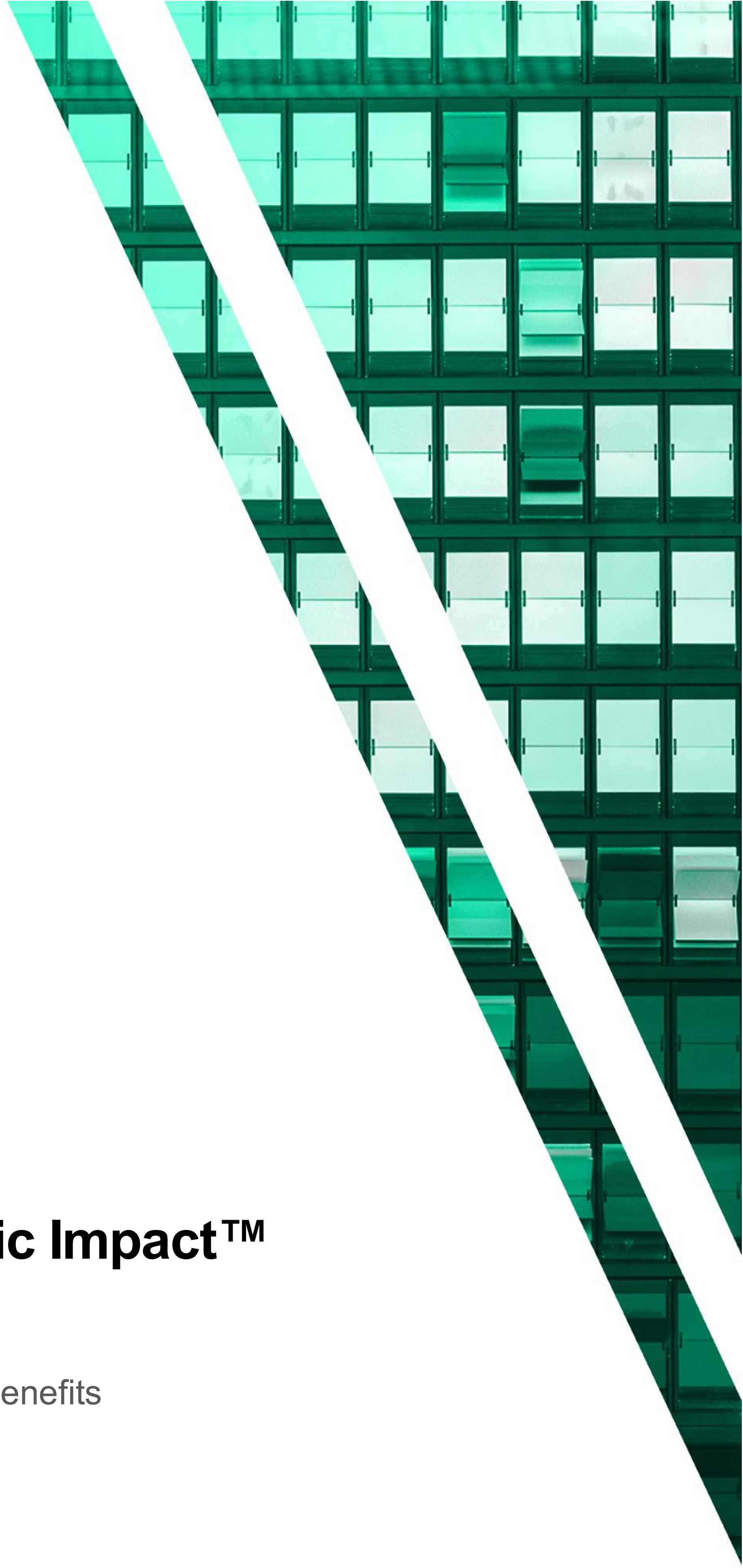

The Total Economic Impact™ Of Logicbroker

Cost Savings And Business Benefits
Enabled By Logicbroker

OCTOBER 2021

A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY COMMISSIONED BY LOGICBROKER

