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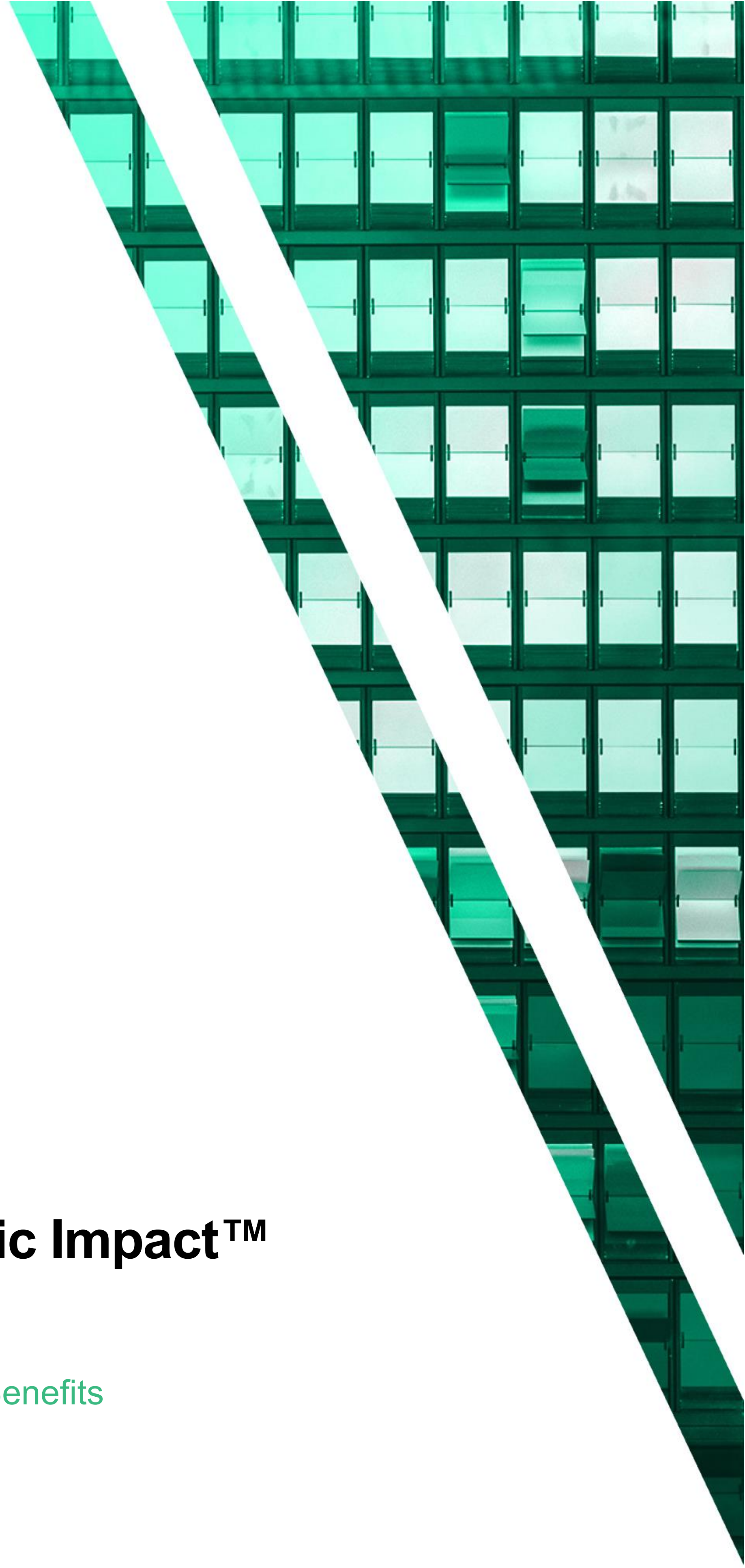

The Total Economic Impact™ Of Centerfield

Cost Savings And Business Benefits Enabled By Centerfield

OCTOBER 2020

A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY COMMISSIONED BY CENTERFIELD

