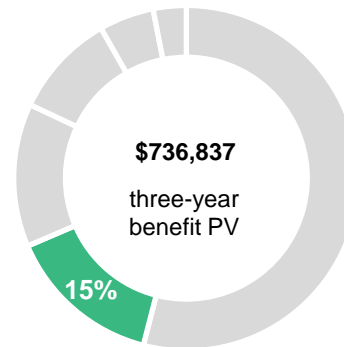
**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- Originally, 72% of the 160,000 invoices were paper invoices, 14% came in electronically, and 14% came in as PDFs.
- Within three years of the introduction of the Basware solution, the proportion of e-invoices grew to 75% while paper invoices dropped to 5%.
- The number of staff in the centralized accounts payable department decreased from 15 initially to nine in Year 3.
- The average fully loaded salary for an AP clerk at the composite organization is \$85,000.

**Risks.** The interviewees said their organizations had different starting maturities of their AP processes and they reached different levels of e-invoicing and matching rates.

- The interviewees' organizations took varying amounts of time to achieve these improvements depending on the organization and variables such as complexity and the number of suppliers and delivery locations.
- This had an impact on the number of people freed up and when they could be reassigned to other tasks.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$736,837.



*AP productivity gains [15% of total benefits]  
[\$736,837 three-year benefit PV]*

## AP Productivity Gains

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
B1	Number of invoices per year		160,000	160,000	160,000	160,000
B2	Invoices per AP staff		10,667	12,300	14,500	17,800
B3	AP staff required		15.0	13.0	11.0	9.0
B4	AP staff reassigned	B3(Initial) - B3(Y)		2.0	4.0	6.0
B5	AP clerk average fully loaded annual rate			\$85,000	\$85,000	\$85,000
Bt	AP productivity gains	B4*B5	\$0	\$170,000	\$340,000	\$510,000
	Risk adjustment	↓10%				
Btr	AP productivity gains (risk-adjusted)		\$0	\$153,000	\$306,000	\$459,000
Three-year total: \$918,000			Three-year present value: \$736,837			

## PROCUREMENT PRODUCTIVITY GAINS

**Evidence and data.** The interviewees said their organizations also realized productivity gains in their procurement teams due to the deployment of the Basware Procure-to-Pay solution.

- With the solution, the procurement teams improved their sourcing processes and compliance, which led to efficiency gains.
- Decision-makers were able to optimize the resource allocation, which enabled them to reallocate procurement resources to other tasks.

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

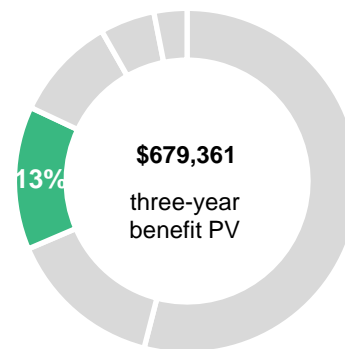
- Originally, there were 25 employees in the procurement team who managed sourcing and contracts.
- Within three years of implementing the Basware solution, the number of staff in the centralized procurement team decreased to 20 in Year 3.

**Risks.** The interviewees said their organizations had different levels of procurement methods and processes, and that they reached different levels of e-procurement and purchase orders management.

- The interviewees' organizations took varying amounts of time to achieve these improvements depending on their organization and variables such as complexity, number of suppliers, policies, and compliance.

- This had an impact on the number of people freed up and when they could be reassigned to other tasks.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$679,361.



Procurement Productivity Gains [13% of total benefits] [\$679,361 three-year benefit PV]

Procurement Productivity Gains						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
C1	Total procurement staff	Customer interviews	25	23	21	20
C2	Number of procurement staff reassigned	Customer interviews	0	2	4	5
C3	Purchase staff member average fully loaded annual rate			\$85,000	\$85,000	\$85,000
Ct	Procurement productivity gains	C2*C3	\$0	\$170,000	\$340,000	\$425,000
	Risk adjustment	↓ 10%				
Ctr	Procurement productivity gains (risk-adjusted)		\$0	\$153,000	\$306,000	\$382,500
Three-year total: \$841,500			Three-year present value: \$679,361			

## END USER PRODUCTIVITY GAINS

**Evidence and data.** Productivity gains were not limited to the direct benefits of AP and procurement staff; having an integrated P2P solution also enhanced the productivity of other end users of the system.