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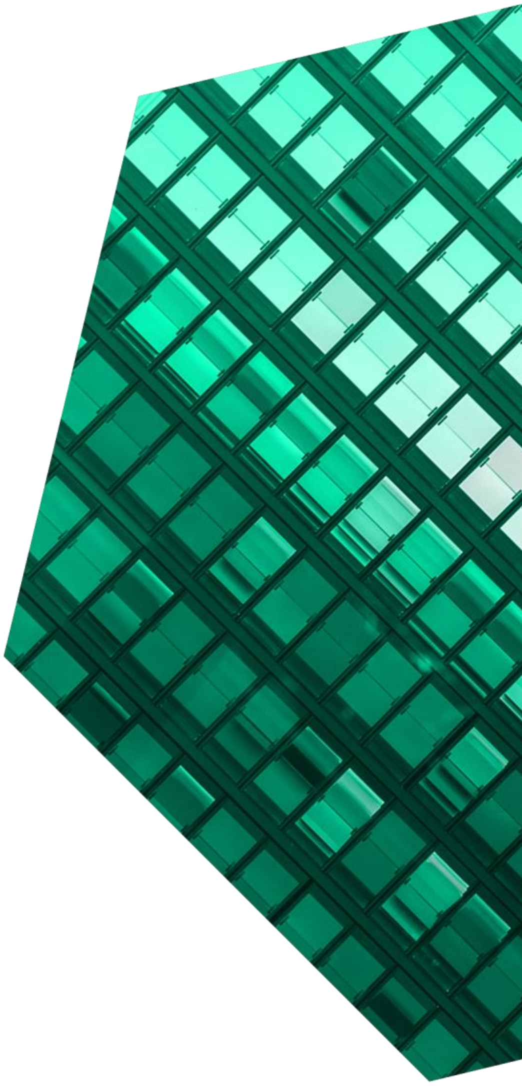


ABOUT FORRESTER CONSULTING

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

For retailers looking to launch or scale their drop-ship program, it is critical to find the right partner. Drop-ship programs can require ample resources to support vendor integrations and oversight of operations, which can place a ceiling on the initiative's overall success. Retailers that partner with a drop-ship solution that has a platform based on strong underlying technology, with a supportive team behind it, stand to reap the rewards of a well-orchestrated drop-ship strategy.

Logicbroker is a cloud-based, API-led drop-ship platform that helps retailers connect with vendors to expand their product assortments. The solution also supports suppliers and brands in selling their products through third-party marketplaces and traditional drop-ship sales channels.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five decision-makers at organizations currently using Logicbroker. For the purposes of this study, Forrester aggregated the experiences of the interviewed decision-makers and combined the results into a single composite organization.

Prior to adopting Logicbroker, interviewees looking to scale their organizations' drop-ship program typically experienced one of two states. They either had no drop-ship operation in place or a limited drop-ship program run in-house. Both types of customers lacked a roadmap for navigating any technological hurdles or managing drop-ship operations; these challenges would require additional resources that the organizations needed to oversee.

KEY STATISTICS

Return on investment (ROI)
547%

Net present value (NPV)
$5.1M

Interviewees interested in selling products through marketplaces either had an unsupportive program or had limited bandwidth to launch the program. Without a supportive partner, the businesses required more resources to integrate with marketplaces quickly and properly, while ensuring orders were processed correctly.

Within the first few months of adopting Logicbroker, the interviewees' organizations had integrated more than a dozen suppliers on average with their digital retail platform. Operations continued to run smoothly on the technical front and in order delivery; businesses did not have to take on an any additional resources to support their program. Revenue from the drop-ship program increased significantly within the first year. Businesses using Logicbroker to sell products through marketplaces successfully integrated with several channels within the first year.

KEY FINDINGS

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

- **Increased drop-ship program by dozens of vendors each year.** Logicbroker took on the lift of technical integration work, helping retailers accelerate the onboarding of vendors and focus on onboarding new vendors and products. This led to increased customer traffic and sales. Across the three years of results, over $5.2 million in revenue is generated from improved scalability of the program.

- **Launched drop-ship program with Logicbroker within a matter of weeks.** Interviewees projected that implementing a drop-ship solution would take several months due to the technical work of integrating systems and migrating pre-existing integrations with vendors. Logicbroker beat expectations and retailers realized value faster from the solution.

- **Streamlined selling products through other third-party sales channels.** Retailers leaned on Logicbroker to support partnerships with third-party distributors to sell their products. Again, Logicbroker took on the technical work of connecting retailers' systems with distributors to ensure smooth operations.

- **Avoided headcount equivalent to three employees for drop-ship programs.** Retailers freed up time from their IT teams since Logicbroker took on the technical work for integrations. Their high-level consistency with integration work meant that little maintenance was required. Streamlined operations reduced issues with order delivery, freeing time for customer service employees.

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

- **A supportive drop-ship partner.** Each interviewee spoke of Logicbroker as being attentive and responsive when support was needed. Logicbroker was also proactive in engaging retailers for ideas and suggestions to improve their services.