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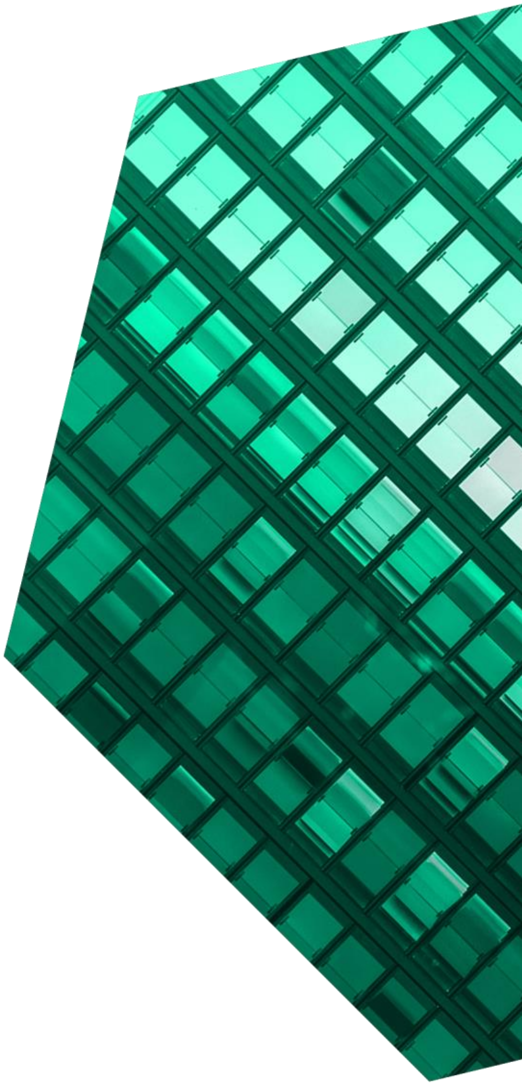


ABOUT FORRESTER CONSULTING

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

Executive Summary

Marketing and sales leaders are in a constant battle of customer acquisition and growing market share. Having the right approach and tools to acquire and retain customers through lead generation, search marketing, and sales engagement becomes critically important. In addressing this, organizations grapple with strategic decisions to optimize sales and marketing engagement for effective growth and customer acquisition success.

Centerfield commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying the Centerfield Dugout platform. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Centerfield on their organizations. Through its digital marketing services and end-to-end customer acquisition platform, Dugout, Centerfield aims to provide customers with more accurate and effective customer acquisition and sales conversions.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four customers with experience using Centerfield. For the purposes of this study, Forrester aggregated the experiences of the interviewed customers and combined the results into a single composite organization.

Before investing in Centerfield, the interviewed customers invested in a range of customer acquisition activities, and they worked with multiple partnerships for advertising, pay-per-click models, and lead acquisition activities.

After the investment in Centerfield, the customers were able to replace these approaches with a single platform and customer experience across brand and non-brand channels, yielding higher returns from their digital customer acquisition activities.

KEY STATISTICS

Return on investment (ROI)
236%

Net present value (NPV)
$112,022,564

“Centerfield’s scale and technology, like Dugout, are more sophisticated, and they capture people who don’t know our brand.”

VP sales and distribution, high-tech communications company

KEY FINDINGS

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

- **Increased customer activation rates by 40%.** Catered customer engagement, search option calibration, and branded and nonbranded programs enable Centerfield to deliver more sales per impression and increased activated customers as a result. For the composite organization, this provides a PV benefit of $150,219,130 in sales volume.
- **Sales and marketing productivity improvements of $9,247,524.** Interviewed customers said Centerfield's services and platform provide them more specific and efficient ways to gather leads and customer prospects. This provides better efficiency for sales and marketing teams that traditionally processed leads through phone and email channels.

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

- **Uplifted brand experience.** Centerfield's control of the customer experience, from digital search to sales, allows the interviewed customers to develop a more sustained and customer-centric engagement that benefits their brand equity in the market.
- **End-to-end sales and marketing strategy.** The platform that Centerfield provides includes brand and non-brand search, branded microsites, omni-channel buying experiences, and dedicated call center agents. This enables customers to have a more cohesive view of their customer acquisition success. Efficiency in marketing implementations such as A/B testing and other automated optimizations is another key benefit that customers experience with Centerfield's comprehensive set of services.
- **Low risk investment with cost model.** Because Centerfield only charges for the number of customers it onboards from its services, customers are able to spend their marketing dollars more efficiently and with greater transparency.

