FORRESTER TOTAL ECONOMIC IMPACT™ STUDIES

COMMISSIONED BY BLACKBAUD

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A Forrester Total Economic Impact™ Study

Commissioned By

Blackbaud

Project Director:
Michael Speyer

September 2015

The Total Economic Impact™ Of Blackbaud CRM For Higher Education

2015 Update

FORRESTER®

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ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

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Executive Summary

Blackbaud commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Blackbaud Constituent Relationship Management (BBCRM) in the North American higher education sector. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Blackbaud CRM on their organizations.

Blackbaud CRM can help increase fundraising revenue and improve visibility into constituent activity.
A large state university system can expect over a five-year period to:

- **Increase its fundraising, attributable to Blackbaud CRM, by $14.3 million.**
- **Avoid labor costs of $3.4 million.**
- **Track and measure fundraising activity across the whole organization.**

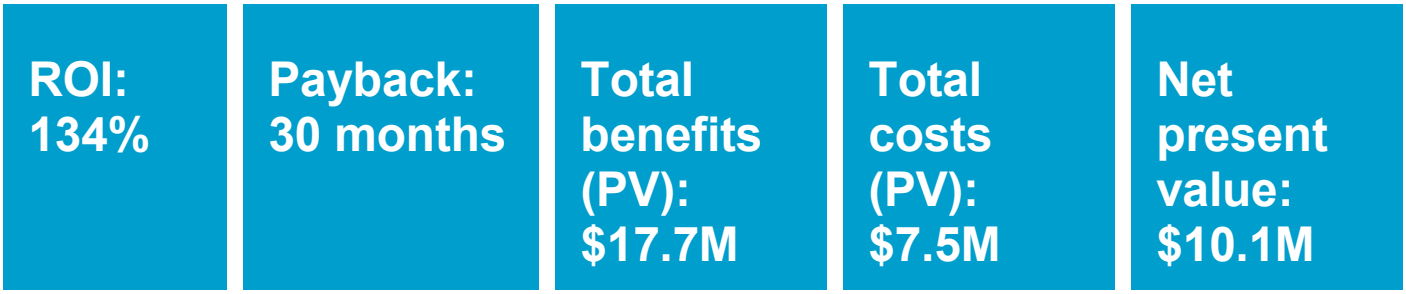
To better understand the benefits, costs, and risks associated with a Blackbaud CRM implementation, Forrester interviewed an existing customer in the higher education sector that has experience deploying and using Blackbaud CRM. We initially interviewed the customer in 2014 and again in 2015, 12 months after the initial interview. This study reflects the findings from both interviews.

Prior to deploying BBCRM, the central fundraising organization had a legacy fundraising management system that was approaching end-of-life. It also had over 15 subsystems that were used to perform functions like web support, email blasts, letter generation, scanning backup, reporting, and data transfer to financial systems. The university's colleges, which did their own fundraising, often used their own "shadow" systems, which were used to track fundraising and maintain constituent biographical information. These multiple systems made it impossible to obtain a single, comprehensive view of the organization's donors and fundraising activities; prevented it from adopting the latest fundraising best practices; and presented a technology risk associated with unsupported systems with multiple integration points.

BLACKBAUD CRM ENABLES INCREASED FUNDRAISING

Our interview with one existing customer and subsequent financial analysis found that the interviewed organization experienced the risk-adjusted ROI, benefits, and costs shown in Figure 1.[1]

FIGURE 1
Financial Summary Showing Three-Year Risk-Adjusted Results



Source: Forrester Research, Inc.

› **Benefits.** The interviewed organization experienced the following risk-adjusted benefits:

- **Fundraising lift of $14.3 million attributable to Blackbaud CRM.** This was the result of multiple process improvements and system changes that collectively contribute to lifting fundraising. Particularly in 2015, the organization used Blackbaud CRM to execute a targeted, expanded, and coordinated outreach to its alumni and other donors, which resulted in increased revenues when compared with 2014.
- **Labor costs avoided of $3 million.** This was a result of decentralizing records management and enabling multiple staff members to make updates to donor records as opposed to hiring people to work in the centralized records management function.
- **IT costs avoided for maintaining legacy systems of $400,000.** This was a result of decommissioning multiple legacy fundraising management systems.

› **Costs.** The interviewed organization experienced the following risk-adjusted costs:

- **Blackbaud software licensing and maintenance expense of $1.53 million.** These are initial, one-time fees for a perpetual license and annual ongoing software maintenance.
- **Professional services fees of $2.2 million.** These fees were incurred during system design, implementation, and testing. No further professional services fees were incurred after deployment.
- **Hardware and software acquisition and maintenance expense of $256,000.** These include costs for purchasing, maintaining, and replacing server hardware, database licenses, and various other components like load balancers and virtualization software.
- **Data services fees paid to Blackbaud of $193,000.** These services include certain data enrichment services and Wealthpoint, the wealth and affluence data service.
- **Internal labor for system design, deployment, testing, and maintenance of $3.4 million.** This includes both business and IT labor used during the initial system design and process re-engineering, creation of a training department, and net-new IT labor needed for system management and maintenance.

Disclosures

The reader should be aware of the following:

› The study is commissioned by Blackbaud and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

› Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Blackbaud/CRM.

› Blackbaud 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.

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

TEI Framework And Methodology

INTRODUCTION

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Blackbaud CRM. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision.

APPROACH AND METHODOLOGY

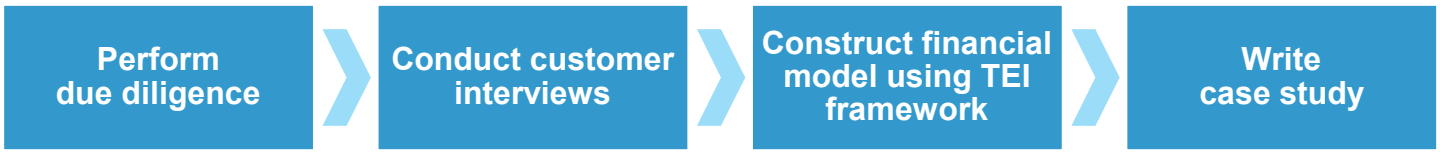
Forrester took a multistep approach to evaluate the impact that Blackbaud CRM can have on an organization (see Figure 2). Specifically, we:

- Interviewed Blackbaud marketing, sales, and/or consulting personnel, along with Forrester analysts, to gather data relative to CRM and the marketplace for CRM.
- Interviewed one organization currently using Blackbaud/CRM to obtain data with respect to costs, benefits, and risks.
- Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews
- Risk-adjusted the financial model based on issues and concerns the interviewed organization highlighted in interviews. Risk adjustment is a key part of the TEI methodology. While interviewed organizations provided cost and benefit estimates, some categories included a broad range of responses or had a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted and are detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modeling Blackbaud CRM's service: benefits, costs, flexibility, and risks.

Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

FIGURE 2
TEI Approach



Source: Forrester Research, Inc.

Analysis

ORGANIZATION OVERVIEW

For this study, Forrester conducted interviews with representatives from a large state university system. This university has approximately 25,000 undergraduates and 8,000 post-graduate students.

The university has over 230 staff members in its central fundraising organization. Separately, the university's various colleges (e.g., the law school) perform their own fundraising, and there are over 110 staff members in the university's campus advancement organizations. In total, there are over 200 fundraisers. The staff members also provide a variety of support functions, including accounting, investing, IT support, and development. In 2013, the university raised over $120 million. The majority of these funds came from planned and annual giving, as well as major gifts.

We initially interviewed the organization in September 2014 and again in August 2015. We have, where appropriate, highlighted any differences between the 2014 and 2015 interviews.

INTERVIEW HIGHLIGHTS

For this study, we interviewed both the senior director of advancement services, who led the CRM deployment project, and the director of finance for the university's foundation.

Situation

Prior to deploying BBCRM, the central fundraising organization had a legacy fundraising management system that was approaching end-of-life. It also subscribed to online services for event tracking and communications. The central organization had its own homegrown web applications for conducting outreach and solicitation. It also had over 15 "subsystems" that were used to perform functions like email blasts, letter generation, scanning backup, reporting, and data transfer to financial systems. The colleges that did their own fundraising often used their own "shadow" systems, which were used to track fundraising and maintain constituent biographical information.

The multiple systems and constituent databases that existed resulted in the following challenges:

- **Inability to have a single, comprehensive view of the organization's donors.** This resulted in uncoordinated fundraising activities, the inability to track all communications that were sent to constituents, and the inability to track fundraising activities campuswide.
- **Inability to adopt the latest fundraising best practices.** Technology limitations inhibited changes to business processes and the monitoring of performance against goals. They also prevented improvements in the organization's response to demands from donors and state and federal agencies.
- **Technology risk associated with unsupported systems with multiple integration points.** The systems would become more difficult to support over time as vendor support was lost.

> *"We have 500 university employees who use it today — every college and school uses it"*
>
> ~ Senior director of advancement services

To overcome the limitations of its fundraising systems, the organization decided to deploy a centralized constituent relationship management system. The goals of the new system were:

- **Create a single, cohesive system for a unified donor view.** This implied eliminating all shadow databases and standalone subsystems. The organization wanted to easily maintain donor data and support all processes and reporting that was driven by the data.
- **Create a single, centralized view of all communications and activities with constituents.** The organization wanted a single, cohesive content management system, which would allow it to track constituent activity "from birth to grave."
- **Support strategic planning and management.** This implied having a system that would allow the organization to implement business processes to meet organizational and management needs.
- **Improve labor efficiency.** According to the director of finance, the organization wanted "to see us be able to do more with less or at least be more efficient on balance."

Solution

The organization developed a charter that outlined the goals of the project as well as the roles and responsibilities of all stakeholders in the new system. The organization conducted a formal RFP and selected Blackbaud CRM.

The core project team consisted of 14 individuals from business and IT, as well as 12 others who worked on the project on a part-time basis. System development and deployment took 22 months. The organization invested significant time in reviewing and modifying its business processes and adapting BBCRM to its needs. At the time of writing, the system had been live and in full operational mode for 24 months.

> *"Alumni groups have come on board and are using it for all of their events. It's given us a window into [our] overall communications calendar, so we know that we're not over-communicating or under-communicating. . . . We are watching it all now in a planned way."*
>
> ~ Senior director of advancement services

Results

From our interview in 2014, we learned that the organization experienced:

- **Improved labor efficiencies by moving from a centralized to decentralized system for maintaining data records.** As part of its process re-engineering efforts, the organization enabled over 300 people with different roles in the fundraising organization to manage and update records. This removed the bottleneck in its centralized records management function, and the organization avoided hiring new staff to manage and update records.

> *"I really feel where the main benefit comes from is getting donors into the pipeline and tracking progress."*
>
> ~ Senior director of advancement services

- **Formalization of business processes.** In particular, formalization of the prospect management process now allows for the measurement and tracking of a constituent's progress from "prospective donor" to "donor." It also allows for more meaningful measurement of fundraising activity, which can be done on an organization-wide basis.

- **Improved insight into overall fundraising capacity of its constituents.** By incorporating data from Blackbaud's wealth and affluence service, the organization is now able to measure the overall fundraising capacity of its constituent base and plan its fundraising activities around this.
- **Creation of new development plans by gift officers.** The introduction of new incentives resulted in 1,800 new development plans entered into the system and the identification of potential major givers. Previously, this would not have been visible to senior management.

From our 2015 interview, we learned of additional benefits that were a result of the organization embedding BBCRM more deeply into the organization and becoming more comfortable with the system. These benefits include:

- **A reduction in unknown alumni to less than 2%.** By using a regular data hygiene process and regular name and address updates, the organization was able to reduce the number of unknown alumni and more accurately track changes in status like name changes and marital status.
- **An increase in the number of regular BBCRM users who are university employees from 100 to 500.** All of the organization's schools and colleges use BBCRM for their fundraising activities. By integrating frontline support, training, and client services, they are able to offer support while providing service to their users at the same time. This has helped boost user adoption.
- **Improved coordination in fundraising efforts among user groups.** In particular, alumni groups that are planning events are able to see, via a shared master calendar, when a fundraising officer will be in their region and invite them to the event to meet the alumni.

> *"We are a little more aggressive in our ask because we know the data and we can focus our limited resources a lot better."*
>
> ~ Senior director of advancement services

- **Increased visibility into the overall communications plan.** Prior to BBCRM, different groups used their own third-party communications service, each with its own op-in, opt-out system. According to the senior director of advancement services, "There was no one central place where a donor might communicate their [communications] preferences". By managing its donor communication with BBCRM, the organization can coordinate its communications activities, satisfy its donors' communications preferences, and comply with "can spam" laws.
- **The creation of more efficient fundraising portfolios.** By effectively integrating Blackbaud's Wealthpoint data into its donor files, the organization was able to create more accurate and efficient portfolios for its development officers, which allowed them to focus their fundraising resources in a more targeted way.

BENEFITS

The interviewed organization experienced the following quantified benefits in this case study:

- Fundraising lift attributable to Blackbaud CRM.
- Improved workforce productivity.
- Elimination of IT maintenance expense for legacy systems.

Fundraising Lift Attributable To Blackbaud CRM

We learned that the organization devoted considerable time and effort, involving all its stakeholders, to successfully integrate BBCRM into its day-to-day operations. The organization expected to realize increased fundraising by making changes to its internal business and management processes, as well as by maximizing the value of data assets (i.e., the constituent file). Any lift in fundraising would result from numerous incremental changes and the resulting incremental benefits.