- **A transparent pricing model.** When selecting drop-ship solutions to partner with, interviewees cited Logicbroker's pricing model as an advantage to its competitors, as it was a straightforward annual contract.

- **Improved customer experience.** Reliable integration work with vendors produced consistent and on-time delivery of orders to customers. Improved retailer reputation, coupled with an expanding catalogue of products, led to retailers seeing improved customer engagement and a growing customer base.

Costs. Risk-adjusted PV costs include:

- **Annual Logicbroker costs.** Interviewees' retailers paid an annual cost based on the scale of drop-ship operations conducted with Logicbroker.

- **Training costs.** Interviewees' retailers' drop-ship teams spent the equivalent of two days a year learning the Logicbroker platform and developing best practices with it. These efforts produced a small cost.

The decision-maker interviews and financial analysis found that a composite organization experiences benefits of $6.1 million over three years versus costs of over $942,000, adding up to a net present value (NPV) of $5.1 million and an ROI of 547%.

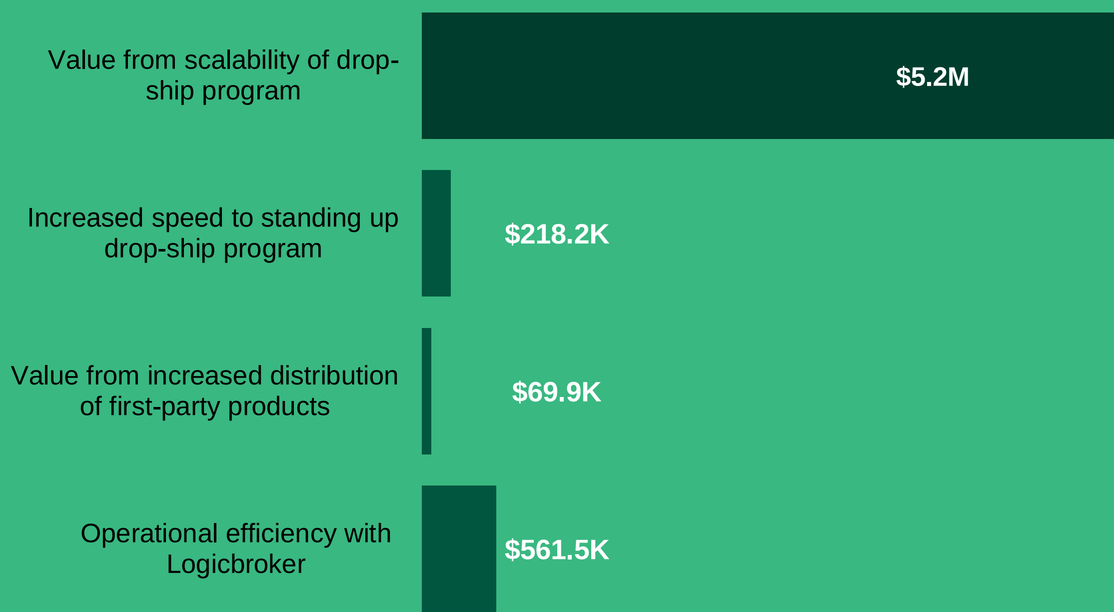
ROI
547%

BENEFITS PV
$6.1M

NPV
$5.1M

PAYBACK
<6 months

Benefits (Three-Year)



“Logicbroker’s technology really spoke to us. Their enthusiasm to work together and grow together really stood out to us.”

— Manager, digital retail business enablement, healthcare retailer

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 Logicbroker.

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 Logicbroker can have on an organization.

DUE DILIGENCE

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

DECISION-MAKER INTERVIEWS

Interviewed five decision-makers at organizations using Logicbroker 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 decision-makers.

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 Logicbroker 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 Logicbroker.

Logicbroker 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.

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

The Logicbroker Customer Journey

Drivers leading to the Logicbroker investment

Interviewed Decision-Makers

Interviewee	Retailers	Size	Years using Logicbroker
VP of engineering	Digital shopping registry	More than 125 employees	More than 2 years
Director, product and vendor management	Digital retailer	More than 50 employees	More than 5 years
Manager, digital retail business enablement	Healthcare retailer	More than 200,000 employees	More than 1 year
Drop-ship manager	Luxury retailer	Less than 50 employees	More than 2 years
Head of technology	Specialty retailer	More than 150 employees	More than 2 years

KEY CHALLENGES

Before Logicbroker, interviewees' organization were either exploring launching a drop-ship program, had launched one that was run in-house or with a legacy solution. However, the organizations faced the following challenges they hoped a new drop-ship solution would help them address:

- **Technical challenges with vendor integrations and performance.** Interviewees whose organizations had launched a drop-ship program faced issues working with different vendors. Some required vastly different formats for data exchange (e.g., electronic data interchange (EDI), JavaScript Object Notation (JSON), extensible markup language (XML), comma-separated values (CSV)). Integrations didn't go smoothly with these vendors and led to issues with order processing and the delivery of items to customers (e.g., shipping delays, cancellations, refunds).