> **"It is a partnership first and foremost with Centerfield. It manages our brand domains and our nonbrand pay-per-click, and ensures we are represented properly in the market."**
>
> *Sales leader, home security company*

Costs. Risk-adjusted PV costs include:

- **Fees on customer acquisition rates.** Centerfield's unique costing model follows a cost-per-acquisition structure. Centerfield charges for the number of customers acquired from its specific marketing and sales services. For the composite organization, this results in a cost of $47,404,959.
- **Implementation and ongoing management effort.** As an integral part of customer acquisition initiatives, Centerfield customers need to account for effort on initial implementation of the platform and services, as well as for regular meetings and analysis about customer and sales growth with the Centerfield team. Considering an average of 2 hours per week on these efforts, the composite organization experiences a cost of $39,131 for this.

The customer interviews and financial analysis found that the composite organization experiences benefits of $159,466,654 over three years versus costs of $47,444,090, adding up to a net present value (NPV) of $112,022,564 and an ROI of 236%.

ROI
236%

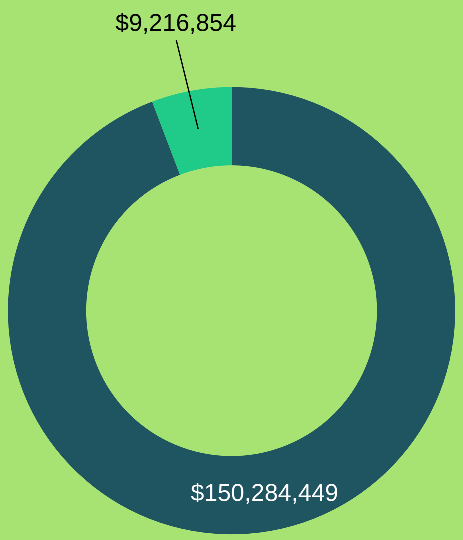
BENEFITS PV
$159,466,654

NPV
$112,022,564

PAYBACK
<3 months

Benefits By Category

Increase in sales volume   Sales and marketing productivity improvement



Customer acquisition through Centerfield's platform and marketing services provide 94% of total benefits to customers.

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 Centerfield.

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 Centerfield can have on an organization.

DUE DILIGENCE

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

CUSTOMER INTERVIEWS

Interviewed four decision-makers at organizations using Centerfield 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.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Centerfield 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 Centerfield.

Centerfield 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.

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

The Centerfield Customer Journey

Drivers leading to the Centerfield investment

Interviewed Organizations			
Industry	**Region**	**Interviewee**	**Company annual revenue (USD)**
Telecommunications	North America	Sales leader	$170 billion
Payments	North America	Chief executive	$10 million
Home security	North America	Sales leader	$1 billion
High-tech communications	North America	VP of sales and distribution	$2 billion

KEY CHALLENGES

Before the Centerfield implementation, interviewed customers invested in a range of customer acquisition activities, and they worked with multiple partnerships for advertising, pay-per-click models, and lead acquisition activities.

The interviewed organizations struggled with common challenges, including:

- **Lack of effectiveness in customer acquisition and conversions.** With generic pay-per-click models, interviewed customers were unable to see effective sales per impression and customer acquisition impact their existing initiatives.
- **Risky sales and marketing spend with less transparency of sales impact.** Traditional ad buys and marketing spend would incur considerable investments from customers, but with limited clarity on its impact on their leads and sales conversions.

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four companies that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a North America-based multibillion-dollar telecommunications conglomerate with products and services in mobile, broadband, and TV. The composite's subsidiaries also cater to home devices, including home security systems and hardware. The organization has a strong brand, global operations, and a large customer base of about 20 million customers. The average value of its products is $480.

