

FORRESTER®

The Total Economic Impact™ Of Zywave

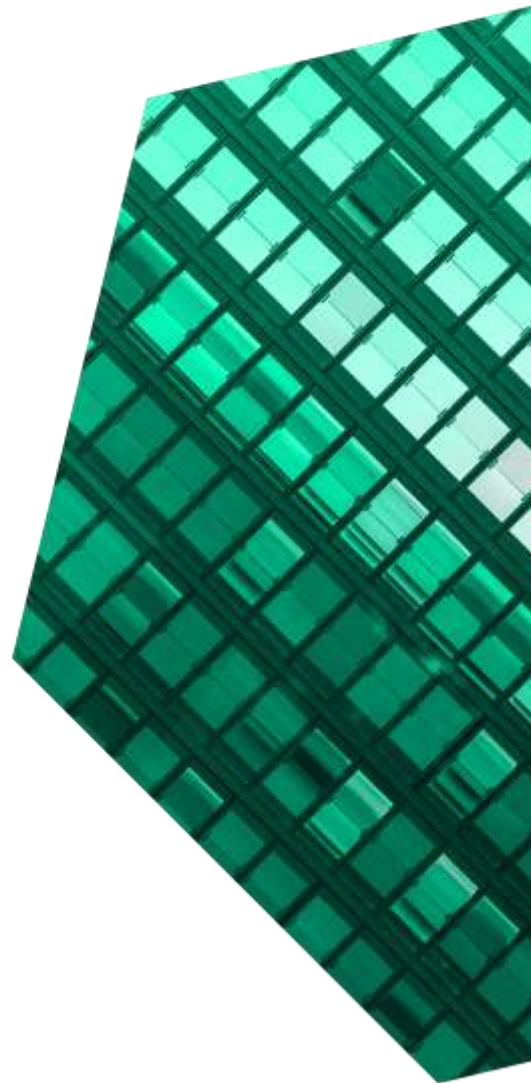
Cost Savings And Business Benefits
Enabled By Zywave

OCTOBER 2022

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ABOUT FORRESTER CONSULTING

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Executive Summary

As the competitive insurance industry continues to evolve and experience disruptions from the COVID-19 pandemic, the Affordable Care Act (ACA), and other legislative actions, the importance of finding more effective means of supporting clients, finding prospects, and improving organizational efficiency increases. Zywave's cloud-based portfolio of sales management, client delivery, digital content, and analytics solutions differentiates organizations, expands client services, reduces costs, and grows business.

Zywave provides a broad portfolio of insurance software-as-a-service (SaaS) solutions for carriers, agencies, and insurance adjacent markets to help customers in these industries. The company's software tools support processes across the full insurance policy lifecycle from prospecting and quoting to administration and renewing.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed seven representatives at six organizations with experience using Zywave solutions. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#).

KEY STATISTICS



Return on investment (ROI)
160%



Net present value (NPV)
\$4.11M

Prior to using Zywave, these interviewees noted how their organizations lacked efficient ways to identify potential customer prospects and gather accurate and topical information for marketing drip campaigns. Small and midsize insurance agencies struggled to find the time and resources to profitably offer value-adding services that supported customers and increased retention rates. Configuring, pricing, and quoting comparable policy rates relied heavily on inefficient and error-prone manual processes. Producers, administrators, and marketers struggled to adjust to the rapid changes caused by the ACA, Occupational Safety And Health Administration (OSHA) policies, and the COVID-19 pandemic.

Adopting Zywave's tools helped the interviewees organizations' successfully address these challenges. Each of the interviewees' said their organizations improved the efficiency of prospecting and selling to their clients. In addition, these companies found more cross-selling opportunities and reduced marketing

Total three-year benefits

\$6.7 million



costs. The interviewees said that Zywave differentiated their companies and increased customer retention by providing value-adding services and access to informational guidance.

KEY FINDINGS

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

- **Increased prospecting effectiveness in the benefits insurance market, valued at \$2.2 million.** For the composite organization, sales representatives in the benefits market use Zywave to efficiently identify potential prospects and complete the research necessary to prepare proposals. Informational resources Zywave compiles educate and assist producers, and access to those resources can be extended to support clients directly.
- **Increased prospecting effectiveness in the commercial insurance market, valued at \$1.9 million.** Zywave improves the composite organization's legacy processes for prospecting. Sales representatives (or "producers") in the commercial insurance groups effectively discover new target organizations and increase the volume of outreaches to prospects and clients.
- **Increased prospecting effectiveness in the individual insurance market, valued at just over \$608,000.** Deploying Zywave enables the composite organization's producers who are focused on the individual insurance market to increase the frequency and extend the reach of marketing campaigns. Informational portals and legislative briefs keep representatives and their clients informed of legislative actions impacting their insurance policies.
- **Increased cross-selling opportunities, valued at almost \$858,000.** Zywave helps the composite organization's producers across commercial and benefit insurance lines better anticipate the coverage needs of clients and

prospects. As a result, the composite more consistently identifies and pursues cross-selling opportunities.

- **Marketing cost reduction, valued at \$698,000.** The composite organization reduces the reliance on manual efforts it previously used to develop and distribute specialized industry information and legislative briefs, saving marketing costs. The composite uses the resources Zywave develops to reallocate marketing labor to other value-adding tasks and avoid additional hires.
- **Increased marketing and administrative productivity, valued at \$423,000.** Resources available through Zywave's cloud platforms help the composite organization increase the productivity of marketing administrative staff. The composite uses Zywave-curated content to efficiently support clients in managing compliance, mitigating risk, and assisting staff with HR responsibilities.

"It was content that was up to date. The laws were changing quite rapidly, and we were able to capitalize on our investment because we were regularly prepared to send out updates that were needed to our client base."

VP, operations, independent insurance agency

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

- **Better name recognition.** Interviewees appreciated the resources and capabilities Zywave provided, which helped boost their

organizations' name recognition. The interviewees' organizations could regularly send valuable, vetted content marketing resources, which helped make their company appear to be a bigger competitor.

- **Increased customer stickiness.** Zywave empowered the interviewees' organizations to provide their clients with differentiating benefits, such as generating HR files and storing training logs or other compliance-related records. The more that clients utilized and came to depend on these services, the more difficult it became for them to consider changing insurance providers.
- **Keeping the lights on during shutdowns.** The cloud-based functionality of Zywave's solutions was especially valuable during the pandemic shutdowns. Clients appreciated that their agency was still working for them and for prospects, the outreach helped the organization differentiate from agencies that had to pause or curtail business activities.
- **Accelerated employee ramp up.** Zywave provided the interviewees' organizations with resources in Client Cloud and Content Cloud that helped new employees quickly learn about the insurance industry and how to execute tasks they needed to become an effective sales representative, such as how to run a campaign and make follow-up calls.
- **Provided peace of mind.** Industry updates and other specialized information Zywave experts provided through the Content Cloud gave staff throughout the interviewees' organizations peace of mind. Staff had confidence in the quality, accuracy, and timeliness of the materials.