"Our process was very manual and error prone. We had one employee dedicated to customer support for drop-ship orders alone because the vendors were inconsistent with regularly providing us inventory and shipment information."

VP of engineering, digital shopping registry

- **Scaling the number of suppliers in drop-ship program quickly.** Because of the technical work required to integrate new suppliers to drop-ship programs, businesses felt constrained in the total number of suppliers they could onboard within a given year. Interviewees also expected that it could take several weeks to integrate an individual vendor, because of the lack of available resources.

"We wanted to leverage our partner in drop ship to help us understand the market a little better and how we could grow. We weren't getting that support from our previous partner, so that's why we pushed to move to a new partner."

Manager, digital retail business enablement, healthcare retailer

- **Manual process to sell products through third-party sales channels.** Interviewees that looked into selling products through distributors, marketplaces, and other retailers faced heavy manual work to process orders and send status updates. This process limited businesses' ability to scale their sell-through motion.

- **Cost efficiency in mounting a drop-ship program.** Interviewees noted initial projections for launching a drop-ship program required taking on additional hires to support integrations with vendors and oversee exception-based management of deliveries. Meanwhile, pricing for other drop-ship solutions was structured around triggers not directly tied to business performance (e.g., costs based on number of orders, reports generated) that caused concern over the cost of a partnership.

SOLUTION REQUIREMENTS

The interviewees' organizations searched for a drop-ship solution that could:

- Provide technology that streamlines integrations with suppliers regardless of their file exchange requirements.
- Enable businesses to scale drop ship and sales through marketplaces without having to hire more employees.
- Provide a supportive partner that helps retailers as they grow their drop-ship program.
- Provide a sensible pricing that was commensurate to the volume of business conducted with the solution.

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 five decision-makers 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 organization is a North American retailer with a brick-and-mortar and digital storefront; e-commerce revenue totals $300 million annually. Before working with Logicbroker, the retailer runs a small in-house drop-ship program with no more than one dozen vendors. Technical issues from vendor integrations and lack of resources to support the program leads the retailer to seek out Logicbroker for support.

Deployment characteristics. Logicbroker primarily carries out implementation as it integrates with the retailers' systems. In the first year, the composite organization carries over vendors it works with before Logicbroker. The composite adds vendors it planned to add before Logicbroker and more in Year 1, totaling 40. Thereafter, it adds 25 vendors on an annual basis. After getting its drop-ship program up and running with Logicbroker, the composite organization takes on selling products through third-party retailers. In Year 2, the retailer sells products through four retailers and through eight retailers in Year 3.

Key assumptions

- **$300 million e-commerce revenue**
- **Small in-house drop-ship program**
- **Plans to scale operations with Logicbroker**

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	Value from scalability of drop-ship program	$960,000	$2,047,500	$3,564,000	$6,571,500	$5,242,562
Btr	Increased speed to standing up drop-ship program	$240,000	$0	$0	$240,000	$218,182
Ctr	Value from increased distribution of first-party products	$0	$30,000	$60,000	$90,000	$69,872
Dtr	Operational efficiency with Logicbroker	$208,250	$235,875	$235,875	$680,000	$561,473
	Total benefits (risk-adjusted)	$1,408,250	$2,313,375	$3,859,875	$7,581,500	$6,092,089

VALUE FROM SCALABILITY OF DROP-SHIP PROGRAM

Evidence and data. Organizations that tried to launch an in-house drop-ship program realized that the amount of work and supporting IT team members required to integrate vendors limited further growth. Maintenance for these integrations created an additional burden for their IT team. Logicbroker took the ask of integration work away from retailers so they could focus on onboarding more vendors each year.

Specifically, Logicbroker proved flexible to integrate with both API- and EDI-based vendors. Historically, EDI has been the standard integration type for drop-ship programs, but API integrations are becoming increasingly common. Since Logicbroker is a cloud-based solution, it's adaptable to various API-based programming.

"We couldn't work with this many suppliers without Logicbroker. It just wasn't possible with a homegrown system."

Drop-ship manager, luxury retailer

Interviewees noted that, since working with Logicbroker, their retail organizations experienced fewer technical obstacles that would result in missing transaction information. In addition, regular reporting from Logicbroker provided dependable insights into supplier performance and reduced any concerns about order delivery.