- The highest productivity gains were for managers who no longer have to regularly approve purchase orders and associated invoices.
- These approvers directly benefited from improved productivity due to capabilities such as automated matching between the invoice and the corresponding purchase order, automatic rules that streamlined the approval of recurring invoices, and having a better presentation of the required data necessary to make an approval.
- Instead of spending time on administrative duties, managers could reinvest the saved time on more value-added tasks, which led to their own professional growth and better job satisfaction.

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

- There are 500 approvers in the system who each save an average of 1 hour per month.
- Eighty percent of the time saved is transformed into productive output.
- The average fully loaded hourly salary rate is \$46.

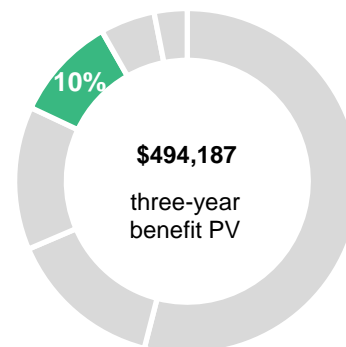
### Risks.

- Each organization measures productivity differently, and staff remuneration structures also differ across markets and geographies.

**“I needed to make sure that the tool interface is simple and easy for our people to use. As we brought Basware in, we realized how innovative the tool is and that the company continues to look for better ways to add value to a business through automation and analytics. The system is very simple to use, and it’s portable through the use of mobiles and tablets.”**

*National manager of financial systems, sports management firm*

To account for this uncertainty of the productivity and salary estimations, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$494,187.



*End user productivity gains [10% of total benefits]  
[\$494,187 three-year benefit PV]*



End User Productivity Gains					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
D1	Number of end users	Composite organization	500	500	500
D2	Average hours saved per month per end user	Customer interviews	1	1	1
D3	Average fully loaded hourly rate	Assumption: \$85,000/1,840 hours per year	\$46	\$46	\$46
D4	Productivity captured	Customer interviews	80%	80%	80%
Dt	End user productivity gains	$D1 \times (D2 \times 12) \times D3 \times D4$	\$220,800	\$220,800	\$220,800
	Risk adjustment	↓10%			
Dtr	End user productivity gains (risk-adjusted)		\$198,720	\$198,720	\$198,720
Three-year total: \$596,160			Three-year present value: \$494,187		

## EARLY-PAY DISCOUNTS

**Evidence and data.** Each of the interviewees said their organization realized benefits related to faster invoice processing:

- Increasing the proportion of e-invoices, automation, and the level of straight-through processing led to shorter invoice cycles.
- This allowed decision-makers to increase their organization's savings by taking advantage of early-pay discounts their suppliers might offer.

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

- About 20% of the annual spend is eligible for early-pay discounts.
- The fulfillment of early-pay discounts criteria is proportional to the incremental e-Invoicing level.
- The average available discount is 1.0%.

## Risks

- The amount of total spend that is eligible for early-pay discounts is variable, and it depends on various factors.
- The available discount rate can differ depending on supplier relationships and markets.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$260,060.

Early-Pay Discounts						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
E1	Annual spend	Composite organization		\$200,000,000	\$200,000,000	\$200,000,000
E2	Spend eligible for early-pay discount	Spend with top 10 suppliers		20%	20%	20%
E3	Proportion of e-invoicing		25%	40%	55%	70%
E4	Percent increase in e-invoicing since introduction of Basware P2P cloud solution	$E3(Y) - E3(\text{Initial})$		15%	30%	45%
E5	Average early-pay discount available			1%	1%	1%
Et	Early-pay discounts	$E1 * E2 * E4 * E5$	\$0	\$60,000	\$120,000	\$180,000
	Risk adjustment	↓10%				
Etr	Early-pay discounts (risk-adjusted)		\$0	\$54,000	\$108,000	\$162,000
Three-year total: \$324,000				Three-year present value: \$260,060		

## LEGACY COST SAVINGS

**Evidence and data.** Each of the interviewees said their organization experienced cost savings due to the implementation of the Basware solution:

- Most were able to decommission point solutions they previously used, which nullified the costs around server and system upgrades, backups, and disaster recovery.
- Due to automation and increased e-invoicing, decision-makers no longer had to buy paper for invoices, and they also reduced storage and logistics costs related to paper invoices.