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

- **Licensing, planning, and implementation costs, totaling \$1.5 million over three years.** Zywave determines licensing costs based on the

“One of the reasons I love Zywave is that it’s the solution to most of the things that we need to be different and efficient and on top of things. And it’s all right there.”

Property and casualty (P&C) project manager, insurance and financial services

company size and the solutions deployed. For the composite organization, the planning and implementation processes are clear and well-supported. Zywave representatives directly attend to most of the implementation activities.

- **Overall training costs of \$780,000 over three years.** Zywave provides initial training to the composite organization without additional fees beyond licensing. To become more familiar with operation of the tools and the scope of resources that are available through the Zywave clouds, the composite's users spend self-directed learning time.
- **Establishing and maintaining a center of excellence focused on Zywave, totaling \$312,000.** The composite organization establishes a center of excellence (COE) team of three staff that is focused on optimizing the Zywave investment by coordinating training, identifying and developing champions for the tools in their organization, and serving as a primary point of contact for Zywave customer success managers.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$6.68 million over three years versus costs of \$2.57 million, adding up to a net present value (NPV) of \$4.11 million and an ROI of 160%.



ROI
160%

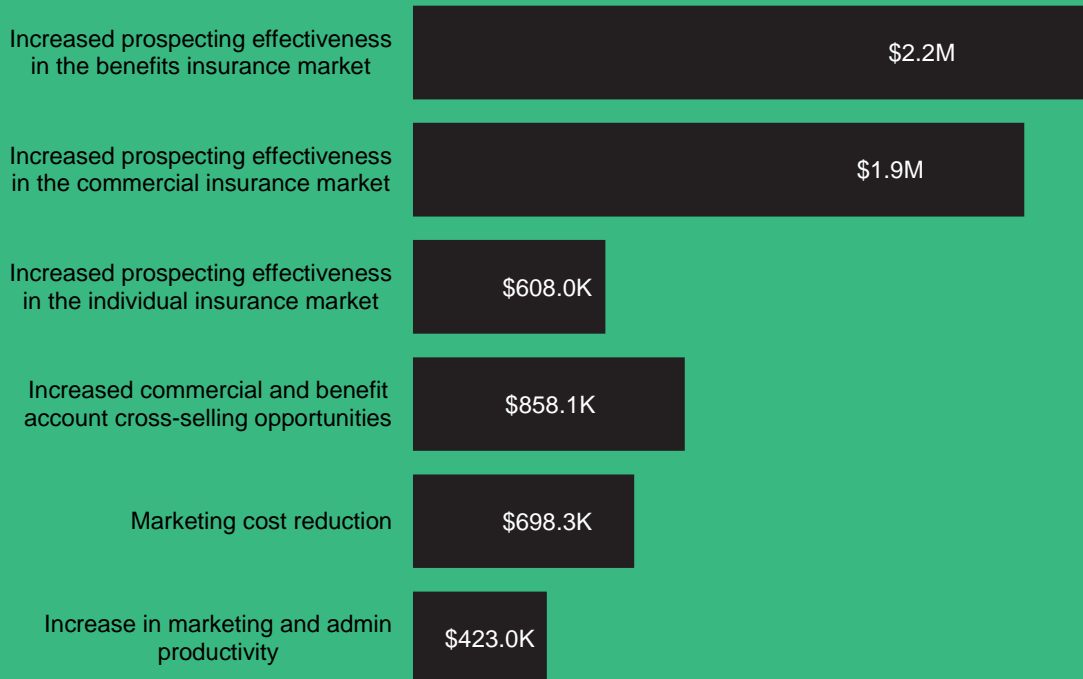


BENEFITS PV
\$6.68M



NPV
\$4.11M

Benefits (Three-Year)



“Zywave's history proves itself. They've continued to constantly evolve. It's really become a turnkey insurance solution technology.”

— Senior advisor, corporate services, insurance brokerage and consultant

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 Zywave.

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 Zywave can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Zywave 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 Zywave.

Zywave 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.

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



DUE DILIGENCE

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



INTERVIEWS

Interviewed six representatives at organizations using Zywave solutions to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

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



FINANCIAL MODEL FRAMEWORK

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



CASE STUDY

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

The Zywave Customer Journey

Drivers leading to the Zywave investment

Interviews			
Role	Industry	Region	Revenue
Senior advisor, corporate services	Insurance brokerage and consultant	Global scope, HQ in US (New York)	\$1.3 billion
Risk control and safety director	Full-service insurance agency	US scope, HQ in US (Kentucky)	\$80 million
VP, operations	Independent insurance agency	US scope, HQ in US (Wisconsin)	\$60 million
VP, employee benefits	Independent insurance agency	US scope, HQ in US (Illinois)	\$46 million
VP, marketing	Independent insurance agency	US scope, HQ in US (Illinois)	\$46 million
Property and casualty (P&C) project manager	Insurance and financial services	US scope, HQ in US (Vermont)	\$20 million
Executive VP, account operations	Insurance brokerage consulting	Canada scope, HQ in Canada (Ontario)	\$5 million

KEY CHALLENGES

Before the investment in Zywave, the interviewees' organizations struggled to balance the sometimes competing business goals of growth, client retention, and operational efficiency. Decision-makers at the companies were seeking a solution that could help their organization stand out from competitors while providing end to end support for generating more revenue.

The interviewees shared common challenges to their organizations prior to the Zywave investment, including:

- **Ineffective prospecting and networking.** Traditional, manual prospecting processes were inefficient, hard to scale, and provided limited insight. The frequent reliance on face-to-face meetings grew even more challenging with the increase of mobile workers and from the impact of the pandemic.
- **Lots of inefficiencies by role.** Before using Zywave, the interviewees' organizations, especially the small and mid-sized agencies, labored to sell, quote, and retain business

"I don't think there's a project I do where I don't use Zywave. I always go to Zywave first to see if I can find materials."

Property and casualty (P&C) project manager, insurance and financial services

profitably. Because of multiple inefficiencies, it was challenging to get important operational support, customer service, and administrative tasks accomplished.

- **Providing value-adding differentiators while remaining profitable.** The interviewees' companies found it difficult to profitably complete all the necessary business responsibilities and often lacked the bandwidth needed to expand. Interviewees said they wanted to interact with

clients in more scalable and interesting ways and provide a better value proposition.

- **Competing against larger companies.** Small and mid-sized organizations struggled to stand out in a crowded field and contend with larger competitors. Interviewees said their teams needed efficient ways to develop content consistently and share it digitally.
- **Staying current with legislative changes (e.g., ACA, OSHA actions, etc.).** The pace of change impacting the insurance industry often overwhelmed agencies and their customers. The interviewees' organizations were seeking ways to quickly understand what legislative changes meant, how to concisely inform clients, and ensure continued compliance.