To evaluate the amount of funds raised that can be attributed to a CRM system, we used data from a Forrester Research report, which states that commercial organizations can expect to see a 3% to 5% increase in revenues from their sales employees as a result of deploying a CRM system.[2] We assume that this is directly analogous to an increase in funds raised by gift officers or campaign managers in the nonprofit world. Figure 3 depicts the reported improvement ranges for a profit-seeking company based on private sector metrics that can be attributed to a CRM system. The same types of improvements should exist in a nonprofit organization seeking to increase donor funds.

FIGURE 3
Sales Force (Fundraising Force) Improvement Ranges

Private Sector Metrics	Related Nonprofit Metrics	Reported Improvement Ranges
Increase revenues from sales employees	Increase funds from fundraising staff	3% to 5%
Increase number of customers	Increase number of donors	0% to 5%
Increase customer retention	Increase donor retention	5% to 10%
Increase close rate	Increase close rate	8% to 10%
Increase cross-sell and upsell	Increase giving via multiple donation channels	10% to 20%
Increase repurchase rate	Increase renewal rate of annual donations	30% to 50%
Reduce order-to-delivery cycle time	Not applicable	10% to 20%
Reduce cost to sell	Reduce cost to fundraise	10% to 15%
Sell more profitable items	Fundraise higher dollar amounts	10% to 20%

(middle column added for purposes of explanation)
Source: Forrester Research, Inc.

For the interviewed organization, the actual funds raised using BBCRM were $126 million in Year 1 and $142 million in Year 2. The Year 1 to Year 2 increase is 13%, compared with the historical annual increase of 6%. We

note from the interview that there are multiple factors that potentially contributed to this increase, including improved insight into donors' ability to give, improved communications, and more focused development officer activity.

Using 13% as a starting point in Year 2, we assume that the percentage growth in funds raised will decline gradually to 10% by Year 5, because the 13% growth rate is difficult to sustain year over year. We also note that the organization manages 100% of its fundraising activities with BBCRM (row A3).

The amount of funds raised attributable to BBCRM also increases over time, reflecting the gradual improvements in business processes, system adoption, and user proficiency with the system (row A5). According to the senior director of advancement services, "It took us some time to hit our stride in the new system," and much time was spent "becoming familiar and understanding how we would work within the new system and how we would really use it." Because of the interviewee's experience and uncertainty in attributing fundraising lift in Year 1 to BBCRM, we adopted a conservative approach and assumed the fundraising lift attributable to BBCRM in Year 1 to be 0% (row A5). Utilizing the Forrester metrics shown in Figure 3, we assume that the fundraising lift attributable to BBCRM increased to 5% by Year 5.

By Year 5, the total funds raised attributable to BBCRM are $22.05 million. Results were risk-adjusted downward by 5% to account for potential variance in fundraising growth (row A1) and attribution (row A5). The total risk-adjusted lift in funds attributable to BBCRM was $20.95 million over five years (see Table 1)

TABLE 1
Fundraising Lift Due To Blackbaud CRM (All Monetary Values Are In Thousands)

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
A1	Assumed percentage growth in total funds raised		0%	13%	12%	11%	10%	
A2	Total annual funds raised	$A2_{prior\ year}$ + (A1 * $A2_{prior\ year}$)	$126,000	$142,380	$159,466	$177,007	$194,707	
A3	Percentage of fundraising being managed by BBCRM		100%	100%	100%	100%	100%	
A4	Funds raised that are managed by BBCRM	A2 * A3	$126,000	$142,380	$159,466	$177,007	$194,707	
A5	Assumed percentage growth attributable to BBCRM		0.0%	1.5%	2.5%	3.5%	5.0%	
At	Total (original)	A4 * A5	$0	$2,136	$3,987	$6,195	$9,735	$22,053
	Risk adjustment	↓ 5%						
Atr	**Total (risk-adjusted)**		**$0**	**$2,029**	**$3,787**	**$5,885**	**$9,249**	**$20,950**

Source: Forrester Research, Inc.

Improved Workforce Productivity For Records Management

Prior to deploying BBCRM, the organization had five people devoted to updating constituent records. As part of its process re-engineering efforts, the organization enabled over 300 people with different roles in the fundraising organization to access, manage, and update records. During the first year of operations, the organization estimates that approximately 200,000 constituent records were updated. The organization estimates that this would have required the efforts of 14 full-time staff.

We assume that the number of records requiring updating would increase by 5% annually (row B1). We then calculate the number of records needing updating annually (B2), and an equivalent number of staff are required to do the updates (row B3). This yields the labor cost avoided of $4.2 million over five years (row Bt). We risk-adjusted this down by 5% to reflect variations in the number of records requiring updating each year. This yielded a total labor cost avoided of $4.04 million (see Table 2).

TABLE 2
Labor Costs Avoided For Records Management (All Monetary Values Are In Thousands)

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
B1	Percentage increase in donor records that are updated		0%	5%	5%	5%	5%	
B2	Number of records updated annually		200	210	221	232	243	
B3	Number of full-time equivalents (FTEs) required to make updates	B2/(200,000/14)	14	14/7	15.4	16.2	17.0	
B4	FTE average annual salary		$55	$55	$55	$55	$55	
Bt	Total (original)	B3 * B4	$770	$809	$849	$891	$936	$4,255
	Risk adjustment	↓ 5%						
Btr	**Total (risk-adjusted)**		**$732**	**$768**	**$806**	**$847**	**$889**	**$4,042**

Source: Forrester Research, Inc.

Elimination Of IT Maintenance Expense For Legacy Systems

After deploying and cutting over to BBCRM, the organization decommissioned its legacy systems that supported its fundraising operations. As a result, the organization was able to eliminate the maintenance associated with these systems. The organization also terminated various services that it had been using, such as address verification services. The resulting risk-adjusted savings were $527,000 by Year 5 (see Table 3).

Note that there are no IT labor savings because the labor used to support legacy systems transferred over to BBCRM.

TABLE 3
IT Costs Eliminated For Legacy Systems (All Monetary Values Are In Thousands)

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
C1	Software and hardware maintenance		$85	$85	$85	$85	$85	
C2	Address verification services		$12	$12	$12	$12	$12	
C3	Miscellaneous services		$14	$14	$14	$14	$14	
Ct	Total (original)	C1 + C2 + C3	$111	$111	$111	$111	$111	$555
	Risk adjustment	↓ 5%						
Ctr	**Total (risk-adjusted)**		**$105**	**$105**	**$105**	**$105**	**$105**	**$527**

Source: Forrester Research, Inc.

Total Benefits

Table 4 shows the total of all benefits across the three areas listed above, as well as present values (PVs) discounted at 10%. Over five years, the organization expects risk-adjusted total benefits to be a PV of more than $17.7 million.

TABLE 4
Total Benefits (Risk-Adjusted, All Monetary Values Are In Thousands)

Ref.	Benefit Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Present Value
Atr	Lift in funds raised attributable to BBCRM	$0	$2,029	$3,787	$5,885	$9,249	$20,950	$14,285
Btr	Labor costs avoided for record management	$732	$768	$806	$847	$889	$4,042	$3,036
Ctr	IT costs avoided for legacy systems	$105	$105	$105	$105	$105	$527	$400
	Total benefits (risk-adjusted)	**$837**	**$2,902**	**$4,699**	**$6,838**	**$10,243**	**$25,520**	**$17,721**

Source: Forrester Research, Inc.

COSTS

The interviewed organization experienced a number of costs associated with the BBCRM solution:

- Blackbaud CRM software licenses and maintenance.
- Professional services fees.
- Hardware and software acquisition and maintenance.
- Data service fees paid to Blackbaud.
- Internal labor for systems deployment, maintenance, and management.

Blackbaud CRM Software Licenses And Maintenance

The organization paid $800,000 for its perpetual license. In Year 1, it paid $175,000 for software maintenance, which it budgets for a 5% annual increase. This yielded a five-year software license acquisition and maintenance expense of $1.77 million (see Table 5).

TABLE 5
Blackbaud CRM Software Licenses And Maintenance (All Monetary Values Are In Thousands)

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
D1	BBCRM perpetual license fees		$800						
D2	Annual license maintenance expense	D2 $_{\text{prior year}}$ *1.05		$175	$184	$193	$203	$213	
Dt	Software license and maintenance fees	D1+D2	$800	$175	$184	$193	$203	$213	$1,767
	Risk adjustment	0%							
Dtr	**Software license and maintenance fees (risk-adjusted)**		**$800**	**$175**	**$184**	**$193**	**$203**	**$213**	**$1,767**

Source: Forrester Research, Inc.

Professional Services Fees

For the two years preceding its go-live date, the organization employed Blackbaud's professional services to adapt BBCRM to its needs. The professional services expense was $2.2 million (see Table 6). After go-live, no more professional services were used.

TABLE 6
Professional Services Fees (All Monetary Values Are In Thousands)

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
E1	Professional services fees		$2,200						
Et	Professional services fees	E1	$2,200	$0	$0	$0	$0	$0	$2,200
	Risk adjustment	0%							
Etr	**Professional services fees (risk-adjusted)**		**$2,200**	**$0**	**$0**	**$0**	**$0**	**$0**	**$2,200**

Source: Forrester Research, Inc.

Hardware And Software Acquisition And Maintenance

To host BBCRM in its own data center, the organization needed to purchase server hardware virtualization software and hardware load balancers. It also planned a server hardware refresh in the second year after go-live, as well as an update to its database licenses. The total five-year cost for hardware and software acquisition and hardware and software maintenance was $305,000 (see Table 7).

TABLE 7
Hardware And Software Acquisition And Maintenance (All Monetary Values Are In Thousands)

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
F1	Server hardware		$80		$50				
F2	Server hardware maintenance	F1*15%		$12		$8	$8	$8	
F3	Virtualization software and load balancers		$20						
F4	Virtualization software and load balancer maintenance	F3*20%		$4	$4	$4	$4	$4	
F5	Database licenses for planned upgrade				$75				
F6	Database licenses maintenance for planned upgrade	F5*20%				$15	$15	$15	
Ft	Hardware and software acquisition and maintenance	F1+F2+F4+F5+F6	$80	$16	$129	$27	$27	$27	$305
	Risk adjustment	0%							
Ftr	**Hardware and software acquisition and maintenance (risk-adjusted)**		**$80**	**$16**	**$129**	**$27**	**$27**	**$27**	**$305**

Source: Forrester Research, Inc.

Data Services Fees Paid To Blackbaud

The organization pays Blackbaud $24,000 annually for various data enrichment services. It paid $100,000 when the system went live (Year 1) for Wealthpoint, the wealth and affluence data service. It also pays $4,000 annually for Wealthpoint updates. The total five-year cost for these services was $236,000 (see Table 8).

TABLE 8
Data Service Fees Paid To Blackbaud (All Monetary Values Are In Thousands)

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
G1	Data enrichment services			$24	$24	$24	$24	$24	
G2	Wealth and affluence data service			$100	$4	$4	$4	$4	
Gt	Miscellaneous service fees paid to Blackbaud	G1+G2		$124	$28	$28	$28	$28	$236
	Risk adjustment	0%							
Gtr	**Miscellaneous service fees paid to Blackbaud (risk-adjusted)**		**$0**	**$124**	**$28**	**$28**	**$28**	**$28**	**$236**

Source: Forrester Research, Inc.

Internal Labor For Systems Design, Deployment, Maintenance, And Management

This represents the mix of internal and external costs experienced by the interviewed organization for initial planning, implementation, and ongoing maintenance associated with BBCRM.

During the initial deployment phase of the project, the organization involved members from all parts of the organization. This included the development office, financial services, the alumni association, gift accounting, donor relations, and various other staff members. The time commitment of the business staff averaged 30% of their time, with some staff members working on the project full-time (e.g., the project manager). We estimate that approximately 14 members worked on the project during the design, implementation, and testing phases. The total business labor expense during the deployment phase of the project is estimated at $420,000 (row H4).

The organization foresaw early in the project the need to create a training department to drive adoption, especially in the campus fundraising units. To this end, two staff members were repurposed to create training materials and conduct user training. The total labor expense for this effort was $60,000 (row H8)

Similarly, members of the IT staff worked on the project during the design, implementation, and testing phases. We estimate that six IT staff members worked 100% of their time on the project. The total IT labor expense during the deployment phase of the project is estimated at $720,000 (row H12).

For ongoing IT systems maintenance and management, the organization needed to hire two additional database administrators in Year 1, and it anticipates hiring four additional IT staff members in Year 3 (row H13).

We risk-adjusted the labor expense upward by 10% to account for variations in salary and amount of time spent working on the project. The total labor expense by Year 5 was $4.2 million (see Table 9).

TABLE 9

Internal Labor For Systems Design, Deployment, Maintenance, Management, And Training (All Monetary Values Are In Thousands)

Ref.	Metric	Calc.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
H1	Number of business FTEs working on conversion project		14						
H2	Average business FTE fully loaded salary		$100						
H3	Percent time spent working on conversion project		30%						
H4	*Subtotal: internal business labor for conversion project*	H1 * H2 * H3	*$420*						
H5	Number of business FTEs devoted to training		2						
H6	Average training FTE fully loaded salary		100						
H7	Percent time spent working on conversion project		30%						
H8	*Subtotal: training labor for conversion project*	H5 * H6 * H7	*$60*						
H9	Number of IT FTEs working on conversion project		6						
H10	Average IT FTE fully loaded salary		$120						
H11	Percent time spent working on conversion project		100%						
H12	*Subtotal: internal IT labor for conversion project*	H9 * H10 * H11	*$720*						
H13	Net-new IT labor for systems management and maintenance			2		4			
H14	*Subtotal: cumulative net-new IT labor for systems management and maintenance*	H13 * H10		*$240*	*$240*	*$720*	*$720*	*$720*	
Ht	Total (original)	H4+H8+H12+H14	$1,200	$240	$240	$720	$720	$720	$3,840
	Risk adjustment	↑ 10%							
Htr	**Total (risk-adjusted)**		**$1,320**	**$264**	**$264**	**$792**	**$792**	**$792**	**$4,224**

Total Costs

Table 10 shows the total of all costs as well as associated present values, discounted at 10%. Over five years, the composite organization expects total costs to total a net present value of a little more than $7.5 million.