Deployment characteristics. The organization has a sales and marketing team of around 800 employees, and it has deployed Centerfield for its paid search marketing, call center sales, and digital marketing services across multiple channels.

Key assumptions

- **$100 billion annual revenue**
- **Average product value of $480**
- **Gross margins of 60%**
- **Hourly rates for sales and marketing staff between $25 and $30**

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	Increase in sales volume	$51,300,000	$62,088,390	$69,571,433	$182,959,823	$150,219,130
Btr	Sales and marketing productivity improvement	$3,630,900	$3,756,376	$3,783,052	$11,170,328	$9,247,524
	Total benefits (risk-adjusted)	$54,930,900	$65,844,766	$73,354,485	$194,130,151	$159,466,654

INCREASE IN SALES VOLUME

Evidence and data. The increase in customer acquisitions and sales volumes provide the following benefits:

- Through traditional marketing initiatives, the composite organization would have gathered a nominal 5% increase in its rate of customer activations growth, with a base of annual customer activations of around 150,000 customers.
- Centerfield's efforts across microsites, paid search across branded and nonbranded programs as well as catered sales agents and omnichannel services increases the composite organization's customer acquisitions from 25% growth in Year 1 to 45% growth by Year 3. These increases are based on incremental increases in services that Centerfield provides to customers during the three-year period.
- Through this growth rate, the composite organization incurs a net increase in activation of 215,931 customers from Centerfield alone. With an average product value of $480, this incurs a net revenue gain of close to $108 million for the composite.

Modeling and assumptions. This section assumes the following:

- Gross margins for the composite's industry are at an average of 60% during the three-year period.
- Native growth in activated customers is at 5% before the Centerfield investment.
- Average product values gain a price increase of 3% annually, considering inflation and other economic factors.

Risks. In this calculation, the model considers the following risks:

- Long-term stability of customer activation growth rates beyond the three-year period.
- Discrepancies in average product value.
- Competitive risk of knowledge share among Centerfield's customer base in similar industries.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $150,219,130.

Increase In Sales Volume					
Ref.	**Metric**	**Calculation**	**Year 1**	**Year 2**	**Year 3**
A1	Number of customer activations annually before Centerfield	Year 1: Composite; Years 2 and 3: $A1^{PY}$*(1+5%)	150,000	157,500	165,375
A2	Rate of increase in customer activations after Centerfield	Composite	25%	40%	45%
A3	Number of customer activations gathered by Centerfield	A1*(1+A2)	187,500	220,500	239,794
A4	Average unit revenue	Year 1: Composite; Years 2 and 3: $A3^{PY}$*(1+3%) (showing rounded value)	$480	$494	$509
A5	Annual revenue gathered from Centerfield customer activations	A3*A4	$90,000,000	$108,927,000	$122,055,146
A6	Gross margin	Assumption	60%	60%	60%
At	Increase in sales volume	A5*A6 (showing rounded value)	$54,000,000	$65,356,200	$73,233,088
	Risk adjustment	↓5%			
Atr	Increase in sales volume (risk-adjusted)		$51,300,000	$62,088,390	$69,571,433
	Three-year total: $182,959,823		**Three-year present value: $150,219,130**		

SALES AND MARKETING PRODUCTIVITY IMPROVEMENT

Evidence and data. Centerfield's efficiency and end-to-end marketing services provided customers with the following benefits:

- Prior to using Centerfield, sales and marketing teams had to leverage sales and marketing staff to sift through email marketing campaigns, cold calls, and traditional digital marketing to gather leads for sales managers to further engage for sales conversions.
- Centerfield's suite of services and targeted campaigns provided more qualified leads for sales engagement in a much more efficient way. This reduced the time marketing staff required to process leads by 30%. In fact, after the Centerfield investment, junior sales staff responsible for lead-generation activities were no longer required, reducing sales staff needs by 10%.

Modeling and assumptions. This model considers the following assumptions:

- Productivity conversion of saved marketing hours is at 50%.
- The hourly wage rate of sales and marketing staff is between $25 to $30 per hour on average.