COMPOSITE ORGANIZATION

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

Description of composite. The composite organization is an independent insurance agency with 400 employees, located and doing business in North America. The company's 160 sales representatives are spread across three business units. The benefits and commercial insurance business units each employ 65 producers and generate \$30 million in annual revenue. The individual insurance market business unit has 30 producers and generates \$20 million in annual revenue.

Prior to implementing Zywave, the company relied on inefficient manual processes and general-purpose office productivity software to manage prospecting, selling, and customer support. The composite

organization's employees and clients often struggled to keep up with the frequent changes spurred by implementation of the ACA, OSHA decisions, and other legislative actions.

Deployment characteristics. The composite organization uses Zywave solutions to improve the reach and productivity of prospecting, educate and support clients and producers, and find other new efficiencies. The company uses solutions from Sales Cloud, Content Cloud, and within Client Cloud, miEdge. In addition to the 160 producers, the organization also has 15 FTEs in administrative or marketing roles that use Zywave solutions. The company creates a center of excellence (COE) team of three staff to support the deployment, coordinate trainings, and encourage use of the tools to help maximize benefits of the investment.

Key assumptions

- **Independent insurance agency**
- **\$80 million revenue (Benefits div. \$30M; Commercial div. \$30M; Individual div. \$20M)**
- **160 producers, 400 total employees**
- **Uses:**
 - **Broker Briefcase (Sales and Content Cloud)**
 - **BrokerageBuilder (Sales Cloud)**
 - **Client Cloud Business**
 - **miEdge (Sales Cloud)**

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	Increased prospecting effectiveness in the benefits insurance market	\$448,560	\$890,978	\$1,349,933	\$2,689,470	\$2,158,351
Btr	Increased prospecting effectiveness in the commercial insurance market	\$407,925	\$796,761	\$1,199,489	\$2,404,175	\$1,930,515
Ctr	Increased prospecting effectiveness in the individual insurance market	\$140,400	\$247,572	\$367,065	\$755,037	\$608,023
Dtr	Increased commercial and benefit account cross-selling opportunities	\$255,000	\$344,877	\$454,193	\$1,054,071	\$858,083
Etr	Marketing cost reduction	\$280,800	\$280,800	\$280,800	\$842,400	\$698,308
Ftr	Increase in marketing and admin productivity	\$170,100	\$170,100	\$170,100	\$510,300	\$423,014
	Total benefits (risk-adjusted)	\$1,702,785	\$2,731,088	\$3,821,579	\$8,255,452	\$6,676,294

INCREASED PROSPECTING EFFECTIVENESS IN THE BENEFITS INSURANCE MARKET

Evidence and data. Use of Zywave solutions helped benefits insurance sales representatives at the interviewees' organizations better identify potential prospects, prepare to address their needs, efficiently conduct email campaigns, and stay informed of rapid industry changes.

The interviewees found that applying these capabilities through the prospecting lifecycle enabled producers to make more outreaches and increase the percentage of prospects that were converted into clients. Increased prospecting outreach, combined with higher conversion rates, led to more sales for producers that used the tools and revenue growth for their organizations.

- Zywave's extensive prospecting databases enabled producers to rapidly develop large lists of potential prospects that could be filtered by numerous factors, such as location or revenue,

for efficient targeted campaign lists. Likewise, the information available through Zywave gave representatives more background on the target organization and its potential insurance needs. Interviewees believed this improved how prospects viewed producers and their agencies and increased sales success rates.

- The interviewees' organizations used email marketing automation capabilities from Zywave to efficiently run email drip campaigns. A senior advisor of corporate services with an insurance broker and consultant company estimated that setting up a campaign used to take a few hours, but could be done in about 15 minutes when using tools in the Zywave Sales Cloud. As a result of this increased efficiency, campaigns were run more often, increasing the number of times that prospects and existing clients were contacted. Interviewees believed that increasing the frequency of outreach improved sales conversion and customer retention rates.

- HR Hotline, a solution in the Client Cloud, provided access to experienced professionals that dispensed guidance on a range of HR topics. Interviewees noted that HR Hotline was a clear value differentiator and especially appreciated by small to mid-sized companies. These organizations often lacked both deep internal human resources expertise and the staffing to effectively carry out all of the necessary HR responsibilities.

A senior advisor of corporate services at an insurance brokerage and consultant organization said, “I sold a group the other day because of it.” They explained that the company’s office manager handled HR support and struggled to stay current with constantly changing laws. On the importance of HR Hotline in closing the sale, the senior advisor added: “It was instantaneous. The meeting went from ‘Hey, we’re just going to chat and maybe feel you out a little bit,’ to ‘We’ll let you know next week’ all in one meeting.”

Modeling and assumptions. To model this benefit for the composite organization, Forrester assumes:

- Just over half of the producers in the composite organization’s benefits insurance group add the use of Zywave tools into their prospecting and sales processes in Year 1.
- In Years 2 and 3, tool adoption in the group increases as more existing producers recognize the impact of the Zywave solutions and as new, younger producers are hired to counter employee attrition.
- Efficiency improvements enable producers that use the tools to increase their prospecting outreaches by 140% in comparison to legacy processes.

“Zywave has made us more agile, for sure. It helps us respond quickly to changes in the health insurance industry. It enables us to get information quickly to not just our producers and salespeople, but out to our clients as well.”

*Risk control and safety director,
independent insurance agency*

Risks. The impact of this benefit may vary depending on:

- The average prospecting success rate for producers before using Zywave tools.
- The percentage of producers that utilize Zywave tools and how effective the organization is in increasing the rate of tool use adoption.
- The percentage of the organization’s revenue that is generated from the benefits insurance market.
- The percentage of retained benefits insurance policies.
- The portion of benefits insurance policy payments recognized as agency revenue.
- The average operating margin of the agency.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2.2 million.