25

New added vendors on average each year

Confidence in Logicbroker's ability to securely support vendor integrations encouraged the interviewees' retailers to increase the speed with which they added vendors to their drop-ship program. Interviewees shared that their organizations added between 20 to 30 vendors per year, more than tripling the number of vendors they had previously within their first two years with Logicbroker.

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

- The addition of 40 vendors in the first year, including vendors that the composite organization already planned to onboard before working with Logicbroker. The composite adds 25 new vendors each subsequent year as it continues to scale out its drop-ship business.
- The average number of SKUs per vendor climbs from 20 in Year 1 to 30 in Year 3 as the composite adds more products from each vendor and adds vendors with a larger supply of products.
- Over the course of the year, each SKU product page receives a little over 1,000 views. The assumed conversion rate for traffic to those specific pages is 2.5%.
- The average unit value increases over the three-year period as the composite adds bigger ticket items from vendors. In addition, positive customer experiences generate confidence in purchasing more expensive items.

Over **$100 million** in revenue annually by Year 3

- Of the revenue generated, 50% is attributed to Logicbroker to account for outside factors influencing purchases, including promotions and consumer interest in items.
- An 8% operating margin to this benefit that accounts for production and delivery costs and additional costs that go toward marketing, advertising, and general administrative expenses.

Risks. Differences in organizations that may impact this benefit include:

- The number of vendors and their SKUs added in a given year.
- Retailer maturity with their digital storefront, traffic received, and conversion rates.
- Average unit values will vary as well.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of over $5.2 million.

Value From Scalability Of Drop-Ship Program					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Number of vendors added since deploying Logicbroker	Interviews	40	65	90
A2	Average number of SKUs per vendor per year	Interviews	20	25	30
A3	Total number of SKUs added	A1*A2	800	1,625	2,700
A4	Average annual traffic to supplier product listings	Assumption	12,000,000	24,375,000	40,500,000
A5	Conversion rate	Assumption	2.5%	2.5%	2.5%
A6	Number of purchases	A4*A5	300,000	609,375	1,012,500
A7	Average unit value	Assumption	$100	$105	$110
A8	Total drop-ship revenue	A6*A7	$30,000,000	$63,984,375	$111,375,000
A9	Value attributed to Logicbroker	Assumption	50%	50%	50%
A10	Operating margin	Assumption	8%	8%	8%
At	Value from scalability of drop-ship program	A8*A10*A11	$1,200,000	$2,559,375	$4,455,000
	Risk adjustment	↓20%			
Atr	Value from scalability of drop-ship program (risk-adjusted)		$960,000	$2,047,500	$3,564,000
	Three-year total: $6,571,500		**Three-year present value: $5,242,562**		

INCREASED SPEED TO STANDING UP DROP-SHIP PROGRAM

Evidence and data. When evaluating drop-ship partners, interviewees estimated that it could take several months to launch with them. They shared that with Logicbroker they carried over vendors they had already integrated and looked toward onboarding new vendors within one month of working with Logicbroker.

A key driver of this launch was Logicbroker's technology. The VP of engineering at a digital shopping registry company said: "The underlying technology, flexibility for types of integrations, and usability of it spoke to us. When we looked at other solutions, they felt dated, a step backward in some ways, and our internal users would not be happy working with them."

Similarly, the drop-ship manager at a luxury retailer cited that Logicbroker stood out because of its experience working with retailers of all sizes. When the drop-ship manager's retailer started working with Logicbroker, it had one dozen vendors; within the first six months it onboarded 40 additional vendors — beyond initial expectations.

For the manager of digital retail business enablement at a healthcare retailer that transferred over to Logicbroker from another drop-ship partner, integration of its order management system (OMS) took three months. After that, it was onboarding vendors within a month. The technically challenging transition was streamlined with the support of Logicbroker.

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

- The composite organization sets a four-month timeframe for standing up a drop-ship program with a partner when it does not have an OMS to integrate.
- With Logicbroker, the composite organization takes one month to integrate existing vendor partners and stand-up service.
- The organization recognizes 25% more value than it had previously expected in Year 1.

Risks. Differences in organizations that may impact this benefit will stem from varying results in Table A and the expected timeline for standing up the organization's drop-ship approach.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of over $218,000.

