



March 2013

Document N26

RESEARCH NOTE

IBM SMARTER COMMERCE PAYS BACK \$12.05 FOR EVERY DOLLAR SPENT

THE BOTTOM LINE

Nucleus analyzed the data from 21 IBM Smarter Commerce ROI case studies and found that for every dollar spent, companies realized an average of \$12.05 in returns. IBM Smarter Commerce applications, including analytics and e-commerce, help companies buy, market, sell, and provide customer service. Nucleus found companies took advantage of IBM's investments in integration, usability, and industry-specific functionality to increase top-line revenues and reduce bottom-line costs.

Companies across many industries have invested in IBM Smarter Commerce to help them increase efficiency and improve customer service. The Smarter Commerce portfolio includes business analytics, logistics, e-commerce, and other applications and services that support supply chain operations, customer insight, and customer and partner engagement. Nucleus has been following IBM Smarter Commerce since its inception, and to date, has published 21 in-depth ROI case studies on Smarter Commerce customers. When Nucleus analyzed the aggregate data, we found that during the first three years of deployment, for every dollar a company spends on Smarter Commerce, it gets back an average of \$12.05.

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Companies achieved payback on their Smarter Commerce investment in an average of 9 months, with a high of 23 months and a low of two months.

The cases analyzed included US and European companies and government agencies using Smarter Commerce technologies. All of the case studies were developed independently by Nucleus following our standard ROI case methodology. This review of the detailed ROI data was performed independently and IBM was only informed of the results after it was completed.

The analysis follows the same methodology used in other Nucleus research notes (Nucleus Research *I120 - CRM pays back \$5.6 for every dollar spent*, November 2011) and assesses the total 3-year cost (including software, hardware, consulting, personnel, and training)

against the total of all direct and indirect benefits for the same three years. In cases where customers had not been deployed for a full three years, Nucleus used a conservative approach to project forward the costs and benefits. All of the case studies and the underlying financial details are available to Nucleus Research TechAdvisor subscription clients, and many of the case studies are available to non-clients for free download at NucleusResearch.com.

SMARTER COMMERCE HITS THE TOP AND BOTTOM LINE

Nucleus found that Smarter Commerce projects delivered both top-line and bottom-line benefits, with roughly 60 percent of returns coming from indirect benefits such as productivity and the rest coming from direct savings such as reduced operational costs or hires avoided. Key benefits customers achieved included:

- Increased productivity. In many cases companies were able to accomplish more work with fewer staff or avoid additional hires as they grew by automating previously manual processes and increasing employee productivity.
- Reduced costs. Smarter Commerce customers experienced cost reductions in areas such as customer call handling costs, technology costs, and other costs associated with supply chain transactions.
- Improved inventory management. Greater visibility into customer demand and inventory levels enabled Smarter Commerce customers to gain better control over their inventory, reducing inventory carrying costs and increasing inventory turns.
- Improved decision making. Greater agility and rapid insight into data for decision making enabled companies using Smarter Commerce to more quickly make decisions and act on them with confidence.
- Reduced customer churn and increased customer satisfaction. Companies using IBM Business Analytics were able to more rapidly understand customer satisfaction and retain more profitable customers by proactively addressing customers' propensity to churn. For example, one telecommunications customer was able to reduce customer churn by 8 percent in the first year and 18 percent in the second year by further refining its churn analysis.

CUSTOMERS LEVERAGE PREPACKAGED FUNCTIONALITY

The \$12.05 average return from Smarter Commerce is at the high end of the range of returns Nucleus has seen from other assessments of technology deployments such as analytics and CRM. Many Smarter Commerce customers indicated they achieved high returns by taking advantage of the investments IBM has made in providing integrated solutions, more intuitive user interfaces, and prepackaged industry functionality:

- Integrated solutions and prepackaged industry functionality accelerate time to deployment and time to value while reducing overall project risk.

- Usability improvements drive more rapid adoption and make it easier for companies to drive adoption of technologies such as business analytics to casual and business users beyond the data expert specialists that have historically been the primary users of analytics.

Industry-specific functionality and expertise were particularly important in the success of customers adopting Smarter Commerce technologies in the government sector, such as social services agencies and police departments, where IT often has limited resources.

THE VALUE OF SMARTER COMMERCE FOR SMALL BUSINESS

The IBM Smarter Commerce customers analyzed ranged from large multinational enterprises to small companies and governmental organizations. Nucleus found that smaller organizations tended to have a more rapid payback on their investment (typically, fewer than 9 months). In analyzing the reasons behind this difference, Nucleus found three key themes:

- Smaller budgets. Not surprisingly, smaller organizations were more likely to begin with a pilot or point project that required lower initial investment and fewer employees to train. Many projects at the low end involved 3-year total budgets of fewer than \$50,000.
- Fewer integration requirements. Most smaller firms were using only one application and had limited integration and testing costs.
- Less politics and processes surrounding technology adoption. In most cases, a single project champion spearheaded efforts in small organizations. In larger firms, more groups had to be involved in buy-in and change management efforts and there was more time spent on internal planning and communication.

CONCLUSION

IBM's Smarter Commerce initiative focuses on helping its clients better understand their customers and transaction so they can optimize their end-to-end supply chain. The Smarter Commerce portfolio has grown over time with IBM acquisitions in marketing, analytics, and commerce. IBM has invested organically as well in providing customers with more integrated solutions that are faster to deploy with out-of-the-box industry-specific functionality.

Smarter Commerce has been a successful marketing campaign for IBM. In analyzing the actual data, Nucleus found that customers investing in Smarter Commerce have realized measurable returns, both from increasing top-line revenues and decreasing bottom-line costs.