Increased Prospecting Effectiveness In The Benefits Insurance Market

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Number of prospecting touches per producer before Zywave	Interviews	200	200	200
A2	Number of prospecting touches per producer with Zywave	Interviews	480	480	480
A3	Increase in prospecting touches	A2-A1	280	280	280
A4	Sales success rate before Zywave	Interviews	11%	11%	11%
A5	Sales success rate with Zywave	Interviews	12%	12%	12%
A6	Number of benefits insurance producers adopting Zywave	Interviews	35	40	45
A7	Number of incremental sales with Zywave	$(A3 \cdot A5 + A1 \cdot (A5 - A4)) \cdot A6$	1,246	1,424	1,602
A8	Portion of new policy recognized as agency revenue	Interviews	\$1,600	\$1,600	\$1,600
A9	Subtotal: Revenue from new policy sales	A7*A8	\$1,993,600	\$2,278,400	\$2,563,200
A10	Retained benefits insurance customers (at an estimated 90% retention)	$(A7_{PY} \cdot 90\%) + (A10_{PY})$	0	1,121	2,291
A11	Portion of retained policy recognized as agency revenue	Interviews	\$1,500	\$1,500	\$1,500
A12	Subtotal: Revenue from retained policy sales	A10*A11	\$0	\$1,681,500	\$3,436,500
A13	Operating margin	TEI standard	25%	25%	25%
At	Increased prospecting effectiveness in the benefits insurance market	$(A9 + A12) \cdot A13$	\$498,400	\$989,975	\$1,499,925
	Risk adjustment	↓10%			
Atr	Increased prospecting effectiveness in the benefits insurance market (risk-adjusted)		\$448,560	\$890,978	\$1,349,933
Three-year total: \$2,689,470			Three-year present value: \$2,158,351		

INCREASED PROSPECTING EFFECTIVENESS IN THE COMMERCIAL INSURANCE MARKET

Evidence and data. The interviewees used solutions in the Zywave Sales Cloud to improve the efficiency of developing and managing prospecting campaigns in the commercial insurance market. Lead-sourcing databases reduced the time needed to compile and refine email campaign target lists. Zywave helped producers expand prospecting target lists by identifying companies matching their target criteria but that were previously unknown to the agency. Email automation capabilities that could quickly reach out to entire lists further reduced producer time on the task.

Zywave enabled the interviewees to see which targets opened, clicked on, or forwarded email messages, enhancing campaign efficiency by identifying potential prospects for additional follow up.

- A senior advisor of corporate services with an insurance brokerage and consultant agency explained how their organization used information about emails that elicited a response to help advance potential prospects through the sales lifecycle. They said: “If I am just emailing people and hoping they open my email, I have no way to validate any [interest]. I don’t know if my sales funnel is really filling up. Step one is initial engagement with someone, which any salesperson can tell you is the biggest pain in the neck. [Zywave] tracks it for you. So, I am leapfrogging steps one and two in the sales process.”
- A VP of operations with an independent insurance agency described how miEdge helped change prospecting practices used at their company. They said: “When we extended to miEdge, we were seeing deeper contact information on prospects [and] we could map it with a location indicator and by the size or revenue of the client. We could do very narrow scope searches for prospects, and that has been very beneficial.” A P&C project manager with an insurance and financial services company concurred, saying, “miEdge gives us a lot more insight to the prospect that we’re approaching.”
- Email automation solutions in the Zywave Sales Cloud improved the efficiency of running email marketing campaigns. The time savings enabled interviewees to run campaigns much more frequently, contributing to the discovery of new prospects.
- A P&C project manager with an insurance and financial services company explained their organization looked up public compliance records of clients to help manage risk. The compliance information was compiled in miEdge, which saved time when compared to their legacy process of going separately to OSHA, the U.S. Department of Labor, and other agencies to gather information manually. They added: “If OSHA is going to fine you, that means that you have potential for claims. We would rather you get a clean OSHA inspection because that means that your employees are safer.” The discussions that followed helped clients reduce risk for their employees, made them feel valued

“In the old days, prospecting was looking in the yellow pages to see what ABC Manufacturing is listed under and take a shot in the dark. Whereas, now miEdge gives us data to position ourselves as a strong independent agency for them to consider.”

VP, operations, independent insurance agency

by the agency, and led to identifying cross-selling opportunities.

Modeling and assumptions. To model this benefit for the composite organization, Forrester assumes:

- Just over half of the producers in the composite organization’s commercial insurance group add the use of Zywave tools into their prospecting and sales processes in the first year of the investment.
- In Years 2 and 3, tool adoption in the group increases as more existing producers recognize the impact of the Zywave solutions and as new, younger producers are hired to counter employee attrition.
- Efficiency improvements enable producers that use the tools to increase their prospecting outreaches by 140% in comparison to legacy processes.

Risks. The impact of this benefit may vary depending on:

- The average prospecting success rate for producers before using Zywave tools.
- The percentage of producers that utilize Zywave tools and how effective the organization is in increasing the rate of tool use adoption.

- The percentage of the organization’s revenue that is generated from the commercial insurance market.
- The percentage of retained commercial insurance policies.
- The portion of individual commercial policy payments recognized as agency revenue.
- The average operating margin of the agency.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1.9 million.

“The more times we touch a client, the more you’re in front of people and showing that you’re trying to service them, it’s going to help with retention.”

*Risk control and safety director,
independent insurance agency*

Increased Prospecting Effectiveness In The Commercial Insurance Market					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Number of prospecting touches per producer before Zywave	Interviews	250	250	250
B2	Number of prospecting touches per producer with Zywave	Interviews	600	600	600
B3	Increase in prospecting touches	B2-B1	350	350	350
B4	Sales success rate before Zywave	Interviews	8.0%	8.0%	8.0%
B5	Sales success rate with Zywave	Interviews	9.5%	9.5%	9.5%
B6	Number of commercial insurance producers adopting Zywave	Interviews	35	40	45
B7	Number of incremental sales with Zywave	$(B3*B5+B1*(B5-B4))*B6$	1,295	1,480	1,665
B8	Portion of new policy recognized as agency revenue	Interviews	\$1,400	\$1,400	\$1,400
B9	Subtotal: Revenue from new policy sales	$B7*B8$	\$1,813,000	\$2,072,000	\$2,331,000
B10	Retained commercial insurance customers (at an estimated 90% retention)	$(B7_{PY}*90%)+(B10_{PY})$	0	1,166	2,381
B11	Portion of retained policy recognized as agency revenue	Interviews	\$1,260	\$1,260	\$1,260
B12	Subtotal: Revenue from retained policy sales	$B10*B11$	\$0	\$1,469,160	\$3,000,060
B13	Operating margin	TEI standard	25%	25%	25%
Bt	Increased prospecting effectiveness in the commercial insurance market	$(B9+B12)*B13$	\$453,250	\$885,290	\$1,332,765
	Risk adjustment	↓10%			
Btr	Increased prospecting effectiveness in the commercial insurance market (risk-adjusted)		\$407,925	\$796,761	\$1,199,489
Three-year total: \$2,404,175			Three-year present value: \$1,930,515		

INCREASED PROSPECTING EFFECTIVENESS IN THE INDIVIDUAL INSURANCE MARKET

Evidence and data. Representatives in individual insurance groups used Zywave tools to increase the reach and frequency of drip campaigns, keep abreast of legislative actions impacting their market, distribute industry briefs relevant to their clients, and support price configuration and quoting tasks.

Interviewees said that the increased outreach and efficiency improvements across the sales lifecycle in comparison to their legacy processes enabled producers in their organizations that used Zywave tools to achieve quotas more consistently and drive revenue growth for their agency.