TABLE 10
Total Costs (Risk-Adjusted, All Monetary Values Are In Thousands)

Ref.	Cost Category	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Present Value
Dtr	Software license and maintenance fees	$800	$175	$184	$193	$203	$213	$1,767	$1,526
Etr	Professional services fees	$2,200	$0	$0	$0	$0	$0	$2,200	$2,200
Ftr	Hardware and software acquisition and maintenance	$80	$16	$129	$27	$27	$27	$305	$256
Gtr	Miscellaneous service fees paid to Blackbaud	$0	$124	$28	$28	$28	$28	$236	$193
Htr	Internal labor for systems deployment, maintenance, and management	$1,320	$264	$264	$792	$792	$792	$4,224	$3,406
	Total costs (risk-adjusted)	**$4,400**	**$579**	**$605**	**$1,039**	**$1,049**	**$1,059**	**$8,731**	**$7,581**

Source: Forrester Research, Inc.

FLEXIBILITY

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. This provides an organization with the “right” or the ability to engage in future initiatives but not the obligation to do so. There are multiple scenarios in which a customer might choose to implement Blackbaud CRM and later realize additional uses and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

The organization will continue to make minor adjustments to its BBCRM deployment to accommodate changes to business processes or support new functionality. The organization also anticipates investing in information warehouse technology to support its reporting needs.

RISKS

Forrester defines two types of risk associated with this analysis: “implementation risk” and “impact risk.” Implementation risk is the risk that a proposed investment in Blackbaud CRM may deviate from the original or expected requirements, resulting in higher costs than anticipated. Impact risk refers to the risk that the business or technology needs of the organization may not be met by the investment in Blackbaud CRM, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

TABLE 11
Benefit And Cost Risk Adjustments

Benefits	Adjustment
Fundraising lift attributable to Blackbaud CRM	↓ 5%
Labor costs avoided for records management	↓ 5%
IT costs avoided for legacy systems	↓ 5%

Costs	Adjustment
Internal labor for systems deployment, maintenance, and management	↑ 10%

Source: Forrester Research, Inc.

Quantitatively capturing implementation risk and impact risk by directly adjusting the financial estimates results provides more meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as "realistic" expectations since they represent the expected values considering risk.

The following risks that affect benefits are:

- Fundraising lift attributable to BBCRM will vary according to fundraising growth in the amount attributable to BBCRM.
- Labor costs avoided will depend on the actual number of records updated annually.
- IT costs avoided for legacy systems will vary according to the exact nature and type of system.

The following implementation risk that affects costs is identified as part of this analysis:

- Internal labor for systems deployment, maintenance, and management will vary with the actual number of people working on the project and time spent on the project.

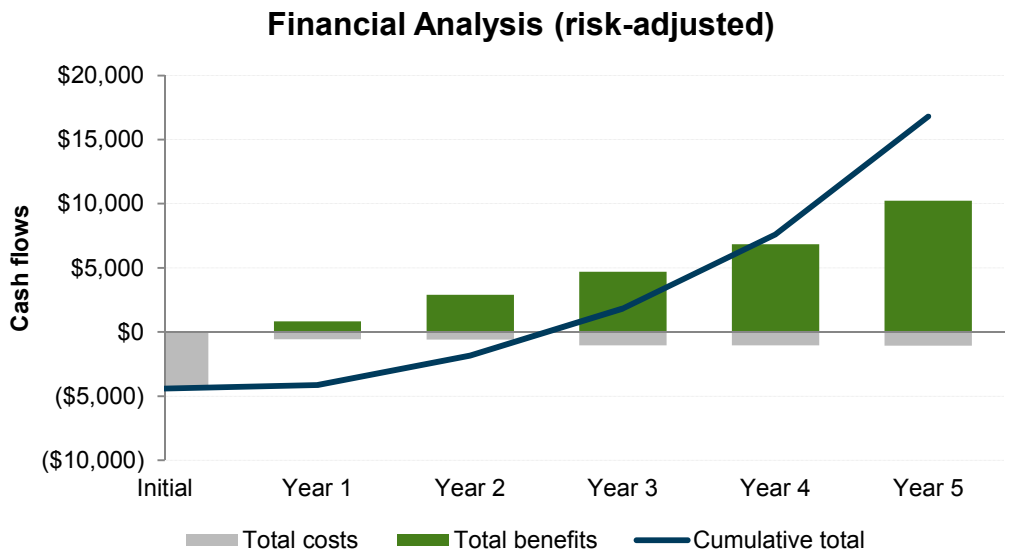
Table 11 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates for the interviewed organization. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the interviewed organization's investment in Blackbaud CRM

Table 12 and Figure 4 below show the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 11 in the Risks section to the unadjusted results in each relevant cost and benefit section.

FIGURE 4
Cash Flow Chart (Risk-Adjusted)



Source: Forrester Research, Inc.

TABLE 12
Cash Flow (Risk-Adjusted, All Monetary Values Are In Thousands)

Summary	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Present Value
Total costs	($4,400)	($579)	($605)	($1,039)	($1,049)	($1,059)	($8,731)	($7,581)
Total benefits	$0	$837	$2,902	$4,699	$6,838	$10,243	$25,520	$17,721
Total	**($4,400)**	**$258**	**$2,298**	**$3,660**	**$5,789**	**$9,184**	**$16,788**	**$10,139**
ROI								**134%**
Payback period (months)								**30.0**

Source: Forrester Research, Inc.

Blackbaud CRM: Overview

Blackbaud CRM combines fundraising, online applications, prospect research and analytics, and multichannel direct marketing together in one platform to enable an integrated view of the constituent. Blackbaud targets large to medium-size nonprofit organizations with complex needs. Blackbaud CRM is designed to work around unique configurations like sponsorship, multicurrency, and a federated organizational model. The enterprise system can be further tailored to meet the specific business processes and procedures of a philanthropic operation.

Blackbaud CRM brings together disparate information — such as annual and capital giving, gift planning, major giving, volunteer systems, program participants, and advocacy efforts — across the various affiliates and programs within an organization. With a single system of record that can be securely shared, organizations are able to turn their data into information that can be used to improve fundraising efforts, synchronize campaigns across affiliates and field offices, and strengthen relationships with constituents

Appendix A: Total Economic Impact™ Overview

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. TEI assists technology vendors in winning, serving, and retaining customers.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

BENEFITS

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

COSTS

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

FLEXIBILITY

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

RISKS

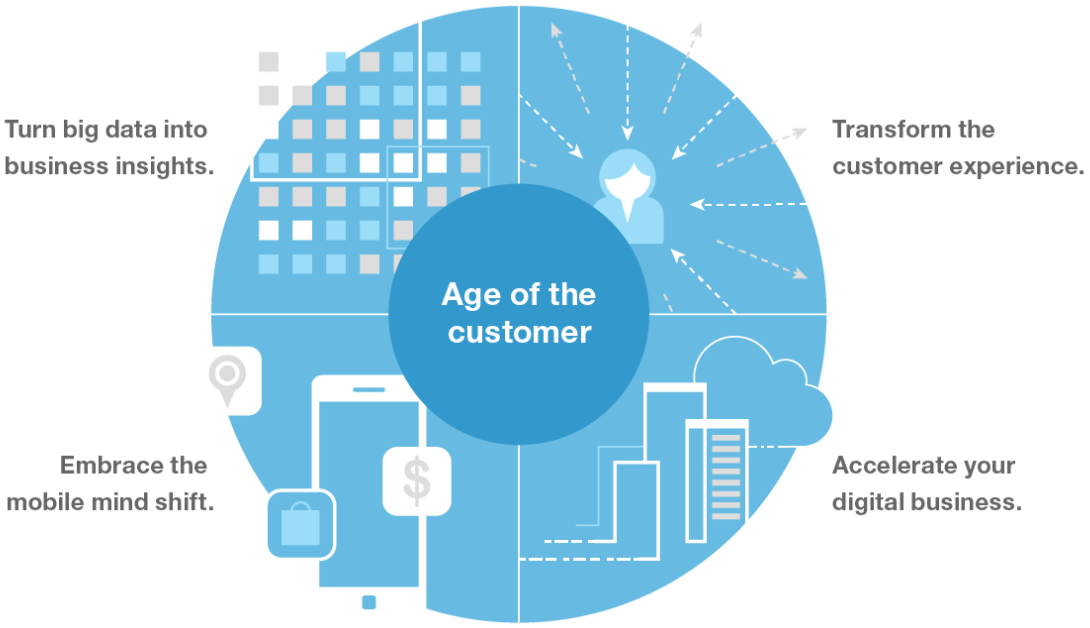
Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections and 2) the likelihood that the estimates will be measured and tracked over time. TEI risk factors are based on a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the risk factor around each cost and benefit.

Appendix B: Forrester And The Age Of The Customer

Your technology-empowered customers now know more than you do about your products and services, pricing, and reputation. Your competitors can copy or undermine the moves you take to compete. The only way to win, serve, and retain customers is to become customer-obsessed.

A customer-obsessed enterprise focuses its strategy, energy, and budget on processes that enhance knowledge of and engagement with customers and prioritizes these over maintaining traditional competitive barriers.

CMOs and CIOs must work together to create this companywide transformation.



Forrester has a four-part blueprint for strategy in the age of the customer, including the following imperatives to help establish new competitive advantages:

Transform the customer experience to gain sustainable competitive advantage.

Accelerate your digital business with new technology strategies that fuel business growth.

Embrace the mobile mind shift by giving customers what they want, when they want it.

Turn big data into business insights through innovative analytics.

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Appendix C: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Companies set their own discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organizations to determine the most appropriate discount rate to use in their own environment.

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.

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.

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.

Return on investment (ROI): A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

A NOTE ON CASH FLOW TABLES

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in years 1 through 3 are discounted using the discount rate (shown in the Framework Assumptions section) at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations are not calculated until 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.

TABLE [EXAMPLE]
Example Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3

Source: Forrester Research, Inc.

Appendix D: Endnotes

[1] Forrester risk-adjusts the summary financial metrics to take into account the potential uncertainty of the cost and benefit estimates. For more information, see the section on Risks.

[2] Source: “Quantify The Business Value Of CRM,” Forrester Research, Inc., July 2, 2015.

A Forrester Total Economic Impact™ Study Commissioned By Blackbaud

Project Director:
Luke Tarbi

July 2014

The Total Economic Impact™ Of Blackbaud CRM For Hospital And Healthcare Systems

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ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

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Executive Summary

Blackbaud commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Blackbaud Constituent Relationship Management (herein "CRM") in the North American hospital and healthcare sector. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the CRM on their organizations.

Blackbaud CRM can help increase fundraising revenue and improve end user productivity.

The costs and benefits for a composite organization of 48,000 employees over a five year period, based on customer interviews, are:

- **Total costs: $4.4M**
- **Annual costs: $464.3K**
- **Total cost savings and benefits: $10.64M**

To better understand the benefits, costs, and risks associated with a Blackbaud CRM implementation, Forrester interviewed four existing customers with experience deploying and using the technology. The subsequent analysis represents a composite of these customers, rather than any single company. The economic analysis also draws on the Forrester Research report, "Quantify The Business Value Of CRM" from May 2, 2013.

Prior to deploying Blackbaud CRM, the interviewed hospital systems utilized various fundraising technologies to meet their annual fundraising objectives — this included a mix of in-house solutions, competitor's products, and Blackbaud Raiser's Edge (herein "RE"). However, all customers interviewed stated recurring challenges with previous installations, including disconnected repositories of donor data, a lack of process standardization, challenges in reconciling funds with the general ledger, and overall labor inefficiencies.

These limitations led to several long-standing issues, chief among them was the concern that annual fundraising levels were persistently hamstrung by outdated technology. However with CRM, customers were able to centralize databases, improve labor productivity, provide better information to employees, eliminate cost redundancies, and drive top-line growth in fundraising.

Of note to single hospital readers — this study analyzed the economics of a multi-hospital healthcare system, but the majority of benefits and costs will also apply to a single hospital. While the benefit of cost reductions at subsidiary organizations may not occur, implementation costs should also be significantly lower. As such, Forrester encourages readers to readjust the calculations as appropriate for their environment.

BLACKBAUD CRM ENABLES INCREASES IN FUNDS RAISED

Our interviews with four existing customers and subsequent financial analysis found that a composite organization based on these organizations experienced the five-year risk-adjusted ROI, costs, and benefits shown in Table 1. See Appendix A for a description of the composite organization.

FIGURE 1
Financial Summary Showing Five-Year Risk-Adjusted Results

ROI: 141%	Payback: 27 months	Total benefits (PV): $10.64M	Total costs (PV): $4.42M	Net present value: $6.22M

Source: Forrester Research, Inc.