Increased Speed To Standing Up Drop-Ship Program

Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Drop-ship sales generated in Year 1	At	$1,200,000		
B2	Planned time to stand up drop-ship approach (months)	Interviews	4		
B3	Time to integrate and stand up Logicbroker (months)	Interviews	1		
B4	Percentage of additional value realized	(B2-B3)/12 months	25%		
Bt	Increased speed to standing up drop-ship program	B1*B4	$300,000	$0	$0
	Risk adjustment	↓20%			
Btr	Increased speed to standing up drop-ship program (risk-adjusted)		$240,000	$0	$0
	Three-year total: $240,000		**Three-year present value: $218,182**		

VALUE FROM INCREASED DISTRIBUTION OF FIRST-PARTY PRODUCTS

Evidence and data. Much like its ability to support retailers in scaling their drop-ship program, Logicbroker helped retailers streamline growth of their sell-through motion. Interviewees' retailers worked with Logicbroker to stand up distribution of products through other retailers or integrate the solution into its ongoing sell-through operations.

Logicbroker has existing integrations with dozens of retailers to simplify the implementation process. The head of technology at a specialty retailer said: "For us, the challenge wasn't so much integrating with retailers since Logicbroker already had connections to them. It was really mapping our SKUs to the retailer SKU numbers and setting up a shipping method."

The head of technology, whose organization had already sold products through third-party retailers for over two years, shared that the organization saw sales grow by 25% since partnering with Logicbroker two years ago. Ease of integration minimized customer support conversations around delivery and technical challenges, while strengthening the relationship between retailer and distributor.

Interviewees whose retailers had yet to sell products through other distributors expressed interest in the option because of their positive experiences with Logicbroker thus far.

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

- In Year 2, the organization starts selling products through four retailers as a soft launch to its sell-through motion. That number doubles in Year 3 to eight retailers.
- Across the four retailers, 12,500 units are sold in Year 2. Like the number of retailers, that number of units doubles to 25,000 in Year 3.
- The average net unit value is $75 after accounting for a cut taken by the retailer offering the product and packaging/shipping paid for by the composite organization.
- As with Table A, an attribution rate of 50% and operating margin of 8% are applied to the results.

Risks. Differences in organizations that may impact this benefit include:

- The number of retailers that the composite organization sells through, as well the number and types of products.
- The average net unit value will vary based on agreements made and types of products sold.

Results. To account for this variance, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of nearly $70,000.

Value From Increased Distribution Of First-Party Products					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Additional annual number of retailers to sell through since adopting Logicbroker	Interviews		4	8
C2	Number of units sold through retailers annually	Interviews		12,500	25,000
C3	Average net unit value	Assumption		$75	$75
C4	Additional revenue generated	C2*C3		$937,500	$1,875,000
C5	Value attributed to Logicbroker	Assumption	50%	50%	50%
C6	Operating margin	Assumption	8%	8%	8%
Ct	Value from increased distribution of first-party products	C4*C5*C6	$0	$37,500	$75,000
	Risk adjustment	↓20%			
Ctr	Value from increased distribution of first-party products (risk-adjusted)		$0	$30,000	$60,000
	Three-year total: $90,000		**Three-year present value: $69,872**		

"I think we've been able to have a better working relationship with our retail partners. Today, we're able to promote our products more on their websites and even within their stores.

— Head of technology, specialty retailer

OPERATIONAL EFFICIENCY WITH LOGICBROKER

Evidence and data. Logicbroker took on the responsibility of technical vendor integration work for the interviewees' retailers. IT teams no longer had to spend weeks creating custom integrations or aligning systems for an EDI integration. Retailers only had to remain responsible for onboarding and product-listing discussions, while overseeing some maintenance when necessary.

Avoided headcount of
3 FTEs

Logicbroker's integrations resulted in fewer technical challenges for IT to resolve versus the custom integrations IT had built themselves. Employees saw improved order delivery and reduced customer complaints due to late or failed delivery of drop-ship items. This reduced the burden on employees to monitor order status.

"Part of why we went with Logicbroker is because we didn't want to have to hire technical resources to perform those integrations on our end. Our business is complex enough, it was more cost effective for us to bring in Logicbroker."

Director, product and vendor management, digital retailer

Logicbroker also assisted with integrations for point-of-service digital platforms, helping the interviewees' retailers build out their digital storefront. The drop-ship manager at a luxury retailer said: "The longer I work with Logicbroker, the more efficiencies we're able to make to our program. They certainly help with head count and continuing to work with them on integration opportunities is very important to our partnership."