- Producers used Broker Briefcase to improve the efficiency of outreach to prospects. A senior advisor of corporate services with an insurance brokerage and consultant agency described the efficiency improvements that Zywave enabled. They said: “In the first two weeks of [the month] I’ve contacted 110 prospects at least twice on a new campaign that is just building up. If I was doing that on my own, I wouldn’t reach that many people in probably two months.” Sales generated from this campaign included a life insurance policy that is the largest of their career.
- The interviewees noted that Zywave helped both new and existing agents. For new agents, Zywave was especially helpful in augmenting training, filling sales pipeline, and building initial books of business. More established producers valued the resources available to quickly find answers to client questions or support of specific needs in their practice areas.
- A P&C project manager in insurance and financial services said about Zywave’s impact on their company’s sales groups: “It’s changed our sales process. It’s changed how we talk to clients. It’s changed so many things.”

Modeling and assumptions. To model this benefit for the composite organization, Forrester assumes:

- Half of the composite organization’s individual insurance market producers incorporate the use of the tools into their prospecting and sales processes in the first year of the investment.
- Tool adoption increases in subsequent years as more producers recognize the impact of the Zywave solutions and as new, younger producers that are on average more open to insurance technology are hired in response to employee turnover.
- Efficiency improvements enable producers using the tools to increase their prospecting outreaches by 150% in comparison to legacy processes.

“miEdge helps us grow because it’s a huge prospecting database that we can tap into for our pipeline management strategy.”

VP, operations, independent insurance agency

Risks. The impact of this benefit may vary depending on:

- The average prospecting success rate for producers before using Zywave tools.
- The percentage of producers that utilize Zywave tools and how effective the organization is in increasing the rate of tool use adoption.

- The percentage of the organization’s revenue that is generated from the individual insurance market.
- The percentage of retained individual insurance policies.
- The portion of individual insurance policy payments recognized as agency revenue.
- The average operating margin of the agency.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$608,000.

Increased Prospecting Effectiveness In The Individual Insurance Market					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Number of prospecting touches per producer before Zywave	Interviews	800	800	800
C2	Number of prospecting touches per producer with Zywave	Interviews	2,000	2,000	2,000
C3	Increase in prospecting touches	C2-C1	1,200	1,200	1,200
C4	Sales success rate before Zywave	Interviews	9.0%	9.0%	9.0%
C5	Sales success rate with Zywave	Interviews	14.0%	14.0%	14.0%
C6	Number of individual insurance producers adopting Zywave	Interviews	15	17	20
C7	Number of incremental sales with Zywave	$(C3 \times C5 + C1 \times (C5 - C4)) \times C6$	3,120	3,536	4,160
C8	Portion of policy recognized as agency revenue	Interviews	\$200	\$200	\$200
C9	Subtotal: Revenue from new policy sales	$C7 \times C8$	\$624,000	\$707,200	\$832,000
C10	Retained individual insurance policies (at an estimated 90% retention)	$(C7_{PY} \times 90\%) + (C10_{PY})$	0	2,808	5,710
C11	Portion of retained policy recognized as agency revenue	Interviews	\$140	\$140	\$140
C12	Subtotal: Revenue from retained policy sales	$C10 \times C11$	\$0	\$393,120	\$799,400
C13	Operating margin	TEI standard	25%	25%	25%
Ct	Increased prospecting effectiveness in the individual insurance market	$(C9 + C12) \times C13$	\$156,000	\$275,080	\$407,850
	Risk adjustment	↓10%			
Ctr	Increased prospecting effectiveness in the individual insurance market (risk-adjusted)		\$140,400	\$247,572	\$367,065
Three-year total: \$755,037			Three-year present value: \$608,023		

INCREASED COMMERCIAL AND BENEFIT ACCOUNT CROSS-SELLING OPPORTUNITIES

Evidence and data. Prior to the Zywave investment, the interviewees' organizations lacked an efficient way to determine which prospects or existing clients could be targeted for cross-selling opportunities. The ability of the organizations to pursue cross-selling was especially difficult wherever different sales groups used different practices or solutions to support prospecting and selling.

Using Zywave, interviewees noted producers had better insight into the coverage needs of clients and prospects, making it easier to identify potential cross-selling targets. By using Zywave tools to send informative, value-adding content to customers more frequently, staff at interviewees' organizations uncovered additional opportunities when that content spurred conversations about other challenges clients were facing.

A P&C project manager at an insurance and financial services company explained some of the ways their organization's use of Zywave tools increased opportunities to pursue cross-selling: "It's one of our sales pitches and it's a lot easier to cross-sell things because an employee benefits producer may get a question from a client asking about an employee handbook review ... or something along those lines. Then the producer introduces them to me and I try to turn that into a sale."

Modeling and assumptions. To model this benefit for the composite organization, Forrester assumes:

- The composite organization offers multiple insurance policy types.
- Zywave databases are utilized to identify existing and new clients that could be sold multiple policies and/or policy types the composite organization provides.
- The average number of policies per account increases each year due to a continued focus on pursuing cross-selling opportunities.

Risks. The impact of this benefit may vary depending on:

- The scope of insurance policy types an agency offers.
- The percentage of producers that utilize Zywave tools to investigate cross-selling opportunities.
- The average operating margin of the agency.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$858,000.

“Zywave allows agents in one market area to see what else [our company] could do for their clients.”

VP, operations, independent insurance agency

Increased Commercial And Benefit Account Cross-Selling Opportunities

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	New commercial and employee benefit accounts per year	B7+A7	2,541	2,904	3,267
D2	Total volume of commercial and employee benefit accounts	Total accounts+ E1 _{py}	20,000	22,541	25,445
D3	Number of policies per account before Zywave	Composite	1.50	1.50	1.50
D4	Number of policies per account with Zywave	Composite	1.55	1.56	1.57
D5	Number of new policies sold to existing customers	D2*(D4-D3)	1,000	1,352	1,781
D6	Portion of commercial and employee benefit cross-sales recognized as agency revenue	Interviews	\$1,200	\$1,200	\$1,200
D7	Increased commercial and employee benefit account revenue from added cross-selling opportunities	D5*D6	\$1,200,000	\$1,622,952	\$2,137,380
D8	Operating margin	TEI standard	25%	25%	25%
Dt	Increased commercial and benefit account cross-selling opportunities	D7*D8	\$300,000	\$405,738	\$534,345
	Risk adjustment	↓15%			
Dtr	Increased commercial and benefit account cross-selling opportunities (risk-adjusted)		\$255,000	\$344,877	\$454,193
Three-year total: \$1,054,071			Three-year present value: \$858,083		

MARKETING COST REDUCTION

Evidence and data. Prior to using Zywave, the interviewees' organizations relied on manual processes to find, develop, store, and distribute marketing content. After the investment, informational content and automated distribution capabilities enabled the interviewees to reallocate some marketing labor to other value-adding tasks and avoid hiring additional FTEs to cover marketing responsibilities.