› **Benefits.** The composite organization experienced the following risk-adjusted benefits that represent those experienced by the interviewed organizations:

- **Fundraising lift of 3% with Blackbaud CRM.** Empirical evidence suggests organizations should expect an annual improvement in fundraising levels of an estimated 3% or greater, after the CRM technology is fully deployed.[1]
- **Cost reductions at subsidiary organizations.** The deployment of Blackbaud CRM across a large healthcare system should allow subsidiary 501(c)(3) fundraising organizations to cut various site-specific technology costs, as they begin to receive the centralized provision of CRM and related services from headquarters.
- **Improvements in workforce productivity.** Staff time savings are a result of three components: less time spent manually matching records, less time spent manually processing donor mail, and less time spent undertaking searches for data — such as constituent information, prospect information, or financial records.
- **Better information and reporting.** Blackbaud CRM delivered time-saving new reports across the healthcare system, saving the staff between 1,000 and 2,000 hours per year.
- **Create and track KPIs.** While not quantified in this study, another important benefit mentioned by interviewees was that CRM allowed managers to have greater visibility over staff performance. Half of those interviewed remarked that CRM allowed them to more easily create and track key performance indicators (KPIs) across all offices.

› **Costs.** The composite organization experienced the following risk-adjusted costs:

- **Software license acquisition and maintenance fees.** These are fees paid to Blackbaud for software licenses and annual maintenance. The perpetual license fee is $563,000 and paid at the outset. The annual license maintenance expense is $112,600 per year for each of the five years.
- **Professional service fees.** These fees cover the initial Blackbaud CRM deployment and post-deployment development, integrations, and systems maintenance.
- **Miscellaneous service fees paid to Blackbaud.** The cost of Blackbaud's wealth and affluence data service, WealthPoint, is $10,000 per year. Data management and hosting fees would also be included in this category if the client organization chose to utilize these offerings.
- **Increment internal labor.** This represents the costs of incremental labor used during the initial deployment phase, and for ongoing maintenance and development.

Disclosures

The reader should be aware of the following:

› The study is commissioned by Blackbaud and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

› Forrester makes no assumptions as to the potential return on investment that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Blackbaud CRM.

› Blackbaud 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.

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

TEI Framework And Methodology

INTRODUCTION

From the information provided in the four customer interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Blackbaud CRM. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision.

APPROACH AND METHODOLOGY

Forrester took a multistep approach to evaluate the impact that Blackbaud CRM can have on an organization (see Figure 2). Specifically, we:

- Interviewed Blackbaud marketing, sales, and finance personnel, along with Forrester analysts, to gather data relative to CRM and the marketplace for related technologies.
- Interviewed four healthcare systems currently using Blackbaud CRM and received information with respect to its costs, benefits, and risks.
- Designed a composite organization based on characteristics of the interviewed organizations (see Appendix A).
- Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews as applied to the composite organization.
- Risk-adjusted the financial model based on issues and concerns the interviewed organizations highlighted in interviews. Risk adjustment is a key part of the TEI methodology. While interviewed organizations provided cost and benefit estimates, some categories included a broad range of responses or had a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted, and is detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modeling Blackbaud CRM's service: Benefits, Costs, Flexibility, and Risks.

Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix B for additional information on the TEI methodology.

FIGURE 2
TEI Approach

Source: Forrester Research, Inc.

Analysis

COMPOSITE ORGANIZATION

For this study, Forrester conducted a total of four interviews with representatives from the following companies, which are Blackbaud customers based in North America:

- A midsized regional healthcare system with six primary-care hospitals, as well as multiple clinics, outpatient facilities, and one research institute.
- A large hospital network of over 20 non-profit hospitals spanning the United States and Canada.
- A large healthcare system of over 40 acute care hospitals and 250 ancillary care sites across the United States.
- A large rural healthcare system of approximately 80 hospitals, 40 long-term care facilities, and numerous assisted-living facilities, community health clinics, nursing colleges, and home health agencies.

Based on the interviews, Forrester constructed a TEI framework, a composite healthcare system, and an associated ROI analysis that illustrates the areas financially affected. The composite organization that Forrester synthesized from these results represents an organization with the following characteristics:

- A large US-based healthcare system consisting of 37 non-profit hospitals, plus another 23 ancillary sites to include long-term care, assisted living, outpatient facilities, and a research facility.
- 35 separate 501(c)(3) fundraising organizations to support their healthcare network, organized regionally, each supporting 1-3 facilities, plus a centralized national headquarters office.

> *"While [our current fundraising system] is still valuable, it is going to become a legacy system someday . . . We knew that Blackbaud CRM was performing well in the marketplace, so decided it was time to make the switch."*
>
> ~Director of IT systems — philanthropy, at a large healthcare chain

- 35 separate data instances across multiple CRM vendors, with one data instance per 501(c)(3) organization.
- A staff of 48,000 employees.
- Current fundraising levels of $60M per year, with goals to grow this amount by 10% annually.

After an extensive RFP and business case process evaluating multiple vendors, the composite organization chose Blackbaud CRM and began deployment:

- The capital budget request and subsequent business case analysis took approximately one year for the team to complete.
- Implementation started the following year, and it took approximately two years to convert all 35 separate databases to CRM. The team converted 8 to 9 databases per batch over the two year period, at a rate of one batch every six months.
- The percentage of fundraising run through CRM increased from 20% in the first year after implementation to nearly 90% by the fifth year. The percentage of top-line growth in fundraising attributable back to CRM also grew from approximately 1% to approximately 3%.

INTERVIEW HIGHLIGHTS

A total of four interviews were conducted for this study. The titles of the individuals interviewed included vice presidents, senior directors, and directors in the offices of operations, finance, and philanthropy. These individuals were all responsible for leading fundraising efforts to support their broader hospital and healthcare systems.

The interviews revealed several key drivers behind the implementation of Blackbaud CRM:

- A widespread recognition that technology like Blackbaud CRM was the future of fundraising, and would bring their organization up to date with new technology used at comparable profit-driven companies.
- Growing frustration over disconnected repositories of donor data, a lack of process standardization, and overall labor inefficiencies throughout their workforce.
- A desire to standardize to a common technology platform across all 501(c)(3) fundraising organizations, so each could work together in approaching donors and prospects, and thereby reduce unintended overlap and competition between them.
- Historic success with older Blackbaud products, such as Raiser's Edge — leading to increased comfort with the company and brand.

> *"I told [the CFO], 'if we can just raise 5% more as a result of knowing more about our donors and getting our field staff out fundraising instead of dealing with the database, this will cover the cost of what we're doing!"*
>
> ~Senior director of operations, finance, and philanthropy at a large healthcare chain

The interviewee's selection and implementation of Blackbaud CRM fits in the context of several macroeconomic changes affecting the hospital and healthcare sector. Most notably, recent regulatory requirements have increased costs, while simultaneously the broader economic recession has decreased budgets and charitable giving levels from donors. Faced with this dual challenge, the interviewee's noted an increased level of competition for a diminished amount of charitable dollars available. All interviewees mentioned that increasing fundraising amounts was mission-critical for their organization to succeed, and several noted that it received consistent CEO-level attention.

The interviewed organizations selected CRM because they believed an entirely new system was necessary to fundamentally drive top-line growth in fundraising. Moreover, the executives knew that in addition to this technology improvement, they would also have to re-engineer old processes and expand the hiring of technical staff to capitalize on its full value. More than one interviewee stated that their development officers had done their best to use outdated software and "make it work"; they were refreshed to see how much more productive development officers were after implementing CRM. Instead of spending a bulk of their workday trying to manually update or circumvent outdated technology, these officers could instead reallocate that time back to their core mission of relationship building and fundraising. One interviewee even went so far as to call it "the wave of the future."

BENEFITS

The composite organization experienced a number of quantified benefits in this case study. To evaluate the scale of these benefits, we used data from the Forrester report "Quantify The Business Value Of CRM," Forrester Research, Inc., May 2, 2013. This report has metrics that evaluate the magnitude of benefits associated with commercial CRM deployments, many of which are analogous to the benefits realized in non-profit organizations. The benefit categories are:

- Fundraising lift of 3% or greater with Blackbaud CRM.
- Cost reductions at subsidiary organizations.
- Improvements in workforce productivity.
- Better information and reporting.

Another important benefit mentioned by interviewees was that CRM allowed managers to have greater visibility over staff performance. While not directly quantified in this study, two of four interviewees remarked that CRM allowed them to more easily create and track key performance indicators (KPIs) across all offices. Prior to the data centralization of CRM, these executives were unable to track KPIs across their workforce because each 501(c)(3) organization functioned as its own data silo. This lack of transparency between the local and national headquarters level had led to challenges in performance evaluations, the setting of incentives, and proper forecasting.

Fundraising Lift Of 3% Or Greater With Blackbaud CRM

Interviews revealed that increased fundraising amounts required changes to internal business and management processes, as well as maximizing the value of data assets (i.e., the donor file). All of this can be enabled by CRM but also requires a concerted effort to successfully integrate the technology into day-to-day operations. Existing research into the financial benefit of commercial CRM technology confirms this analysis. Figure 1 depicts the reported improvement ranges (see right column) in sales for a profit-seeking company based on private sector metrics (see left column).[2] However, the same types of improvements should exist in a non-profit organization seeking to increase donor funds instead (see middle column). Drivers of the 3% fundraising lift should trace back to metrics with the largest improvement ranges, such as increasing the renewal rate of annual donations, fundraising higher dollar amounts, and increasing giving amounts via the use of multiple donation channels.

FIGURE 1
Sales Force (Fundraising Force) Improvement Ranges

Private sector metrics	Related non-profit metrics	Reported improvement ranges
Increase revenues from sales employees	Increased funds from fundraising staff	3% to 5%
Increase number of customers	Increase number of donors	0% to 5%
Increase customer retention	Increase donor retention	5% to 10%
Increase close rate	Increase close rate	8% to 10%
Increase cross-sell and upsell	Increase giving via multiple donation channels	10% to 20%
Increase repurchase rate	Increase renewal rate of annual donations	30% to 50%
Reduce order to delivery cycle time	Not applicable	10% to 20%
Reduce cost to sell	Reduce cost to fundraise	10% to 15%
Sell more profitable items	Fundraise higher dollar amounts	10% to 20%

Note: Middle column added for purposes of explanation.

Source: "Quantify The Business Value Of CRM," Forrester Research, Inc., May 2, 2013.

To quantify the overall effect of process improvements described in Figure 1, Forrester assumes that these changes collectively generate a lift in fundraising. For the composite organization, we assume that it expects to increase its total funds raised by 10% annually, starting from a base of $60 million. This annual increase in funds raised reflects the fundraising goals that leadership at the interviewed organizations set for themselves, given their dual challenges of increasing costs and decreasing budgets in their industry.

To evaluate the amount of funds raised that can be attributed to Blackbaud CRM, Forrester used data from a Forrester Research report, which states that commercial organizations can expect to see a 3% to 5% increase in revenues from its sales employees as a result of deploying a CRM system (see the report listed in Appendix D). This is directly analogous to increase in funds raised by development officers and gift officers in the hospital and healthcare sector.

For the composite organization, we assume that the use of CRM to manage fundraising increases over time, to reflect the gradual conversion of all subsidiary 501(c)(3) organizations. We assume that in Year 1, 20% of funds raised are managed by the system, increasing to 70% in Year 5 (row A3). The amount of funds raised attributable to CRM also increase over time, reflecting the gradual improvements in business processes, system adoption and user proficiency with the system (row A5).

Results were risk-adjusted downward by 10% to account for potential variance in fundraising growth (row A1), percentage managed by CRM (row A3), and attribution (row A5). The total risk-adjusted lift in funds attributable to Blackbaud CRM is $8.789 million over 5 years (see Table 1).

TABLE 1
Fundraising Lift Due To Blackbaud CRM (All Monetary Values Are In 1000s)

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
A1	Assumed percentage growth in total funds raised			10%	10%	10%	10%	10%	
A2	Total annual funds raised	A2+(A1*A2)	$60,000	$66,000	$72,600	$79,860	$87,846	$96,630.6	
A3	Percentage of fundraising being managed by BBCRM			20%	50%	70%	70%	70%	
A4	Funds raised that are managed by BBCRM	A2*A3		$13,200	$36,300	$55,902	$61,492.2	$67,641.4	
A5	Percentage growth attributable to BBCRM			2.0%	3.0%	3.5%	5%	5%	
At	Total (original)	A4*A5	$0	$264	$1,089	$1,956.6	$3,074.6	$3,382.1	$9,766.3
	Risk adjustment	↓10%							
Atr	Total (risk-adjusted)			$237.6	$980.1	$1,760.9	$2,767.1	$3,043.8	$8,789.6

Source: Forrester Research, Inc.

Cost Reductions At Subsidiary Organizations

Another key benefit from the CRM implementation at the composite health system was a reduction in costs at its subsidiary organizations. Prior to CRM, each of the 35 separate 501(c)(3) fundraising organizations maintained their own piecemeal technology environment. Commonly used systems included a mix of Blackbaud Raiser's Edge or similar fundraising applications, plus a reliance on more common office productivity and accounting tools. Each organization maintained their own separate annual contract with a mix of fundraising software vendors. Other costs included the use of external web developers to build online event registration pages, and the use of external merchants for online credit card processing.