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

- The organization saves \$50,000 per year on maintenance and support costs.
- It saves an average of \$20,000 per year due to reduced paper, storage, and logistics costs.

## Risks.

- Maintenance cost could be variable due to differences in legacy systems.
- The paper, storage, and logistics costs can also differ depending on number of paper invoices and office locations.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$156,672.

Legacy Cost Savings					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
F1	Assumed maintenance and support cost savings including server and system upgrade, backups, and disaster recovery	Customer interviews	\$50,000	\$50,000	\$50,000
F2	Paper, storage, and logistics costs	Customer interviews	\$20,000	\$20,000	\$20,000
Ft	Legacy cost savings	C1+C2	\$70,000	\$70,000	\$70,000
	Risk adjustment	↓10%			
Ftr	Legacy cost savings (risk-adjusted)		\$63,000	\$63,000	\$63,000
Three-year total: \$189,000			Three-year present value: \$156,672		

## UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include:

- **Ease of effort and visibility.** The interviewees said their organizations significantly value the higher visibility of invoices that led to ease of managing the end-to-end invoicing cycle. Basware also provided visibility into all invoices such as PO, non-PO, direct, indirect, and even invoices and purchases that did not originate from Basware's procurement system.
- **Better staff experience.** Being able to use Basware through mobile devices gave staff the benefit of using the system anywhere and at any time, and that led to increased staff satisfaction due to ease of approvals and transparency. The staff training across employees also led to an increase in staff efficiency. In some cases, even the once-resistant AP staff members wanted to use the Basware system.
- **Mitigating the effect of the COVID-19 pandemic.** All organizations have been affected by the COVID-19 pandemic, but most of the interviewees said their organization's AP and

procurement staff effectively managed their workload remotely in these unprecedented times due to the ease of logging to the Basware solution, the ability to effectively work remotely on their queues, codes, and approvals.

- **Increased supplier satisfaction.** Using the Basware solution led to increased supplier satisfaction. They now get consistent messages, complete and detailed electronic Pos, and prompt payments.
- **Greater level of procurement analysis and risk mitigation.** Due to the Basware system's analytics, the interviewees' organizations were able to perform better auditing and a deeper level of procurement analysis to understand their spending. This also led to risk mitigation by timely identification of supplier risk and fraud detection.

## FLEXIBILITY

Benefits such as faster time-to-value, excellent ROI, and payback are much better with Basware solutions due to a best-of-breed approach, as compared to other players in the market that force a single suite across P2P.

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Basware's Procure-to-Pay solution and later realize additional uses and business opportunities, including:

- **Reduce overspending.** Each of the interviewees reported gaining better and earlier visibility into which department is buying from which suppliers and how often they buy. This visibility gives managers the capability to act sooner to address overspending. For instance, the finance department can warn another department that is overspending its budget in time for the manager to rein in purchases before the end of the month or quarter. A project manager can take action to rectify potential cost overruns on their project while there is still time to get it back on track. And a manager can curb extravagance and inefficiency on their team before they waste too much money.
- **Gain a single solution across markets.** Some of the interviewees said their organization had already rolled out the solution in several countries, but they mentioned the possibility of extending the solution even further to other countries.
- **Build data intelligence capabilities.** With the amount of data available through a cloud solution, decision-makers can analyze it to build insights and new business opportunities and to increase the top-line revenue. Moreover, organizations can reduce their costs by understanding spending data and identifying areas where savings could be made.
- **Drive Innovation.** Organizations might also take advantage of additional innovative services that Basware provides. For example, they could use Basware Smart PDF to create a touchless invoice automation process and realize maximum efficiency. Also, Basware's financing services like Dynamic Discounting and Basware ePayments

can help organizations optimize their working capital. In turn, this allows decision-makers to responsibly invest into their own businesses by generating cash from operations without running the risk of incurring any additional debt.