- Broker Briefcase and miEdge helped save marketing staff time by providing summarized explanations of important industry news and legislative actions that were delivered in ready-to-distribute briefs. The executive VP of account operations with an insurance brokerage consulting agency said, "It's consolidated in a simple document and that helps to be an extension of our marketing team, that is very capable, very gifted in their skills, but they don't speak insurance." Of the savings, they added, "I don't even know how we would be generating these legislative and legal reviews without them. I can't imagine how much time that would cost us."
- Several interviewees said their organizations used miEdge or Broker Briefcase to efficiently execute marketing drip campaigns. Of the reliance on miEdge, the VP of operations with an independent insurance agency based in NY said, "They're my go-to if we're trying to do any kind of a drip campaign."

Modeling and assumptions. Based on the interviews, Forrester makes the following assumptions about the composite organization:

- Content libraries, automated email distribution, and other resources supporting marketing efforts are implemented in the first year of the Zywave investment.
- Improvements to marketing campaign execution helps drive revisions to other related marketing

processes. As a result, Forrester attributes only 65% cost reduction value to Zywave.

Risks. The impact of this benefit may vary depending on:

- The size of an organization's overall marketing budget prior to the Zywave investment.
- The extent to which the organization utilizes miEdge, Broker Briefcase, or other resources for content delivery from Zywave cloud solutions for drip campaigns and other marketing activities.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$698,000.

"If I didn't have miEdge, I would probably have to hire one-and-a-half more people to do what I do and creating new programs, policies, research, I would have to go make that up. I don't have to; Zywave has all those resources."

VP, employee benefits, independent insurance agency

Marketing Cost Reduction					
Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	Marketing campaign budget	4% of revenue	\$3,200,000	\$3,200,000	\$3,200,000
E2	Percentage reduction in spend vs. budget	Interviews	15%	15%	15%
E3	Percentage of reduction attributed to Zywave	Interviews	65%	65%	65%
Et	Marketing cost reduction	E1*E2*E3	\$312,000	\$312,000	\$312,000
	Risk adjustment	↓10%			
Etr	Marketing cost reduction (risk-adjusted)		\$280,800	\$280,800	\$280,800
Three-year total: \$842,400			Three-year present value: \$698,308		

INCREASE IN MARKETING AND ADMIN PRODUCTIVITY

Evidence and data. The interviewees were impressed by the scope of resources available to help support the operational, customer service, and administrative tasks that their organizations often struggled to complete efficiently before investing in Zywave.

In addition to using the tools internally, the interviewees’ organizations also extended support to their own customers by furnishing them with direct access to some Zywave content through the client portal. The client portal provided these customers with important resources that helped manage compliance, mitigate risk, and guide many HR responsibilities.

- For staff in customer support and other administrative roles, resources from Zywave were often the first thing they turned to when clients needed assistance. The risk control and safety director for an independent insurance agency said: “It’s a great starting point for everything we do. For me, it’s about providing resources when asked and customizing them in a very quick manner and getting it to the client in a quick manner.”

- Interviewees believed providing access to the resources available through the client portal was a valuable differentiator that helped both attract and retain customers. As a P&C project manager with an insurance and financial services said: “Every year, we can tell so many stories about why we won accounts because of these tools. And I know that we would not be able to retain a good portion of our account base if we did not have these tools.”
- Providing customers with self-service resources through the client portal freed up time for staff in administrative roles at the interviewees’

“I don’t even know how we would be generating these legislative and legal reviews without Zywave. I can’t imagine how much time that would cost us.”
Executive VP, account operations, insurance brokerage consulting

organizations to focus on other value-adding activities. A senior advisor of corporate services with an insurance brokerage and consulting company shared how staff appreciated the client portal. They said: “The client managers like that portal. It’s huge, it does a lot of the work for the client manager to keep the client educated with topical information. To keep clients informed in such a consistent manner is fantastic.”

- The P&C project manager for an insurance and financial services agency said that, by using Zywave tools, their organization could reduce the time spent building a customer’s HR employee handbook from a few days to just three to four hours.

Modeling and assumptions. To model this benefit for the composite organization, Forrester assumes:

- The composite organization extends Zywave access to a combination of marketing and administrative staff.

- Marketing and administrative staff use Zywave to support lead generation, development and distribution of informative briefs, and customer support tasks.

Risks. The impact of this benefit may vary depending on:

- The overall size of an organization’s marketing and administrative teams.
- The extent and pace at which the marketing and administrative employees learn and apply the capabilities of the Zywave tools.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$423,000.

Increase In Marketing And Admin Productivity

Ref.	Metric	Source	Year 1	Year 2	Year 3
F1	Number of marketing and administrative FTEs using Zywave	Composite	15	15	15
F2	Average fully burdened annual cost of administrative and marketing staff	TEI standard	\$90,000	\$90,000	\$90,000
F3	Percentage of time engaged in tasks supported by Zywave solutions	Composite	40%	40%	40%
F4	Increase in productivity Zywave enables	Interviews	35%	35%	35%
Ft	Increase in marketing and admin productivity	$F1 * F2 * F3 * F4$	\$189,000	\$189,000	\$189,000
	Risk adjustment	↓ 10%			
Ftr	Increase in marketing and admin productivity (risk-adjusted)		\$170,100	\$170,100	\$170,100
Three-year total: \$510,300			Three-year present value: \$423,014		

UNQUANTIFIED BENEFITS

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

- **Better name recognition.** Interviewees, especially those at small and mid-sized organizations, appreciated how the resources and capabilities Zywave provided boosted their organizations' name recognition. The ability to send out valuable, vetted content marketing resources on a regular basis made their companies appear to be a bigger competitor.
- **Increased customer stickiness.** Zywave helped interviewees provide their clients with differentiating services that ensured compliance, managed training records, mitigated risk, and improved the efficiency of HR processes. The more that clients utilized and came to depend on these services, the more difficult it became for those companies to consider changing insurance providers.
- **Keeping the lights on during shutdowns.** The cloud-based functionality of Zywave's solutions was especially valuable during the pandemic shutdowns. A risk control and safety director with an independent insurance agency said: "I used Broker Briefcase on a large scale. During the COVID-19 year, I think I sent out 50,000 emails myself." Clients appreciated that their agency was still working for them and for prospects, the outreach helped the organization differentiate from agencies that had to pause or curtail business activities.
- **Accelerated employee ramp up.** In addition to directly supporting clients and reducing customer turnover, interviewees appreciated the role that resources in the Client and Content Clouds played in educating employees. A senior advisor with an insurance brokerage and consultant agency assessed the value provided, saying: "It is a really good way to get ramped up. When you're brand-new, got nothing, and don't know

where to go, [it can] teach somebody how to run a campaign, to make follow-up calls. It's an automatic way to train a new producer on discipline in their craft. I wish I had it when I started."