Thanks to the centralized rollout of Blackbaud CRM at the national headquarters, the composite organization has been able to significantly reduce costs at each of its 35 separate 501(c)(3) fundraising organizations. The discontinuation of separate contracts for fundraising technology led to $11,700 savings per organization per year, now that each can rely on Blackbaud CRM provided by the national headquarters (row B3). Moreover, the integration of Blackbaud Internet Services into CRM allowed each organization to additionally save $10,000 per year in external web developer costs (row B1). Lastly, the integration of Blackbaud Merchant Services allowed each organization to avoid the added costs of credit card processing vendors (row B2). The use of Blackbaud Merchant Services also had added benefit of making the entire composite organization PCI compliant, and allowed them to accept recurring online donations as well. As shown in Table 2, the reduction in costs at subsidiaries occurred over two years as each was eventually converted over to CRM (row B4). As one interviewee in the midst of a rollout explained, "As each stage comes in, we see more savings by discontinuing contracts!"

Results were risk-adjusted downward by 5% to account for potential variance in cost structures at subsidiary organizations (rows B1-B3). The total risk-adjusted benefit of cost reductions due to Blackbaud CRM is $3.517 million over 5 years (see Table 2).

TABLE 2
Cost Reductions At Subsidiary Organizations

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
B1	Average annual cost of web developer services		$10,000	$10,000	$10,000	$10,000	$10,000	
B2	Average annual cost of credit card processing merchant		$2,500	$2,500	$2,500	$2,500	$2,500	
B3	Average annual license cost of preexisting CRM application		$11,700	$11,700	$11,700	$11,700	$11,700	
B4	Number of subsidiaries affected		16	32	35	35	35	
Bt	Total (original)	(B1+B2+B3)*B4	$387,200	$774,400	$847,000	$847,000	$847,000	$3,702,600
	Risk adjustment	↓5%						
Btr	Total (risk-adjusted)		$367,840	$735,680	$804,650	$804,650	$804,650	$3,517,470

Source: Forrester Research, Inc.

⊕ Improvements In Workforce Productivity

Interviewees all emphasized that the installation of Blackbaud CRM resulted in widespread productivity gains throughout their workforce. For the composite organization, these gains can be divided into three main categories: less time spent manually matching records, less time spent manually processing donor mail, and less time spent undertaking searches for donor data, such as constituent and prospect information.

The first benefit — less time spent manually matching records — greatly benefitted one department at the national headquarters. Prior to CRM, patient data was batch-imported into their old fundraising application at the end of every workday. About two-thirds of this data would transfer over without issue, but the remaining one-third would need manual support. This resulted in 300 to 400 records requiring manual review the following morning, and cost staff 3 to 4 hours per day. Thanks to the built-in import tool in CRM, this process has been fully automated and resulted in significant time savings. Additionally, if this automated process creates duplicate records, CRM's duplicate match and automated merging tool can consolidate them and assign a confidence interval.

The second benefit centers on processing donor mail. The composite organization has a staff of four donation coordinators who primarily fulfilled data entry roles prior to the arrival of CRM. This team had to undertake a lengthy 15-step manual procedure to process donor mail to ensure that all funds were properly accounted for. After the rollout of CRM, this lengthy process was simplified down to a short 3-step procedure that saved staff 1 to 2 hours per day. This time savings allowed donation coordinators to reallocate their time toward more impactful activities, such as expanding their online and direct mail fundraising channels.

The third and final productivity benefit entails time savings during the use of CRM as compared to older fundraising applications. Prior to CRM, one interviewee described having to "hunt and peck" for pieces of information that were spread out across their piecemeal technology environment. After the implementation of CRM, the new constituent summary page consolidated all the necessary pieces of donor information into one, easy to access location. For the composite company, this time savings has greatly benefited the 35 local administrators and prospect researchers at each 501(c)(3) organization, and is estimated to save each approximately 1 to 2 hours per day.

Results were risk-adjusted downward by 10% to account for potential variance in time savings at subsidiary organizations (rows C5-C7). The total risk-adjusted benefit of cost reductions due to Blackbaud CRM is approximately $2.4 million over 5 years (see Table 3).

TABLE 3
Improvements In Workforce Productivity

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
C1	Records matching employees		1	1	1	1	1	
C2	Mail processing employees		4	4	4	4	4	
C3	Data research employees		16	32	35	35	35	
C4	Average hourly rate of an employee	$65,000/270/8	$30	$30	$30	$30	$30	
C5	Hours saved matching records per day		3.5	4.0	4.5	4.5	4.5	
C6	Hours saved processing mail per day		1.0	1.5	2.0	2.0	2.0	
C7	Hours saved researching data per day		1.0	1.5	2.0	2.0	2.0	
C8	Financial benefit of productivity (matching records) per day	C1*C4*C5	$105	$120	$135	$135	$135	
C9	Financial benefit of productivity (processing donor mail) per day	C2*C4*C6	$120	$180	$240	$240	$240	
C10	Financial benefit of productivity (researching data files) per day	C3*C4*C7	$480	$1,440	$2,100	$2,100	$2,100	
Ct	Annual financial impact of productivity improvements	(C8+C9+C10) *270	$190,366	$469,841	$668,308	$668,308	$668,308	$2,665,130
	Risk adjustment	↓10%						
Ctr			$171,330	$422,857	$601,477	$601,477	$601,477	$2,398,617

Source: Forrester Research, Inc.

Better Information And Reporting

The composite organization benefitted from the new reporting functionality of Blackbaud CRM. Prior to CRM, all the constituent data for the healthcare network was spread out across its 35 separate 501(c)(3) fundraising bodies. This siloed environment made it challenging for leaders at the national headquarters to pull and utilize reports; oftentimes they were forced to email spreadsheets back and forth. This in turn diminished their ability to check trends, build reliable forecasts, and execute against their national fundraising strategy.

After the implementation of CRM, users realized a more nimble reporting environment. Because of CRM's built-in data warehouse, reports ran much faster and were generally more efficiently produced. Because reports came out of the data warehouse and not production data, they tended to be created and released faster — benefitting both standard reports and ad hoc reports. Interviewees also noted marked improvements due to CRM's built-in smart query and export definition tools. The result was a more efficient reporting environment for the composite organization, allowing executives to obtain the information they needed to make decisions faster, and more reliably. Over time, this benefit is assumed to lead to increasing usage of reporting data (rows D2-D4).

Results were risk-adjusted downward by 5% to account for differing levels of reliance on reports at different organizations (rows D2-D4). The total risk-adjusted benefit of cost reductions due to Blackbaud CRM is approximately $230,000 over 5 years (see Table 3).

TABLE 4
Better Information And Reporting

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Year 4	Year 5	Total
D1	Time savings per report (in minutes)		15	15	15	15	15	
D2	Number of daily reports		18	20	22	24	26	
D3	Number of weekly reports		6	7	8	9	10	
D4	Number of monthly reports		6	7	8	9	10	
D5	Annual hours saved due to reporting	((D1*D2*270)+(D1*D3*52)+(D1*D4*12))/60	1,311	1,462	1,613	1,764	1,915	
D6	Hourly rate of an FTE	$65,000/270/8	$30	$30	$30	$30	$30	
Dt	Total (original)	D5*D6	$39,330	$43,860	$48,390	$52,920	$57,450	$241,950
	Risk adjustment	↓5%						
Dtr	Total (risk-adjusted)		$37,364	$41,667	$45,971	$50,274	$54,578	$229,853

Source: Forrester Research, Inc.

Total Benefits

Table 5 shows the total of all benefits across the four areas listed above, as well as present values (PVs) discounted at 10%. Over five years, the composite organization expects risk-adjusted total benefits to be a PV of more than $10.637 million, or a PV of approximately $304,000 for each of the 35 separate fundraising subsidiaries.

TABLE 5
Total Benefits (Risk-Adjusted) (All Monetary Values Are In 1000s)

Ref.	Benefit	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Present value
Atr	Fundraising lift due to Blackbaud CRM	$237.6	$980.1	$1,760.9	$2,767.1	$3,043.8	$8,789.6	$6,129
Btr	Cost reductions at subsidiary organizations	$367.8	$735.7	$804.7	$804.7	$804.7	$3,517.5	$2,596.1
Ctr	Improvements in workforce productivity	$171.3	$422.9	$601.5	$601.5	$601.5	$2,398.6	$1,741.4
Dtr	Better information and reporting	$37.4	$41.7	$45.9	$50.3	$54.6	$229.8	$171.7
	Total benefits	**$814.1**	**$2,181.3**	**$3,213.0**	**$4,223.5**	**$4,504.5**	**$14,935.5**	**$10,637.7**

Source: Forrester Research, Inc.

COSTS

The composite organization experienced four costs associated with the Blackbaud CRM solution:

- Software license and maintenance fees.
- Professional service fees.
- Internal labor expense.
- Miscellaneous service fees paid to Blackbaud.

These represent the mix of internal and external costs experienced by the composite organization for initial planning, implementation, and ongoing maintenance associated with the CRM solution.

Software License And Maintenance Fees

Software licensing fees of $563,000 were incurred during the initial implementation period. These fees gave the composite organization the requisite number of licenses in perpetuity; as more hospitals and clinics join their healthcare system, more licenses would need to be purchased. In subsequent years, an annual maintenance fee, calculated as a percentage of the initial software licensing fee, was applied.

Software costs vary from organization to organization, considering different licensing agreements, what other products may be licensed from the same vendor, and other relevant discounts. To compensate, this cost was risk-adjusted up by 5%. The risk-adjusted cost of software license and maintenance fees over the five years was $1.18 million. See the section on Risks for more detail.

TABLE 6
Software License And Maintenance Fees (All Monetary Values Are In 1000s)

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
E1	BBCRM perpetual license fees		$563						
E2	Annual license maintenance expense			$112.6	$112.6	$112.6	$112.6	$112.6	
Et	Total (original)	E1+E2	($563)	($112.6)	($112.6)	($112.6)	($112.6)	($112.6)	($1,126)
	Risk adjustment	↑5%							
Etr	Total (risk-adjusted)		($591.2)	($118.23)	($118.23)	($118.23)	($118.23)	($118.23)	($1,182)

Source: Forrester Research, Inc.

Professional Service Fees

Most organizations rely on the use professional services for the deployment of CRM, and sometimes for ongoing development as well. Generally speaking, organizations that use less professional services tend to have more skilled internal labor available — such as those in the technology and telecommunications sector. The composite organization used

professional services offered by Blackbaud; the majority of these costs were incurred during the initial implementation period (row F2). Additionally, for the composite organization, Forrester assumed that Blackbaud assigned a technical account manager to oversee deployment and ongoing care and maintenance (row F1). Lastly, due to the ever-changing nature of the healthcare industry, the composite organization spent a minor amount for ongoing development and customization support (row F3).

Professional service costs will vary depending on the level of sophistication of the internal IT team, as well as the organization's requirements for future development and customization. To compensate for the risk of understanding costs, Forrester risk-adjusted the results up by 10%. The risk-adjusted cost professional service fees over the five years were $2.31 million.

TABLE 7
Professional Service Fees (All Monetary Values Are In 1000s)

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
F1	Blackbaud technical account manager		$35	$35	$35	$35	$35	$35	
F2	Professional services for initial deployment		$846.5	$846.5					
F3	Professional services fees for ongoing development				$50	$50	$50	$50	
Ft	Total (original)	F1+F2+F3	($881.5)	($881.5)	($85)	($85)	($85)	($85)	($2,103)
	Risk adjustment	↑10%							
Ftr	Total (risk-adjusted)		($969.65)	($969.65)	($93.5)	($93.5)	($93.5)	($93.5)	($2,313.3)

Source: Forrester Research, Inc.

Internal Labor Expense

Most organizations used internal labor resources to maintain the legacy fundraising systems, and shifted this staff over to maintaining Blackbaud CRM after its implementation. However, additional labor was needed for the deployment and management of CRM. For the composite organization, Forrester assumes one additional developer and one data administrator are needed during the deployment period (row G1). When user adoption begins in Year 1, a SQL developer is hired to perform a variety of development and database administrator tasks (row G2); this type of resource is often necessary in order to maximize the functionality of the system. Additionally, in Year 1, when more of the 501(c)(3) fundraising organizations are converted to CRM, an additional IT administrator is needed to help with data conversion and ongoing maintenance (row G3-G4).

Wage rates for IT staff vary depending on sector and geography, as does an organization's need for more or less technical support. To compensate for the risk of understanding costs, Forrester risk-adjusted the results up by 5%. The risk-adjusted cost professional service fees over the five years were $1.22 million.

TABLE 8
Internal Labor Expense (All Monetary Values Are In 1000s)

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
G1	Initial deployment, integration and data migration		$150	$150					
G2	SQL developer for ongoing support			$108	$108	$108	$108	$108	
G3	IT administrator for ongoing systems support			$96	$96	$96	$96	$96	
G4	Ongoing data maintenance			$27	$27	$27	$27	$27	
Gt	Total (original)	G1+G2+G3 +G4	($150)	($381)	($231)	($231)	($231)	($231)	($1,455)
	Risk adjustment	↑5%							
Gtr	Total (risk-adjusted)		($157.5)	($400)	($242.5)	($242.5)	($242.5)	($242.5)	($1,527.7)

Source: Forrester Research, Inc.

Miscellaneous Service Fees Paid To Blackbaud

The interviewed organizations usually purchased additional services from Blackbaud. These services could potentially include data management, hosting, and its wealth and affluence data service — WealthPoint. For the composite organization under review, this analysis assumes the hospital chain only selected usage of WealthPoint at a cost of $10,000 per year. Though this organization chose to not purchase hosting and data management services from Blackbaud, the combined expected costs would have run approximately $90,000 to $100,000 per year if they had (see Table 9).