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
Gtr	Technology and professional services costs	\$82,500	\$297,000	\$297,000	\$297,000	\$973,500	\$821,095
Htr	Internal labor costs	\$139,656	\$29,146	\$29,146	\$29,146	\$227,093	\$212,137
ltr	Change management costs	\$160,600	\$27,500	\$0	\$0	\$188,100	\$185,600
	Total costs (risk-adjusted)	\$382,756	\$353,646	\$326,146	\$326,146	\$1,388,693	\$1,218,832

## TECHNOLOGY AND PROFESSIONAL SERVICES COSTS

**Evidence and data.** Each of the six interviewees said their organization uses Basware's cloud solutions along with professional services from Basware to implement the solution and to learn from best practices.

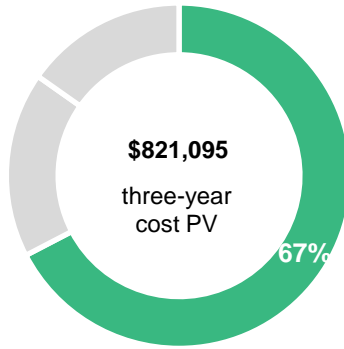
**Modeling and assumptions.** For the composite organization, Forrester assumes that:

- The organization deploys several of Basware's products such as Basware's P2P cloud solution, including its accounts payable automation solution, network e-invoicing, scanning, and capture services, and the Basware procurement solution.
- The organization manages approximately 160,000 invoices and 30,000 purchase orders per year.
- The percent of e-invoices steadily increases from 14% initially to 75% in Year 3. On the other hand, the proportion of paper invoices decreases from an initial 72% to 5% in Year 3 of the analysis. The rest of the invoices are received as PDF files.

- The initial professional services and startup fees are estimated at approximately \$75,000.
- The annual subscription fee is estimated at \$270,000 per year.

### Risks.

- The professional services, startup, and annual subscription costs are estimated according to the high-level characteristics of the composite organization.
- The total costs also include volume-based and transaction costs that could vary for different organizations.
- Software costs may also vary from organization to organization, considering different licensing agreements, other products the same vendor may license, and other discounts.
- To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$821,095.



*Technology And Professional Services Costs [67% of total costs] [\$821,095 three-year cost PV]*

### Technology And Professional Services Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
G1	Professional services and startup costs	Customer interviews	\$75,000			
G2	Software subscription fees	Customer interviews		\$270,000	\$270,000	\$270,000
Gt	Technology & professional services costs	F1+F2	\$75,000	\$270,000	\$270,000	\$270,000
	Risk adjustment	↑10%				
Gtr	Technology and professional services costs (risk-adjusted)		\$82,500	\$297,000	\$297,000	\$297,000
Three-year total: \$973,500			Three-year present value: \$821,095			

### INTERNAL LABOR COSTS

**Evidence and data.** The costs described in this section take into account the following costs related to employees:

- Incremental efforts related to the initial setup of the Basware solution.
- Efforts for the ongoing support (including supplier enablement).
- Overall governance of the Procure-to-Pay solution.
- Interviewees said the total implementation and deployment time falls in the range of six to nine months.

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

- Six staff members dedicate 50% of their time during six months for the initial implementation and rollout.
- On average, the organization spends five person-days for ongoing support including supplier enablement.
- On average, the organization spends three person-days for general governance of the P2P solution.

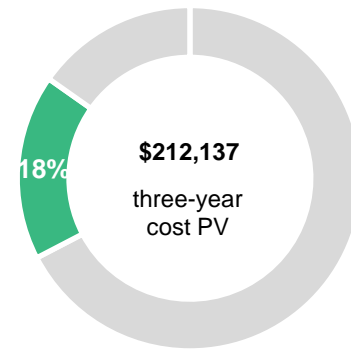
#### Risks.

- The initial efforts for Basware implementation, ongoing support, and governance requirements vary by organization. They are estimated for the composite organization.



- The average fully loaded hourly rate may vary from market to market, and it also depends on resource experience.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$212,137.