Risks. This model considers the following risks:

- Less attribution to Centerfield directly on sales staff reduction.
- Industry averages on wage rates.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of $9,247,524.

"It's more clear-cut how much I am spending per qualified lead. . . . There's more transparency on the profits I would be gaining from my digital marketing efforts."

Chief executive, payments company

Sales And Marketing Productivity Improvement					
Ref.	**Metric**	**Calculation**	**Year 1**	**Year 2**	**Year 3**
B1	Number of sale agents	Composite	500	500	500
B2	Reduction in sales agents	Composite	10%	10%	10%
B3	Number of hours reduced	B1*B2*2,080	104,000	104,000	104,000
B4	Average hourly salary	Assumption	$30	$31	$31
B5	Reduction in cost of sales agents	B3*B4	$3,120,000	$3,224,000	$3,224,000
B6	Number employees in marketing	Composite	90	90	90
B7	Percentage of time saved from phone and email leads	Composite	30%	30%	30%
B8	Number of hours saved	B6*B7*2,080	56,160	56,160	56,160
B9	Productivity conversion of marketing staff	Assumption	50%	50%	50%
B10	Average hourly salary of marketing staff	Assumption	$25	$26	$27
B11	Improvement in productivity of marketing staff	B8*B9*B10	$702,000	$730,080	$758,160
Bt	Sales and marketing productivity improvement	B5+B11	$3,822,000	$3,954,080	$3,982,160
	Risk adjustment	↓5%			
Btr	Sales and marketing productivity improvement (risk-adjusted)		$3,630,900	$3,756,376	$3,783,052
		Three-year total: $11,170,328		**Three-year present value: $9,247,524**	

FLEXIBILTY

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

- New opportunities for product lines and customer success.
- Brand equity with branded and nonbranded search**.**

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

> **"We're driving more yield, and Centerfield is bringing in more activation. . . . The improvement and optimization really helps the channel accelerate."**
>
> *Sales leader, telecommunications company*

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**
Ctr	Centerfield acquisition fees	$0	$13,200,000	$18,480,000	$26,796,000	$58,476,000	$47,404,959
Dtr	Implementation and ongoing management internal cost	$28,812	$4,150	$4,150	$4,150	$41,261	$39,131
	Total costs (risk-adjusted)	$28,812	$13,204,150	$18,484,150	$26,800,150	$58,517,261	$47,444,090

CUSTOMER ACQUISITION COSTS

Evidence and data. The predominant portion of Centerfield's cost model is a cost per lead for acquired customers from the Centerfield platform and services.

- The composite organization experiences an average monthly cost of $1 million from customers acquired in the first year. This grows on a yearly basis, based on the rate of increase in customers acquired.
- Over the three-year timeframe, the composite sees an average annual cost of $17.7 million for the customers acquired and sales incurred.

Modeling and assumptions. This model considers the following assumptions:

- Monthly cost per lead fee based on customer acquisition efforts by Centerfield.
- Growth rate of costs corresponding to customer acquisition growth rates in totality.

Risks. Considering risks in cost accuracy across interviewed customers and little variance in the cost model, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $47,404,959.

Customer Acquisition Fees						
Ref.	**Metric**	**Calculation**	**Initial**	**Year 1**	**Year 2**	**Year 3**
C1	Average monthly cost	Composite	0	1,000,000	1,400,000	2,030,000
Ct	Centerfield acquisition fees	C1*12	$0	$12,000,000	$16,800,000	$24,360,000
	Risk adjustment	↑10%				
Ctr	Customer acquisition fees (risk-adjusted)		$0	$13,200,000	$18,480,000	$26,796,000
	Three-year total: $58,476,000			**Three-year present value: $47,404,959**		

IMPLEMENTATION AND MANAGEMENT

Evidence and data. Centerfield implementation involves up to eight weeks of setup to build the templates, websites, and demand generation activities.

- For the composite organization, setup involves up to five sales staff members and two marketing staff members.
- Ongoing management and monitoring of customer acquisition involves 2 hours of staff time every week. This incurs an ongoing cost of sales and marketing time of $4,000 every year.