TABLE 9
Miscellaneous Service Fees Paid To Blackbaud

Ref.	Metric	Year 1	Year 2	Year 3	Year 4	Year 5	Total
H1	Wealth and affluence data service	$10,000	$10,000	$10,000	$10,000	$10,000	
H2	Data management						
H3	Hosting fees						
Ht	Total (original)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	(50,000)
	Risk adjustment						
Htr	Total (risk-adjusted)	($10,000)	($10,000)	($10,000)	($10,000)	($10,000)	($50,000)

Source: Forrester Research, Inc.

Total Costs

Table 9 shows the total of all costs as well as associated present values, discounted at 10%. Over five years, the composite organization expects total costs to reach a net present value of a little more than $5 million, or a PV of approximately $144,950 for each of the 35 separate fundraising subsidiaries.

TABLE 9
Total Costs (Risk-Adjusted) (All Monetary Values Are In 1000s)

Ref.	Cost	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Present value
Etr	Software license and maintenance fees	($591.2)	($118.2)	($118.2)	($118.2)	($118.2)	($118.2)	($1,182.3)	($1,039.3)
Ftr	Professional service fees	($969.65)	($969.65)	($93.5)	($93.5)	($93.5)	($93.5)	($2,313.3)	($2,120.6)
Gtr	Internal labor expense	($157.5)	($400)	($242.5)	($242.5)	($242.5)	($242.5)	($1,527.7)	($1,220.1)
Htr	Miscellaneous service fees	$0.0	($10.0)	($10.0)	($10.0)	($10.0)	($10.0)	($50.0)	($37.9)
	Total costs	**($1,718.3)**	**($1,497.9)**	**($464.3)**	**($464.3)**	**($464.3)**	**($464.3)**	**($5,073.4)**	**($4,418.0)**

Source: Forrester Research, Inc.

FLEXIBILITY

The financial value of flexibility delivered by Blackbaud CRM is estimated to be $4,761,468

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so. While there are many scenarios in which a customer might choose to implement Blackbaud CRM and later realize additional uses and business opportunities, the most significant relates to the future expansion of the healthcare network and its corresponding 501(c)(3) fundraising organizations. The costs of adding one more subsidiary organization in CRM are relatively low, and include three months of labor ($15,000), plus an additional license purchase ($15,000) and annual maintenance fee ($5,000/year). However, the future financial value of adding another fundraising body in CRM could be substantial — ranging from approximately $1 million in new funds raised per year for a smaller subsidiary, to $3 million or more for a larger organization.

Forrester calculates the value of flexibility of an IT investment using the Black-Scholes call option model. The Black-Scholes model allows investors to place a value on the right to buy a particular investment into the future. For more information on this model, review the Forrester report "Valuing And Communicating IT Flexibility."[3] Aside from the costs and benefits outlined above, other key inputs into the model include: expiration date, the risk-free rate of return, and market volatility. For this analysis, the expiration date is assumed to be 10 years, after which point the organization may be expected to install new software. The risk-free rate of return considers the value of the option as measured against a rate that the organization could achieve with the same funds — Forrester utilized the current yield of 10-year treasury note, 2.5%. Lastly, the beta of publicly traded stocks in the healthcare facilities sector was used to assess market volatility — 1.13, indicating that this industry is slightly more volatile than the market overall. The resultant Black-Scholes call option model evaluates the value of flexibility delivered by Blackbaud CRM to be $4,761,468. Readers should view this result positively, but recalculate the

financial calculation based on assumptions relevant to their environment. While this benefit has not been included in the final ROI analysis, it has been shared to highlight the financial value of CRM's flexibility.

RISKS

Forrester defines two types of risk associated with this analysis: "implementation risk" and "impact risk." "Implementation risk" is the risk that a proposed investment in CRM may deviate from the original or expected requirements, resulting in higher costs than anticipated. "Impact risk" refers to the risk that the business or technology needs of the organization may not be met by the investment in CRM, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

Quantitatively capturing implementation risk and impact risk by directly adjusting the financial estimates results provides more meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as "realistic" expectations since they represent the expected values considering risk.

Apart from the risks identified in the previous sections, readers should consider the following:

- **Conversion scripting.** Interviewees mentioned that the largest risk had to do with moving all their legacy data from the old database to the new one. This risk was mitigated by maintaining proper backup drives and different copies of the production environment. Interviewees mentioned they spent a lot of time cleaning data and conducting test runs, and repeated this until it was clean enough to be deployed into production.
- **Adoption and change management.** Interviewees noted that promoting the adoption and usage of CRM can require significant time and effort, as dependent on the workforce's technical aptitude and change readiness. This risk was mitigated by executing a strong communications plan, ensuring the right incentives were in place, and running on-site training sessions at all of the subsidiary fundraising organizations.
- **Custom interface development.** Depending on what applications the organization relies on for fundraising management, the possibility exists that custom interfaces may need to be built to link back with Blackbaud CRM. Developing these interfaces can take time and slow down implementation if this isn't planned for at the outset. Interviewees mentioned this risk could be mitigated by ensuring constant communications with their Blackbaud representative.

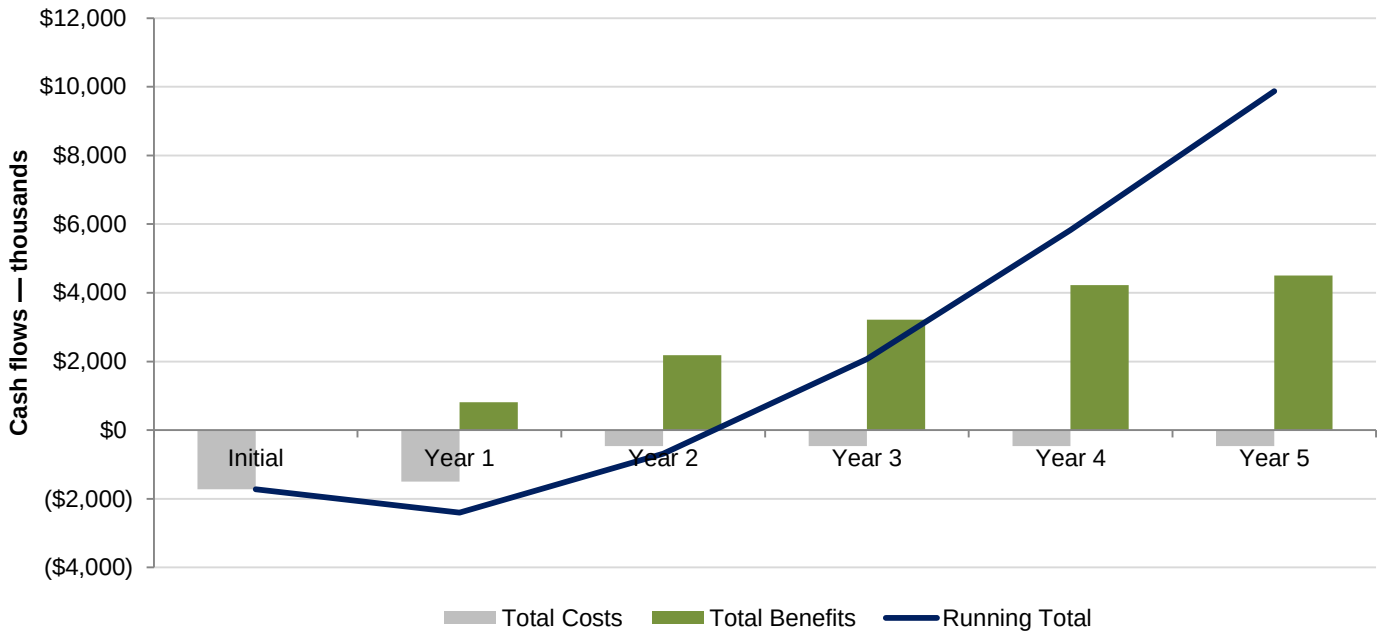
Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the organization's investment in CRM.

Table 10 below shows the risk adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values to the un-adjusted results in each relevant cost and benefit section.

FIGURE 2
Cash Flow Chart (Risk-Adjusted)



Source: Forrester Research, Inc.

TABLE 10
Cash Flow Analysis: Risk-Adjusted

	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Present value
Costs	($1,718,300)	($1,497,930)	($464,280)	($464,280)	($464,280)	($464,280)	($5,073,350)	($4,417,968)
Benefits	$0	$814,133	$2,180,304	$3,213,010	$4,223,550	$4,504,568	$14,935,566	$10,637,731
Net benefits	($1,718,300)	($683,797)	$1,716,024	$2,748,730	$3,759,270	$4,040,288	$9,862,216	$6,219,763
ROI								141%
Payback period								27 months

Source: Forrester Research, Inc.

Blackbaud CRM: Overview

Blackbaud CRM combines fundraising, online applications, prospect research and analytics, and multichannel direct marketing together in one platform to enable an integrated view of the constituent. Built for large to medium sized nonprofit organizations with complex needs, Blackbaud CRM is designed to work around unique configurations like sponsorship, multi-currency, and a federated organizational model. Blackbaud CRM is an enterprise system that can be further tailored to meet the specific business processes and procedures of a philanthropic operation.

Blackbaud CRM brings together disparate information — such as annual and capital giving, gift planning, major giving, volunteer systems, program participants, advocacy efforts — across the various affiliates and programs within an organization. With a single system of record that can be securely shared, organizations are able to turn their data into information that can be used to improve fundraising efforts, synchronizes campaigns across affiliates and field offices, and strengthen relationships with constituents.

Appendix A: Composite Organization Description

For this TEI study, Forrester has created a composite organization to illustrate the quantifiable benefits and costs of implementing CRM. The composite company is intended to represent a large healthcare system with 48,000 employees and is based on characteristics of the interviewed customers.

The composite organization that Forrester synthesized from these results represents an organization with the following characteristics:

- A large US-based healthcare system consisting of 37 non-profit hospitals, plus another 23 ancillary sites to include long-term care, assisted living, outpatient facilities, and a research facility.
- 35 separate 501(c)(3) fundraising organizations to support their healthcare network, organized regionally, each supporting 1-3 facilities, plus a centralized national headquarters office.
- 35 separate data instances across multiple CRM vendors, with one data instance per 501(c)(3) organization.
- Current fundraising levels of $60M per year, with goals to grow this amount by 10% annually.

FRAMEWORK ASSUMPTIONS

Table 12 provides the model assumptions that Forrester used in this analysis.

The discount rate used in the PV and NPV calculations is 10% and time horizon used for the financial modeling is 5 years. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their respective company's finance department to determine the most appropriate discount rate to use within their own organizations.

TABLE 12
Model Assumptions

Ref.	Metric	Calculation	Value
1	Hours per week		40
2	Workdays per year		270
3	Full time equivalent		$65,000
4	Hourly	C3/C2	$30

Source: Forrester Research, Inc.

Appendix B: Total Economic Impact™ Overview

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.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

BENEFITS

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

COSTS

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

FLEXIBILITY

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

RISKS

Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections, and 2) the likelihood that the estimates will be measured and tracked over time. TEI applies a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the underlying range around each cost and benefit.

Appendix C: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Companies set their own a discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organizations to determine the most appropriate discount rate to use in their own environment.

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.

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.

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.

Return on investment (ROI): A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

A NOTE ON CASH FLOW TABLES

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in years 1 through 3 are discounted using the discount rate (shown in Framework Assumptions section) at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations are not calculated until the summary tables are the sum of the initial investment and the discounted cash flows in each year.

Sums and present value calculations the Total Benefits, Total Costs and Cash Flow tables may not exactly add up, as some rounding may occur.

TABLE [EXAMPLE]
Example Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3

Source: Forrester Research, Inc.

Appendix D: Endnotes

[1] Source: “Quantify The Business Value Of CRM,” Forrester Research, Inc., May 2, 2013.

[2] Source: “Quantify The Business Value Of CRM,” Forrester Research, Inc., May 2, 2013.

[3] Source: “Valuing And Communicating IT Flexibility,” Forrester Research, Inc., February 2, 2009.

A Forrester Total Economic Impact™ Study Prepared For Blackbaud

The Total Economic Impact Of Blackbaud CRM For Health And Human Services Nonprofit Organizations

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About Forrester Consulting
Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit www.forrester.com/consulting.

Executive Summary

In August 2013, Blackbaud commissioned Forrester Consulting to examine the total economic impact and potential return on investment (ROI) that nonprofit organizations operating in the health and human services sector may realize by deploying Blackbaud CRM (BBCRM). The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Blackbaud CRM on their organizations.

The economic analysis for this study was done using Forrester's Total Economic Impact (TEI) methodology, and the financial projections are result of this analysis. The TEI analysis is based on the experience of six BBCRM customers, and the analysis represents an amalgamation or composite of these customers, rather than any specific organization. The economic analysis also draws on the May 2, 2013 Forrester Research report "Quantify The Business Value Of CRM." This report has metrics that evaluate the magnitude of benefits associated with commercial CRM deployments, many of which are analogous to the benefits that may be realized by nonprofit organizations.

Blackbaud CRM Enables Increases In Funds Raised

Our interviews with six existing customers and subsequent financial analysis found that a composite organization based on these organizations experienced the five-year risk-adjusted ROI, costs, and benefits shown in Table 1. See Appendix A for a description of the composite organization.

Table 1

Composite Organization Five-Year Risk-Adjusted ROI[1]

ROI	Payback period	Total benefits (PV)	Total costs (PV)	Net present value
107%	32 months	$15,374,023	($7,437,261)	$7,936,762

Source: Forrester Research, Inc.