- **Provided peace of mind.** Employees throughout the interviewees' organizations leaned on the content Zywave experts provided. They were confident in both the quality of the information provided and the swiftness in which it was available upon industry or legislative changes. A P&C project manager with an insurance and financial services agency said: "We know that we're getting good material right from the start. That's a huge benefit. It makes my job a whole lot easier."

"I enjoy the Broker Briefcase content component. There's a whole library that can be used to train ourselves. They're really nice pieces because typically they aren't written so complex that people need an expert to then help interpret it for them."

Executive VP, account operations, insurance brokerage consulting

FLEXIBILITY

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

- **Staying informed of industry newsworthy topics.** Employees at the interviewees'

organizations counted on updates in the Content Cloud to keep up with legislative or compliance newsworthy topics. A senior advisor with an insurance brokerage and consultant agency said: “One of the best values of the Content Library is if there are any legislative or compliance newsworthy topics, Zywave typically has a vetted document posted within 24 hours. It enables you to really look like you’re ‘on it.’ The contents are clear, concise, well-written, and vetted by attorneys, so you can send it out with 100% confidence that you’re giving your client or prospect valid valuable information.”

- **Responding to shifting customer and employee expectations.** The COVID-19 pandemic accelerated changes to the expectations of both customers and employees. A reliance on face-to-face interactions to maintain customer relationships and find new opportunities faded. The interviewees noted that Zywave empowered producers to continue prospecting and stay in frequent contact with customers through shutdowns. Similarly, the cloud-based solutions prepared the agencies to more broadly adopt a flexible digital office environment where the need to go into the office is reduced or even eliminated.
- **Preparing for future changes.** Over the past few years, ACA-driven legislative actions, and pandemic-driven shutdowns profoundly impacted the insurance industry in particular, and overall business practices in general. Zywave’s cloud-based solutions helped customers rapidly respond to these disruptions and demonstrated the importance of preparing their businesses for future disruptions.

The VP of marketing with an independent insurance agency said that the challenges of keeping up with the changes to the insurance markets due to the ACA spurred adoption of Zywave solutions by producers in their

organization. The pandemic acted as a similar catalyst for rest of the organization. Likewise, business challenges faced as a result of pandemic shutdowns fueled increased organization-wide adoption of Zywave tools.

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

“When COVID-19 hit, and all the businesses were struggling for information. At that point we really saw the value of Zywave and the need to be able to get timely and accurate information to our clients. I think from a communication standpoint, if you’re not offering Zywave, you’re really jeopardizing losing your clients.”

VP, employee benefits, independent insurance agency

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	Licensing, planning, and implementation	\$165,000	\$528,000	\$528,000	\$528,000	\$1,749,000	\$1,478,058
Htr	Overall training costs	\$0	\$498,456	\$207,171	\$207,171	\$912,798	\$780,008
Itr	Center of excellence	\$0	\$125,580	\$125,580	\$125,580	\$376,740	\$312,299
	Total costs (risk-adjusted)	\$165,000	\$1,152,036	\$860,751	\$860,751	\$3,038,538	\$2,570,365

LICENSING, PLANNING, AND IMPLEMENTATION

Evidence and data. Annual licensing costs for the interviewees' organizations varied depending on company size and the number of Zywave solutions deployed. Interviewees said planning and implementation was clear and well-supported. Their organizations' need to involve internal IT support was minimal because Zywave representatives were professional and directly attended to most of the implementation activities.

The P&C project manager at an insurance and financial services organization explained the implementation process: "Zywave makes it easy. They flip the switch and [the] tool is there. They have a really good onboarding process with the new tools and there's as much training and support as you need. We also have our client success manager who is happy to come and help set up things."

Modeling and assumptions. To model this cost for the composite organization, Forrester assumes:

- The composite organization implements solutions from Zywave Sales, Client, and Content Clouds in the first year of the investment. Specific solutions it purchases include Broker Briefcase, BrokerageBuilder, Zywave CPQ, and Client Cloud Business.

“There’s really not a whole lot to the implementation. It’s more of the content and the value. If you already have all of your agency management software, they just kind of sync up essentially. It’s more just educating your people.”

Executive VP, account operations, insurance brokerage consulting

- Initial planning and implementation costs include internal preplanning and IT costs for integration with agency management systems (AMS) and CRM solutions.

Risks. The impact of this cost may vary depending on:

- The cost of licensing, which will vary based on tools purchased, negotiated terms, and size of the client organization.
- The length of planning and the volume and complexity of applications to be integrated.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$1.5 million.

Licensing, Planning, And Implementation						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Licensing	Composite	\$0	\$480,000	\$480,000	\$480,000
G2	Planning and implementation	Composite	\$150,000	\$0	\$0	\$0
Gt	Licensing, planning, and implementation	G1+G2	\$150,000	\$480,000	\$480,000	\$480,000
	Risk adjustment	↑10%				
Gtr	Licensing, planning, and implementation (risk-adjusted)		\$165,000	\$528,000	\$528,000	\$528,000
Three-year total: \$1,749,000			Three-year present value: \$1,478,058			

OVERALL TRAINING COSTS

Evidence and data. Interviewees viewed Zywave tools as easy to understand and operate by staff with basic computer skills. As an executive VP of account operations with an insurance brokerage consulting organization explained: “If you’re somebody who knows how to use a computer and email, things [in Zywave] are relatively intuitive. I think that within a day you can have a basic navigation of how to operate the tools.”

Zywave provides initial training at no cost beyond licensing. Training is available for new customers as well as additional support and education through customer success staff. Interviewees also recommended users spend self-directed time to grow more familiar with tool operation and to discover the scope of capabilities that are available through the Zywave clouds.

- Training was readily available for staff at the interviewees’ organizations. The VP of operations at an independent insurance agency said of access to training directly from Zywave: “They sure offer a lot of training. They want to make sure we understand how to use [the tools] and they’re always there if we need it.”
- Interviewees noted Zywave tools’ ease of use. As an executive VP with an insurance brokerage consulting organization explained: “Every product is easy to get to at least the beginner level of understanding. So, if you can use it, you can find value in it.” They added: “If you’re somebody who knows how to use a computer and email, things (in Zywave) are relatively intuitive. I think that within a day you can have a basic navigation of how to operate the tools.”
- Interviewees stressed the importance of taking the time to get familiar with the available resources and how to use them properly as key to encourage producers to use Zywave tools. This was, in turn, critical to ensuring the best return on investment. A senior advisor of

corporate services at an insurance broker and consultant agency said, “I think one of the biggest issues, where most brokers are missing, is that you’ve got to commit a couple hours in the beginning to learn what it does and what it’s capable of.”