> **"[Centerfield] allowed us to grow more efficiently to a higher level we probably wouldn't have been able to achieve. It is a major partner."**
>
> *Chief executive, payments company*

Modeling and assumptions. This model considers the following assumptions:

- The hourly rates of marketing and sales staff is between $20 to $30 per hour.
- Ongoing management across marketing teams would mainly include senior marketing managers.

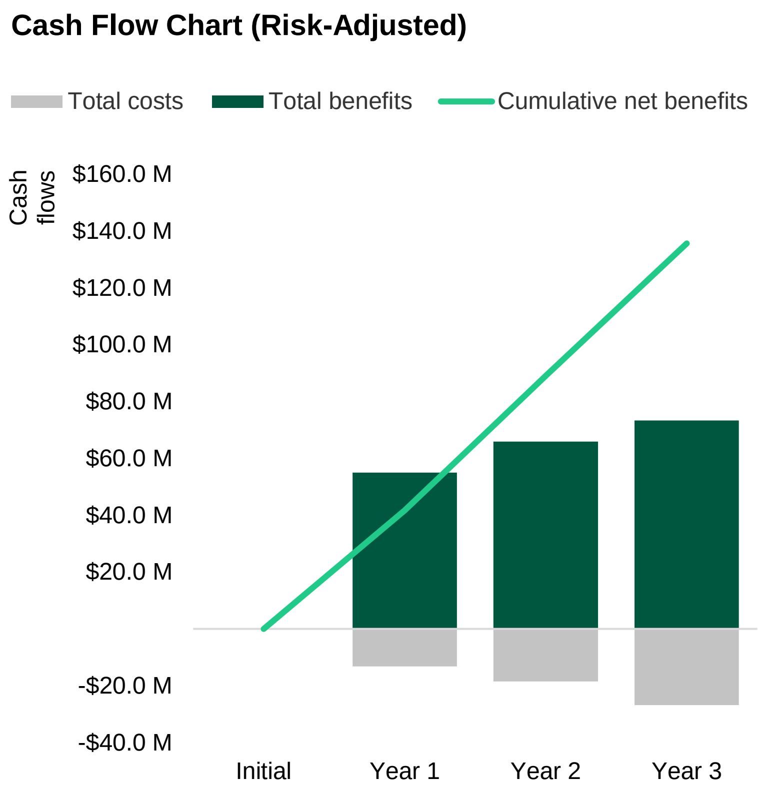
Risks. To account for risks in cost of marketing and sales teams, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $39,131.

Implementation And Management Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
D1	Number of sales staff members involved in initial setup	Composite	5			
D2	Number of marketing staff members involved in initial setup	Composite	2			
D3	Number of weeks for initial setup	Composite	8			
D4	Number of hours per week per sales and marketing staff members in initial setup	Composite	10			
D5	Number of hours by sales and marketing staff members in initial setup	(D1+D2)*D3*D4	560			
D6	Average sales staff hourly salary	Assumption	$30			
D7	Average marketing staff hourly rate	Assumption	$19			
D8	Cost of sales and marketing hours for initial setup	(D5*D6)+(D5*D7)	$27,440			
D9	Number of hours required for ongoing management	Assumption	0	104	104	104
D10	Average marketing manager hourly salary	Assumption	$38	$38	$38	$38
D11	Ongoing management cost	D9*D10	$0	$3,952	$3,952	$3,952
Dt	Implementation and ongoing management internal cost	D8+D11	$27,440	$3,952	$3,952	$3,952
	Risk adjustment	↑5%				
Dtr	Implementation and management costs (risk-adjusted)		$28,812	$4,150	$4,150	$4,150
	Three-year total: $41,261			**Three-year present value: $39,131**		

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS



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	($28,812)	($13,204,150)	($18,484,150)	($26,800,150)	($58,517,261)	($47,444,090)
Total benefits	$0	$54,930,900	$65,844,766	$73,354,485	$194,130,151	$159,466,654
Net benefits	($28,812)	$41,726,750	$47,360,616	$46,554,336	$135,612,890	$112,022,564
ROI						236%
Payback						<3 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."

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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