Qualitative Benefits

The six interviewed organizations reported the following qualitative benefits as a result of using BBCRM in their operations:

- **Increased constituent file size.** By combining the donor files from multiple systems such as email, spreadsheets, and shadow CRM applications, organizations "found" new constituents that were not previously housed in the system of record or house file. In one instance, a federated organization increased its house file from 300,000 to 700,000 constituents after combining data from four legacy CRM systems and five other ad hoc systems.
- **Improved data quality.** Organizations observed data quality improvement in many areas, including removing duplicate names, removing multiple addresses for the same individual, deleting the names of deceased donors,

and rationalizing multiple donors into a single household where applicable. In one instance, an organization removed 6 million duplicates after converting to BBCRM.

- **Leverage of reporting and analytics tools to obtain insights into constituent activity.** The organizations reported using these tools in many parts of their organizations, including gift officer management, portfolio management, and monitoring of various processes. For some, obtaining holistic insight into activity at the individual constituent level was a completely new capability. This capability allowed the organizations to categorize their constituents by type and frequency of engagement, such as giving, event attendance, and newsletters subscribed to, and to tailor their interactions with each constituent accordingly. The organizations believed that this would lead to greater constituent satisfaction and improved donor retention rates.

- **Overall improvements in business processes.** According to one interviewee, "everything runs more efficiently," including donation processing, the call center, and data processing. In one example, gift processing times were reduced from weeks to eight-to-nine days, and this organization plans to reduce this further to less than one week. This was achieved by centralizing multiple gift processing departments into one and using BBCRM to enable the process. This organization believes that these improvements "drive donor satisfaction, which drives retention." The changes have allowed the organization to view and treat gift processing as a financial management process as opposed to data management process.

- **Retention of institutional knowledge.** Having a central CRM system allows the organizations to capture and retain knowledge across the organization. In one instance, an organization was forced to make across-the-board staff reductions. They believe that if they had not had a CRM system, they would have lost a lot of valuable information when staff left.

- **More-effective audience-targeting.** Leveraging the analytics tools and improved data quality allowed some organizations to target their campaigns more effectively. One organization reported fewer complaints about "over-solicitation" and believes that it will eventually be able to reduce the number of direct mail pieces it sends.

- **Gift officer productivity improvements.** By leveraging BBCRM's tools like portfolio management and integrated data mining, some organizations experienced overall productivity improvements in their major gift teams. According to one interviewee, "Major officers can now become much more external focused, and not managing internal paperwork." Team directors were able to set performance metrics such as interaction targets and goals for level of interaction and revenue. They used the built-in reporting tools to track gift officer productivity and to manage underperforming officers appropriately. Overall, this enabled team directors to take a more-strategic, portfolio-based approach to managing their major gift programs.

- **Improved visibility into affiliate activity.** By integrating affiliates and local offices with headquarters, federated organizations were able to obtain visibility into the activities at the local level and measure it accordingly.

Disclosures

The reader should be aware of the following:

- The study is commissioned by Blackbaud and delivered by the Forrester Consulting group.

- Forrester makes no assumptions as to the potential return on investment that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in BBCRM.
- Blackbaud 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.
- The customer names for the interviews were provided by Blackbaud.

TEI Framework And Methodology

Introduction

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ framework for those organizations considering implementing BBCRM or organizations that wish to evaluate the financial impact of existing BBCRM deployments. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision.

Approach And Methodology

Forrester took a multistep approach to evaluate the impact that BBCRM can have on an organization (see Figure 1). Specifically, we:

- Interviewed Blackbaud executives and Forrester analysts to gather data relative to BBCRM and the marketplace for CRM applications.
- Interviewed six organizations currently using BBCRM to obtain data with respect to costs, benefits, and risks.
- Designed a composite organization based on characteristics of the interviewed organizations (see Appendix A).
- Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews as applied to the composite organization.

Figure 1
TEI Approach

Source: Forrester Research, Inc.

Forrester employed four fundamental elements of TEI in modeling BBCRM: 1) Costs; 2) Benefits to the entire organization; 3) Flexibility; and 4) Risk.

Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves the purpose of providing a complete picture of the total economic impact of purchase decisions. Please see Appendix B for additional information on the TEI methodology.

Analysis

Financial Highlights

The TEI analysis yielded the following five-year, risk-adjusted financial projections for the composite organization.

- **Benefits.** The composite organization experienced the following:
  - **Increase in fundraising attributable to BBCRM of $12,552,689.** These are the total incremental funds raised as a result of deploying and integrating BBCRM into the composite organization's campaign management, fundraising, data processing, gift processing, and other operations.
  - **Total labor efficiency gains of $1,896,673.** Labor efficiencies arise from process automation, improvements in the health of the constituent data file, integration with other systems, and user adoption of BBCRM.
  - **Reduction in direct fundraising expense of $254,753.** This benefit is a result of reducing direct mail expense and other potential process improvements.
  - **Elimination of IT maintenance costs for legacy systems of $669,908.** This represents the incremental labor cost for maintaining and developing legacy systems that are replaced by BBCRM.
- **Costs.** The composite organization experienced the following costs:
  - **Software license acquisition and maintenance fees of $1,790,789.** These are fees paid to Blackbaud for software licenses and annual maintenance. The software license fees are $881,000. The maintenance fees are $909,789 and cover five years.
  - **Professional service fees of $2,825,137.** These fees cover the initial BBCRM deployment and post-deployment development, customization, and systems maintenance.
  - **Miscellaneous service fees paid to Blackbaud of $1,660,592.** These fees include hosting, data enrichment services, data modeling, data analytics, and data management services.
  - **Increment internal labor of $1,160,744.** This represents the incremental labor used during the initial deployment phase and for ongoing maintenance and development.

Factors Affecting Benefits And Costs

The risk-adjusted values described in the Financial Highlights take into account any potential uncertainty or variance that exists in estimating the costs and benefits, which produces more-conservative estimates. The following factors may affect the financial results that an organization may experience:

- The relative lift in fundraising will be determined by how successful each organization is at improving overall data health, refining and automating workflows and processes, using BBCRM as a management tool, user adoption and training, and the number of fundraising channels managed within BBCRM.

- Software license and maintenance costs will vary with each organization's contributory income, number of users, number of constituents in the data file, and various other factors that are used to determine software license expense.
- The professional services and internal labor effort needed to deploy BBCRM will vary with the complexity of the deployment, amount of integration with external systems, required customizations, workflow automation, business rule creation, and other factors.
- Improvements in labor efficiencies will depend on the degree of process automation that BBCRM enables and overall data health.
- The time and effort needed to perform data consolidation and cleansing will vary with the number of data files and relative data health. This will affect the overall implementation costs and ongoing data maintenance costs.
- Miscellaneous fees paid to Blackbaud will vary with the actual services purchased and depend on whether an organization chooses to host its deployment with Blackbaud or use an on-premises installation.
- Reductions in direct fundraising expenses will depend on overall data health and comparative costs of insourcing versus outsourcing certain services such as direct mail fulfillment or data processing.
- Reduction in IT maintenance expenses will depend on the maintenance expense needed to maintain legacy systems that are decommissioned or run in parallel for a period of time.

Interview Highlights

A total of eight interviews with six nonprofit organizations were conducted for this study. The primary mission of these organizations is to raise funds for social causes like healthcare, hunger, medical research, and disaster response. All the organizations are based in the United States, and many have an international footprint with respect to their giving programs. These organizations included:

1. A faith-based organization that raises approximately $97 million annually. The organization has 500 employees at its headquarters. About $50 million of its funds are donated by the members and are collected by the organization's synods, and $47 million is raised through designated gifts, endowments, and bequests. This organization used Blackbaud's Raiser's Edge before deploying BBCRM.
2. An organization whose mission is to raise funds to support a major medical institution. The organization raises several hundred million dollars annually, through a combination of planned gifts, volunteer programs, direct marketing, and strategic partnerships. This organization uses BBCRM in different parts of its organization.
3. A sustainable development organization that works to end hunger and poverty by providing training, equipment, and services necessary to create sustainable agriculture programs. The organization raises $100 million annually and has 200 employees at its headquarters. The organization used a third-party product for direct marketing and a variety of internal databases before deploying BBCRM.

4. An organization that provides a range of healthcare services, healthcare education, and advocacy. The organization has 75 affiliates and employs 400 people at its headquarters. It raises $150 million annually, using a mix of direct marketing, planned gifts, major giving, and foundations. Before deploying BBCRM, it used DonorDirect, Luminate Online (Convio), and other third-party tools to manage its fundraising programs.

5. An organization that provides work readiness and economic literacy programs to school-age children. The organization employees 500 people in a highly distributed organization. It raises $140 million annually from corporate giving, peer-to-peer events, functions, and major gifts. Before converting to BBCRM, approximately half of its affiliates used Raiser's Edge, while the remaining offices used a wide range of third-party CRM products and homegrown systems.

6. An evangelical organization with headquarters in the USA and operations in over 120 countries. The organization raises $50 million annually. Prior to using BBCRM, the organization used a variety of outsourced direct marketing companies for its fundraising efforts. It also has major and planned giving programs.

The level of adoption of BBCRM varied considerably within each organization, with some not having achieved full deployment. Factors that contributed to varying deployment and adoption rates included the number of locations in federated organizations that BBCRM had been rolled out to, the complexity of data conversion from previous systems to BBCRM, the integration and customization effort needed, and the number of fundraising channels that are managed within BBCRM.

Fundraising Challenges Prior To Deploying BBCRM

The organizations we interviewed all experienced similar interlinked challenges that were impacting their fundraising abilities. These challenges were fundamentally a result of poor data quality, inconsistent or suboptimal business processes, and IT systems that could not meet future requirements. Specifically, these challenges included:

- **Multiple databases and constituent files.** This was often a result of storing data in many disparate databases. This led to internal process inefficiencies, because the organization was not aware of who was communicating with which supporters, the frequency of communications, and the reason for the communications. Ultimately, not having a "single source of truth" led to activities like over-solicitation and incorrect communications, which resulted in constituent dissatisfaction. This problem was exacerbated when organizations used disparate applications to support different fundraising channels and in organizations that had federated or noncentralized structures, where data was inherently stored in multiple locations.

- **Poor data quality.** This was an outcome of storing constituent data in multiple locations. Examples of poor data quality included out-of-date address information and conflicting data on constituent contact preferences. We learned that many organizations lacked internal processes that would help improve data quality or lacked the systems that would automate the enforcement of processes.

- **Inability to extend the functionality of legacy systems.** Organizations with older systems needed capabilities that their legacy systems could not support, such as modern user interfaces, web access, advanced analytics, constituent segmentation to support targeted campaigns, and online giving integration. In some instances,

organizations adopted new systems that would fill in the functional gaps. However, this led to challenges associated with multiple systems and multiple constituent files, as well as the IT challenges associated with data integration, report generation, and analytics.

- **The desire of federated organizations to appear and act like a unified entity.** Federated organizations faced the unique challenge of multiple offices soliciting the same donor. This was especially true when they solicited organizations that have a nationwide presence, like a large corporation or charitable foundations. This led to potentially lower levels of fundraising and increased donor annoyance. The organizations we interviewed expressed the desire to have unified or coordinated fundraising programs that extended down from headquarters to the regional offices, but they lacked the technology to support such efforts.
- **Limited reporting and analytics.** Organizations had widely varying reporting and analytics needs that could not be supported by their current systems. These reports included tracking gift officer productivity, understanding the "touches" or communications that constituents had received, constituent response to campaigns, and donor retention rates. The need for sophisticated reporting, analytics, dashboards, and flexible report delivery methods grew as the organizations' fundraising management processes matured and contributory revenue grew in parallel.

The organizations were keenly aware that they operated in an environment where competition for donor attention and share of wallet was fierce. At the same time, many of them had lofty fundraising goals. They understood that to raise the funds required to further the mission of their organizations, they would need to improve their business processes and the quality of the data that powered these processes. This, in turn, would require an overhaul of the IT systems that were used to enable constituent relationship management.

BBCRM Deployment And Use Cases

BBCRM deployments typically took nine to 18 months, often followed by a pilot period. Federated organizations had rollout plans that extended over years, depending on the number of offices to be incorporated. At the time they were interviewed, organizations had been using BBCRM in a production environment in a range of six months to four years.

The use cases for BBCRM varied, depending on the maturity of the deployment and the fundraising channels that were enabled by BBCRM. Fundraising channels included direct marketing, major and planned giving, sustained giving, and events. Business processes that were enabled by or integrated with BBCRM included call centers, data input centers, paper scanning systems, grant management, email, fundraising automation, gift processing, and gift officer management; in other words, pipeline and planning.

Composite Organization

Based on the interviews with the six existing customers provided by Blackbaud, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected.

The composite organization is a USA-based nonprofit whose mission is to fund medical research. The organization raises $110 million annually and disburses funds to a variety of teaching hospitals and other medical research organizations. The organization has a headquarters office that is staffed by 150 employees and 20 local offices in different parts of the country with 300 employees.

The organization has a multichannel fundraising strategy. Approximately 40% of funds are raised through its major gifts program. This program is managed out of headquarters, with the local offices playing a contributory role to this program. Major gifts is one of the strategic fundraising programs in the organization. A further 15% is raised from a planned giving program, 30% from direct marketing, and 15% from events and peer-to-peer programs.

Prior to deploying BBCRM, the organization used a variety of tools to help administer its constituent relationship management activities. These included Team Approach for direct marketing campaigns and other tools like Luminate Online. The local offices maintained their own donor database files and had begun using a variety of products to manage their peer-to-peer and event programs.