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

- The composite has the full-time equivalent (FTE) of 2.5 employees responsible for overseeing onboarding and integrations of vendors before Logicbroker. Since partnering with the solution, it only needs one FTE for the same amount of work.
- The assumed annual salary for each IT employee is $120,000.
- The composite has 2 FTEs overseeing order operations management before Logicbroker. As the retailer moves their supplier integrations over to Logicbroker in Year 1 that number falls to 1 FTE. In Year 2, with the entirety of transactions completed with Logicbroker, only half of an FTE is required for support on order operations management.
- The assumed average salary for employees overseeing order management is $65,000.

Risks. Differences in organizations that may impact this benefit include:

- The number of employees or expected number of employees supporting drop-ship operations before Logicbroker.
- The average salary of the employees.

Results. To account for these variances, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of over $561,000.

Operational Efficiency With Logicbroker					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
D1	Number of FTEs overseeing onboarding and integrations of vendors **before** Logicbroker	Interviews	2.5	2.5	2.5
D2	Number of FTEs overseeing onboarding and integrations of vendors **with** Logicbroker	Interviews	1	1	1
D3	Average salary for IT FTEs overseeing onboarding and integrations of vendors (annual)	Assumption	$120,000	$120,000	$120,000
D4	Number of FTEs overseeing order management **before** Logicbroker	Interviews	2	2	2
D5	Number of FTEs overseeing order management **with** Logicbroker	Interviews	1.0	0.5	0.5
D6	Avoided headcount for drop-ship program	(D1-D2)+(D3-D4)	2.5	3.0	3.0
D7	Average employee salary overseeing order management (annual)	Assumption	$65,000	$65,000	$65,000
Dt	Operational efficiency with Logicbroker	((D1-D2)*D3)+((D4-D5)*D7)	$245,000	$277,500	$277,500
	Risk adjustment	↓20%			
Dtr	Operational efficiency with Logicbroker (risk-adjusted)		$196,000	$222,000	$222,000
	Three-year total: $640,000		**Three-year present value: $561,473**		

UNQUANTIFIED BENEFITS

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

- **A supportive drop-ship partner.** Interviewees unanimously spoke to the consistency of Logicbroker's support in scaling their drop-ship program; they found Logicbroker attentive and responsive to any inquiries they had. Uptime of drop-ship programs remained stable and Logicbroker was quick to provide support should a technical setback occur.

  During the implementation period, interviewees cited Logicbroker as being very communicative to ensure the process went smoothly. This contributed to the accelerated deployment timeline for the drop-ship program for retailers.

"Our integration team is great. Our account manager is great; she takes a lot of the stress off of us having to directly reaching out to vendors. The vendor communication side of Logicbroker has really helped us."

Manager, digital retail business enablement, healthcare retailer

- **A transparent pricing model.** When considering alternative drop-ship partners, retailers noted that Logicbroker stood out for its practical approach to pricing. Instead of charging retailers for each unit sold, costs are based on an annual, contractual amount. Additional integration work and program reporting are included in with the overall cost.

"Logicbroker's pricing model was different than other vendors who were pricing based on transactions, which would've felt like a step backwards, because it had nothing to do with the value being delivered. Logicbroker made sense to us."

VP of engineering, digital shopping registry

FLEXIBILITY

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

- **Improved customer experience.** Retailers described offering only limited size or color options for products like clothing and makeup when they first launched drop-ship programs. Logicbroker streamlined technical work with vendors, enabling retailers to add more product variants quickly, leading to higher engagement and more business overall.

"We work in a variant-heavy business like shoes and ready-to-wear items. If we get a customer through the door to look at a product, it's important to have a product in their size or they'll walk away. As our drop-ship program has grown, we've been able to get more product variations to drive sales."

Drop-ship manager, luxury retailer

- Meanwhile, before Logicbroker, negative vendor performance had impacted the reputation of retailers as a whole since consumers can't differentiate between drop-ship items and items the retailer sold itself. Logicbroker provided a scorecard to evaluate suppliers for retailers to partner with, helping to ensure more timely and consistent delivery of orders, driving consumer confidence to make repeat purchases at retailers.

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

Analysis Of Costs

Quantified cost data as applied to the composite

Total Costs							
Ref.	**Cost**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Etr	Annual Logicbroker costs	$22,000	$275,000	$357,500	$495,000	$1,149,500	$939,355
Ftr	Training costs	$0	$3,080	$0	$0	$3,080	$2,800
	Total costs (risk adjusted)	$22,000	$278,080	$357,500	$495,000	$1,152,580	$942,155

ANNUAL LOGICBROKER COSTS

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

- The composite organization pays an initial implementation fee of $20,000.
- Annual licensing costs start at $250,000 in Year 1 and climb each year as the scale of drop-ship program operations grows.
- Annual licensing covers Logicbroker services and maintenance.