Modeling and assumptions. To model this benefit for the composite organization, Forrester assumes:

- In Year 1 of the Zywave investment, the composite organization provides training all producers and a select number of marketing and administrative staff.
- Zywave provides a few hours of initial training and is available at no additional cost to the composite organization, beyond time on task for employees.
- Most of the training is self-guided time employees spend to become more familiar with the operation and capabilities of the tools.
- In subsequent years, Zywave provides initial training to new employees to address staff turnover.
- In addition to initial training, employees at the composite organization use resources in the Client and Content Cloud solutions to improve their industry knowledge and keep abreast of important news and legislation impacting the insurance markets.

Risks. The impact of this cost may vary depending on:

- The technical abilities and insurance industry knowledge of existing employees and new hires.
- The amount of initial training provided to producers, marketing teams, and administrative staff.
- The amount of time employees spend on self-guided training of the Zywave tools.

- The extent that producers use Zywave-provided content to improve their industry knowledge.

Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of \$780,000.

Overall Training Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
H1	Average fully burdened, fully productive hourly cost of producer	TEI standard		\$77	\$77	\$77
H2	Number of producers receiving initial training	Composite		160	16	16
H3	Average fully burdened hourly cost of administrative and marketing staff	TEI standard		\$35	\$35	\$35
H4	Number of administrative and marketing staff receiving initial training	Composite		35	4	4
H5	Initial training hours	Composite		32	25	25
H6	Subtotal: Initial training costs	$(H1*H2*H5)+(H3*H4*H5)$		\$433,440	\$33,863	\$33,863
H7	Number of producers conducting ongoing training	Composite		0	144	144
H8	Number of administrative and marketing staff conducting ongoing training	Composite		0	32	32
H9	Ongoing, self-guided training hours	Composite		0	12	12
H10	Subtotal: On-going, self-guided training hours	$(H7*H1*H9)+(H8*H3*H9)$		\$0	\$146,286	\$146,286
Ht	Overall training costs	H6+H10	\$0	\$433,440	\$180,149	\$180,149
	Risk adjustment	↑15%				
Htr	Overall training costs (risk-adjusted)		\$0	\$498,456	\$207,171	\$207,171
Three-year total: \$912,798			Three-year present value: \$780,008			

CENTER OF EXCELLENCE

Evidence and data. Interviewees noted their organizations recognized that maximizing the benefits for producers and the return on investment for the agency was tied to broad, consistent usage. This encouraged the interviewees' organizations to establish center of excellence (COE) teams focused on optimizing the investment. The COE teams were comprised of a few staff that coordinated training, identified and developed champions for the tools in their organizations, and served as a primary point of contact for Zywave customer success managers.

- A P&C project manager with an insurance and financial services agency explained their COE function: "I'm a primary user. I try to push producers into the tools that would be good for them."
- Similarly, a senior advisor of corporate services at an insurance broker and consultant agency explained the need for a COE role by saying, "I think one of the biggest thing brokers miss is that you've got to commit a couple hours in the beginning to learn what [Zywave] does and what it's capable of." They added, "So, I reach out to customer success manager roles for direct one-on-one training and assisting campaigns, and then they are able to do so on their own."
- The VP of employee benefits at an independent insurance agency explained the motivation behind their company's decision to establish a COE: "The biggest challenge is getting the behavioral change to get people to use it

consistently. There was a lot of initial training, but still not a lot of initial use; so, we added a role to help make sure everyone was using [the tools] well and that accounts were updated/submitted when they need to be."

Modeling and assumptions. To model this benefit for the composite organization, Forrester assumes:

- In Year 1 of the Zywave deployment, the composite organization implements a small, dedicated team of three administrators to help maximize the agency's return on investment.
- The team members coordinate additional training, promote best use practices, and serve as a primary point of contact for interaction with Zywave customer support personnel.

Risks. The impact of this cost may vary depending on:

- The size of the COE team, seniority of staff utilized, and the percentage of time dedicated to Zywave-related work.
- The timing of establishing a COE. Organizations may choose to delay the implementation or may decide not to develop a dedicated COE. In which case, the financial impact of this cost may be delayed or not incurred.

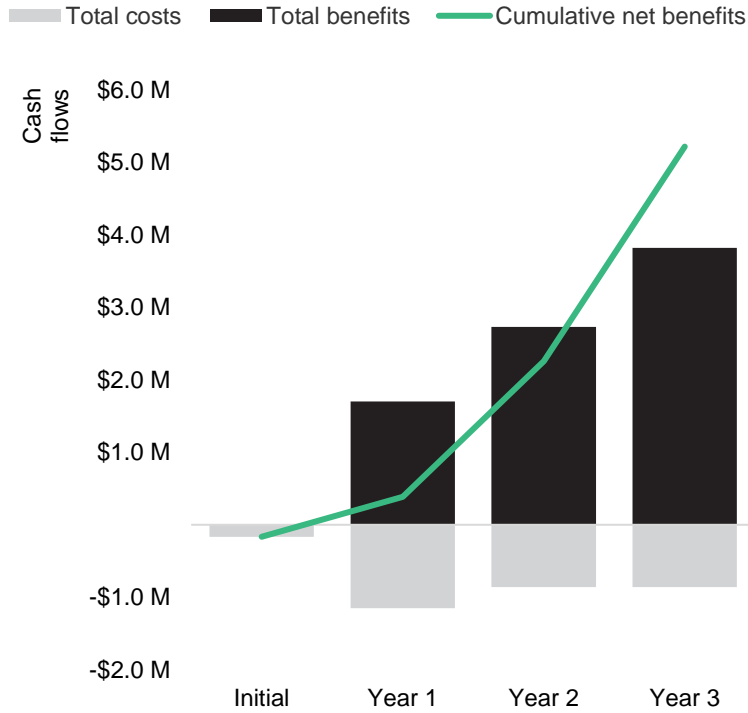
Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of \$312,000.

Center Of Excellence						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
I1	Number of administrators in center of excellence	Composite		3	3	3
I2	Average fully burdened hourly cost of administrative staff	TEI standard		\$35	\$35	\$35
I3	Average number of work hours per year	TEI standard		2,080	2,080	2,080
I4	Percentage of time on Zywave related work	Composite		50%	50%	50%
It	Center of excellence	I1*I2*I3*I4	\$0	\$109,200	\$109,200	\$109,200
	Risk adjustment	↑15%				
Itr	Center of excellence (risk-adjusted)		\$0	\$125,580	\$125,580	\$125,580
Three-year total: \$376,740			Three-year present value: \$312,299			

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 and NPV for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI and NPV 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	(\$165,000)	(\$1,152,036)	(\$860,751)	(\$860,751)	(\$3,038,538)	(\$2,570,365)
Total benefits	\$0	\$1,702,785	\$2,731,088	\$3,821,579	\$8,255,452	\$6,676,294
Net benefits	(\$165,000)	\$550,749	\$1,870,337	\$2,960,828	\$5,216,915	\$4,105,929
ROI						160%

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Endnotes

¹ Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

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