*Internal Labor Costs [18% of total costs] [\$212,137 three-year cost PV]*

Internal Labor Costs						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
H1	Internal setup efforts (in person-hours)	Assumption: 6 people at 50% for 6 months	2,760			
H2	Ongoing support efforts (in person-hours)	5 days per month		360	360	360
H3	Ongoing governance efforts (in person-hours)	3 days per month		216	216	216
H4	Average fully loaded hourly rate	Assumption: \$85,000/1,840 hours per year	\$46	\$46	\$46	\$46
Ht	Internal labor costs	(H1+H2+H3)*H4	\$126,960	\$26,496	\$26,496	\$26,496
	Risk adjustment	↑10%				
Htr	Internal labor costs (risk-adjusted)		\$139,656	\$29,146	\$29,146	\$29,146
Three-year total: \$227,093			Three-year present value: \$212,137			

## CHANGE MANAGEMENT COSTS

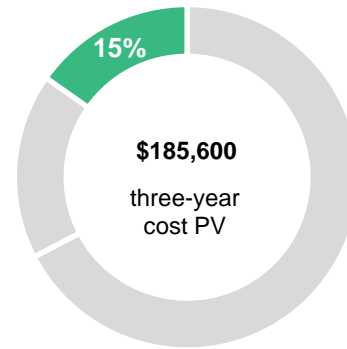
**Evidence and data.** The costs described in this section account for change management costs including materials, resources, communications, and travel, as well as time that end users spend on training.

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

- The change management and training requirements vary by company. They are estimated for the composite organization.
- In addition, there can be several secondary costs such as general expenses, consultant costs, and event costs that may vary from organization to organization.

## Risks.

To account for these assumptions and variance around change management costs, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$185,600.



Change management costs [15% of total costs]  
[\$185,600 three-year cost PV]

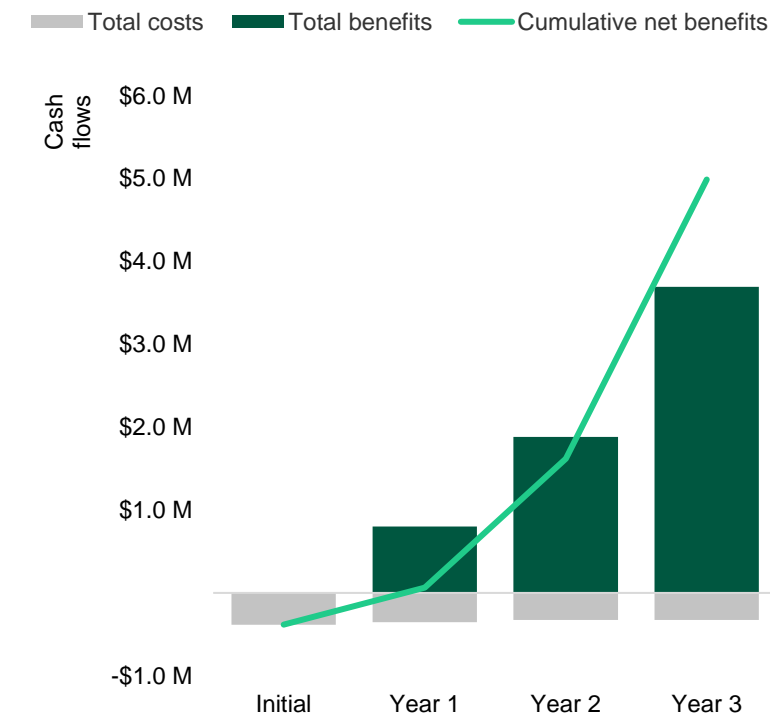
## Change Management Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
I1	Change management costs		\$100,000	\$25,000		
I2	Number of end users	Customer interviews	500			
I3	Average number of hours spent on training per end user	Customer interviews	2			
I4	Average fully loaded hourly rate	Assumption: \$85,000/ 1,840 hours per year	\$46			
I5	End user training costs	H2*H3*H4	\$46,000			
It	Change management costs	H1+H5	\$146,000	\$25,000	\$0	\$0
	Risk adjustment	↑10%				
Itr	Change management costs (risk-adjusted)		\$160,600	\$27,500	\$0	\$0
Three-year total: \$188,100			Three-year present value: \$185,600			

# 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	(\$382,756)	(\$353,646)	(\$326,146)	(\$326,146)	(\$1,388,693)	(\$1,218,832)
Total benefits	\$0	\$801,720	\$1,881,720	\$3,695,220	\$6,378,660	\$5,060,250
Net benefits	(\$382,756)	\$448,074	\$1,555,574	\$3,369,074	\$4,989,967	\$3,841,418
ROI						315%
Payback period (months)						11.0

## 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.

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