Results. Forrester adjusted this cost upward by 10% to account for any variance in costs for businesses, such as the potential scalability of a drop-shop program. The three-year, risk-adjusted total PV (discounted at 10%) is over $939,000.

Annual Logicbroker Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
E1	Integration and annual licensing cost	Interviews	$20,000	$250,000	$325,000	$450,000
Et	Annual Logicbroker costs	E1	$20,000	$250,000	$325,000	$450,000
	Risk adjustment	↑10%				
Etr	Annual Logicbroker costs (risk-adjusted)		$22,000	$275,000	$357,500	$495,000
	Three-year total: $1,149,500			**Three-year present value: $939,355**		

TRAINING COSTS

Evidence and data. Time spent training employees on the Logicbroker system was minimal given its user-friendly interface. Employees that interacted with the solution regularly spent a few hours initially learning how to use the platform. Over the course of a year, they developed best practices for reporting and order management oversight.

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

- Five employees interact with Logicbroker
- A total of two days of training is needed per person.
- The hourly rate for order management employees is $35.

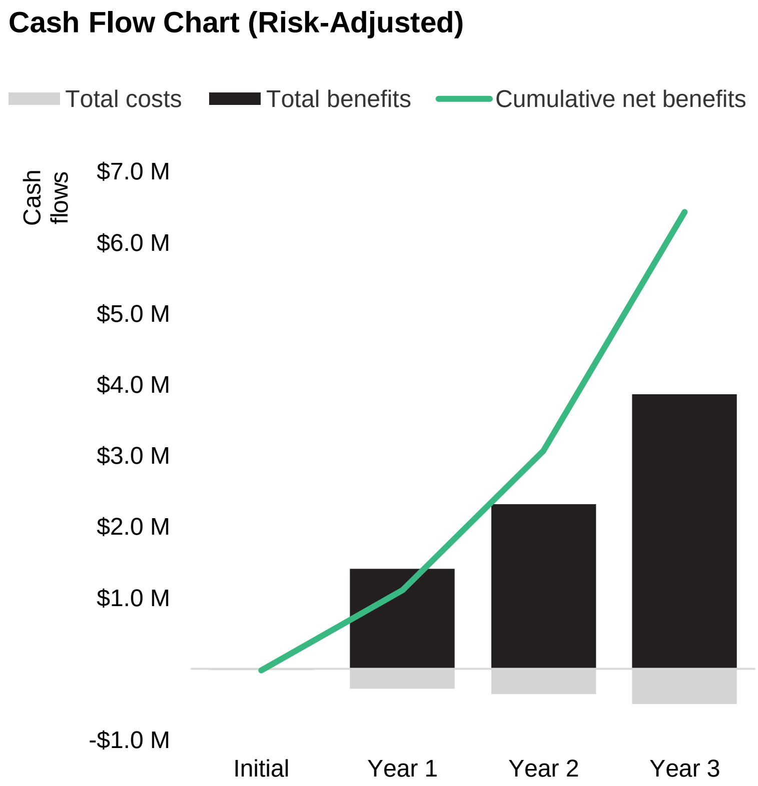
Results. Results are risk adjusted upward by 10% to account for any variance in the number of employees using Logicbroker, time spent learning the platform, and their hourly rate. The three-year, risk-adjusted total PV is $2,800.

Training Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Number of employees trained on Logicbroker	Interviews		5		
F2	Time spent training (hours)	Interviews		16		
F3	Hourly rate for employees overseeing order management	Assumption		$35		
Ft	Training costs	F1*F2*F3	$0	$2,800	$0	$0
	Risk adjustment	↑10%				
Ftr	Training costs (risk-adjusted)		$0	$3,080	$0	$0
	Three-year total: $3,080			**Three-year present value: $2,800**		

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	($22,000)	($278,080)	($357,500)	($495,000)	($1,152,580)	($942,155)
Total benefits	$0	$1,408,250	$2,313,375	$3,859,875	$7,581,500	$6,092,089
Net benefits	($22,000)	$1,130,170	$1,955,875	$3,364,875	$6,428,920	$5,149,934
ROI						547%
Payback						<6 months

Appendix A: Total Economic Impact

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

TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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

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

PRESENT VALUE (PV)

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

NET PRESENT VALUE (NPV)

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

RETURN ON INVESTMENT (ROI)

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

DISCOUNT RATE

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

PAYBACK PERIOD

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

Appendix B: Supplemental Material

Related Forrester Research

"The Definitive Drop-Ship Guide For Brands And Retailers," Forrester Research, Inc., June 1, 2020.

Appendix C: Endnotes

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[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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