Executive leadership had set aggressive contributory revenue targets. To meet these targets, the senior fundraising program managers realized that they would need to coordinate and track fundraising programs across the entire organization and increase efficiency by standardizing processes and metrics for fundraising activities. It was also clear that the company's current fundraising applications would not support future needs. To support its future requirements, the organization decided to deploy a single, organizationwide constituent relationship management platform that could support all of its programs and provide it with the reporting and analytics that it would need. See Appendix A for a full description of the composite organization.

Framework Assumptions

Table 2 provides the model assumptions that Forrester used in this analysis.

Table 2
Model Assumptions

Ref.	Metric	Calculation	Value
A1	Hours per week		40
A2	Weeks per year		52
A3	Hours per year	(A1*A2)	2,080
A4	IT developer salary		$90,000
A5	IT administrator salary		$80,000
A6	SQL developer annual salary		$90,000
A7	Gift officer annual salary		$70,000
A8	Data administrator		$45,000
A9	Salary overhead		20%

Source: Forrester Research, Inc.

Salary information was obtained from a variety of online sources, including Glassdoor, Salary.com, and Simply Hired. The discount rate used in the PV and NPV calculations is 10%, and time horizon used for the financial modeling is five years. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their respective company's finance department to determine the most appropriate discount rate to use within their own organizations.

Timing Of Costs And Benefits

The financial model assumes the following:

- Software license acquisition and professional services expenses for the initial system deployment are incurred during the "initial period," as shown in the Cost tables. The initial period is the time needed to deploy to BBCRM before it goes live in a production environment. The initial period is of variable length, and for the interviewed organizations typically took nine to 18 months.
- The benefits from using BBCRM only begin to accrue in Year 1, as shown in the Benefit tables. This is after the initial period and is when the system goes live in a production environment for the first time.
- In our analysis, we assume that BBCRM deployment is not fully completed during the initial period, and continues during Year 1. This is reflected in the professional services expenses that are incurred during Year 1, as shown in Table 4.

Costs

Each organization that we interviewed experienced different costs associated with acquiring, deploying, and maintaining BBCRM. The costs that are considered in this analysis were common to all the interviewed organizations and apply to the composite organization. These costs are:

- Software license acquisition fees and annual software license maintenance fees.
- Professional service fees for deployment, customizations, and ongoing systems support maintenance.
- Miscellaneous service fees paid to Blackbaud such as hosting, data management, and data enrichment.
- Incremental internal labor for the initial deployment and ongoing support.

Other costs that we learned of but did not include in this analysis are:

- User training expense. Most of the organizations adopted a "train the trainer" approach, combined with self-help or informal training.
- Various Blackbaud products such as The Financial Edge, Target Analytics, The Patron Edge, Altru, Sphere, and Luminate, whose use varied widely from organization to organization.

Software License Acquisition And Annual Maintenance Fees

Software license fees are dependent on numerous factors, such as the organization's contributory income, the number of users, number of constituent records, and number of email addresses. Annual software maintenance fees are calculated at 22% of the license fees.

For the composite organization, the license acquisition fees are $881,000 and annual maintenance is $240,000. The total software expense over five years is $2,081,000 (see Table 3). Note that all pricing was supplied to Forrester by Blackbaud. Readers should consult with Blackbaud to determine the software pricing for their organization and evaluate various pricing models at time of purchase.

Table 3
Software License And Maintenance Fees

Ref.	Metric	Calc.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
B1	BBCRM perpetual license fees		$881,000						
B2	Annual license maintenance expense			$240,000	$240,000	$240,000	$240,000	$240,000	
Bt	Software license acquisition and maintenance fees	B1+B2	$881,000	$240,000	$240,000	$240,000	$240,000	$240,000	
Bto	Total (original)		($881,000)	($240,000)	($240,000)	($240,000)	($240,000)	($240,000)	($2,081,000)

Source: Forrester Research, Inc.

Professional Services Fees

The organizations that we interviewed usually used professional services for the deployment of BBCRM and sometimes for post-deployment development. The organizations that used relatively less professional services had highly skilled internal resources, but this was rare. The organizations that used professional services usually contracted with Blackbaud and occasionally used third-party providers to obtain specific technical skills. Spending on professional services varied widely, depending on the scope and scale of the BBCRM deployment, but usually ranged from 2x to 3x software license fees. Professional services were used for a wide range of tasks, including customizations, integration with other systems, and data conversion.

For the composite organization, we assume that Blackbaud provides the professional services. Blackbaud assigns a technical account manager for general account management and oversight as well as a professional services deployment team. For the analysis, the professional services fees are spread over two years, reflecting the duration of the deployment period. After the deployment is complete (end of Year 1), the composite organization uses a third-party provider for ongoing customization, optimization, and integration work. The total professional services fees are $2,892,500 (see Table 4).

Table 4
Professional Services Fees

Ref.	Metric	Calc.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
C1	Blackbaud technical account manager		$35,000	$35,000	$35,000	$35,000	$35,000	$35,000	
C2	Professional services for initial deployment	2.5x license fees split over two years	$1,101,250	$1,101,250					
C3	Professional services fees for ongoing development				$120,000	$120,000	$120,000	$120,000	
Ct	Professional services fees	C1+C2 +C3	$1,136,250	$1,136,250	$155,000	$155,000	$155,000	$155,000	
Cto	Total (original)		($1,136,250)	($1,136,250)	($155,000)	($155,000)	($155,000)	($155,000)	($2,892,500)

Source: Forrester Research, Inc.

Other Services Fees Paid To Blackbaud

The interviewed organizations usually purchased additional services from Blackbaud. These services included data enrichment, data management, analytics, hosting, and many others.

For this analysis, we assume that the composite organization hosts its BBCRM system with Blackbaud. It uses a hosted service to ensure system reliability and availability, something it feels that it cannot do by itself. It also uses data enrichment and data management services. It begins using data enrichment services in Year 2, after the initial deployment and data cleansing is complete. The total miscellaneous services paid to Blackbaud over five years is $2,040,000 (see Table 5).

Forrester notes that the miscellaneous services expense will vary widely depending on which services are purchased, and we encourage readers to consult with Blackbaud to determine which services are appropriate for their organization. Specifically, hosting fees will vary with deployment and complexity or may be eliminated entirely should the organization decide to deploy in its own data center.

Table 5
Miscellaneous Services Fees Paid To Blackbaud

Ref.	Metric	Calc.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
D1	Wealth and Affluence Data Service (WealthPoint)				$10,000	$10,000	$10,000	$10,000	
D2	Data management				$50,000	$50,000	$50,000	$50,000	
D3	Hosting fees			$360,000	$360,000	$360,000	$360,000	$360,000	
Dt	Miscellaneous services fees paid to Blackbaud	D1+D2 +D3	$0	$360,000	$420,000	$420,000	$420,000	$420,000	
Dto	Total (original)		$0	($360,000)	($420,000)	($420,000)	($420,000)	($420,000)	($2,040,000)

Source: Forrester Research, Inc.

Incremental Internal Labor Expense

All the organizations used internal labor resources to maintain the legacy IT systems and data. In all cases, these resources were shifted over to maintaining BBCRM. However, in most instances, additional labor was needed for deployment and managing BBCRM. This analysis includes only this incremental labor expense and treats the legacy labor expense as a sunk cost.

For the composite organization, we assume that one additional developer and one data administrator are needed during the deployment period. When user adoption begins in Year 1, a SQL developer is hired to perform a variety of development and database administrator tasks. We learned from the interviewed organizations that this type of resource is necessary to maximize the functionality of the system. In Year 1, when more local offices are converted to BBCRM, 50% of an additional data administrator is needed to help with data conversion and maintenance. The total labor expense over five years is $1,359,000 (see Table 6). We note that the increase in incremental labor needed to deploy and operate BBCRM is offset by the gains in labor efficiencies from using the system.

Table 6
Internal Labor Expense

Ref.	Metric	Calc.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
E1	Initial deployment, integration, and data migration	(A5+A8) *(1+A9)	$150,000	$150,000					
E2	SQL developer for ongoing support	A6 *(1+A9)		$108,000	$108,000	$108,000	$108,000	$108,000	
E3	IT administrator for ongoing systems support	A4 *(1+A9)			$96,000	$96,000	$96,000	$96,000	
E4	Ongoing data maintenance	A8 *(1+A)/2		$27,000	$27,000	$27,000	$27,000	$27,000	
Et	Incremental internal labor expense	E1+E2 +E3+E4	$150,000	$285,000	$231,000	$231,000	$231,000	$231,000	
Eto	Total (original)		($150,000)	($285,000)	($231,000)	($231,000)	($231,000)	($231,000)	($1,359,000)

Source: Forrester Research, Inc.

Total Costs

The total costs incurred by the composite organization are $8,372,500 (see Table 7).

Table 7
Total Costs

Ref.	Cost Category	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Bto	Software license acquisition and maintenance fees	($881,000)	($240,000)	($240,000)	($240,000)	($240,000)	($240,000)	($2,081,000)
Cto	Professional services fees	($1,136,250)	($1,136,250)	($155,000)	($155,000)	($155,000)	($155,000)	($2,892,500)
Dto	Miscellaneous services fees paid to Blackbaud	$0	($360,000)	($420,000)	($420,000)	($420,000)	($420,000)	($2,040,000)
Eto	Increment internal labor expense	($150,000)	($285,000)	($231,000)	($231,000)	($231,000)	($231,000)	($1,359,000)
	Total costs (original)	($2,167,250)	($2,021,250)	($1,046,000)	($1,046,000)	($1,046,000)	($1,046,000)	($8,372,500)

Source: Forrester Research, Inc.

Benefits

The interviewed organizations experienced many, diverse benefits that were attributed to or enabled by BBCRM. Each organization's experience was different, depending on how widely the system was deployed, user adoption, process modifications, and use as a management tool. The benefits were mostly described to us anecdotally, sometimes lacking actual numerical data. To account for the variability and anecdotal descriptions of the benefits, Forrester grouped them into four categories, which will be used evaluate the benefits. The benefit categories are:

- Incremental funds raised attributable to BBCRM.
- Improvements in labor efficiency.
- Elimination of direct expenses associated with fundraising activities.
- Reduction in IT maintenance expense associated with legacy systems.

To evaluate the magnitude of these benefits, we used data from the May 2, 2013 Forrester report "Quantify The Business Value Of CRM." This report has metrics that evaluate the magnitude of benefits associated with commercial CRM deployments, many of which are analogous to the benefits realized in nonprofit organizations.

Lift In Funds Raised Attributable To Blackbaud CRM

We learned from the interviews that to achieve increased fundraising requires changes to internal business and management processes, as well as maximizing the value of data assets (i.e., the constituent file). All of this can be enabled by BBCRM but requires a concerted effort to successfully integrate the system into day-to-day operations. Any lift in fundraising resulted from numerous incremental changes and the resulting incremental benefits. Examples of incremental benefits that we learned of included:

- **Managing gift officer productivity.** BBCRM allows leadership to set targets around interactions and revenues and track gift officer productivity against the targets. According to one interviewee: "Leadership is taking advantage of the technology and can support their fundraisers to do more fundraising." Another interviewee said, "Major officers can now become much more external focused, and not managing internal paperwork."

- **More-frequent, integrated campaigns.** BBCRM allows for deeper segmentation of the constituent file and can do this more easily than previous systems. The benefit is maximized after all data files are consolidated and cleansed. According to one interviewee: "Efficiencies come in targeting audiences more effectively," and the company gets fewer complaints about over-solicitation.

- **More-robust data and analytics.** After data consolidation, the data on individual constituents was "more than just name and address." This generated numerous downstream benefits, including tailoring communications according to a constituent's level of engagement with the organization, identifying potential new major donors, and reducing the time to prepare donor profiles.

To evaluate the overall value of business processes improvements, campaign improvements, data robustness, and other organizational changes that are enabled by BBCRM, Forrester assumes that these changes collectively generate a lift in fundraising.

For the composite organization, we assume that it expects to increase its total funds by 12% annually, starting from a base of $110 million. This annual increase in funds raised reflects the fundraising goals that the interviewed organizations set for themselves, and the goal itself may be driven by initiatives like long-term capital campaigns.

To evaluate the amount of funds raised that can be attributed to BBCRM, we used data from a Forrester Research report, which states that commercial organizations can expect to see a 3% to 5% increase in revenues from its sales employees as a result of deploying a CRM system (see the report listed in Appendix D). We assume that this is directly analogous to increase in funds raised by gift officers or campaign managers in the nonprofit world.

For the composite organization, we assume that the use of BBCRM to manage fundraising increases over time, reflecting the gradual rollout to local offices and more fundraising channels beginning to use the system. We assume that in Year 1, 20% of funds raised are managed by the system, increasing to 70% in Year 5. The amount of funds raised attributable to BBCRM also increases over time, reflecting the gradual improvements in business processes, system adoption, and user proficiency with the system.

The total lift in funds attributable to BBCRM is $19.1 million over five years (see Table 8).

Table 8 (all monetary values are in thousands)
Lift In Funds Raised Attributable To BBCRM

Ref.	Metric	Calc.	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
F1	Assumed percentage growth in total funds raised			12%	12%	12%	12%	12%	
F2	Total annual funds raised		$110,000	$123,200	$137,984	$154,542	$173,087	$193,858	
F3	Percentage of fundraising being managed by BBCRM			20%	50%	70%	70%	70%	
F4	Funds raised that are managed by BBCRM	F2* F3		$24,640	$68,992	$108,179	$121,161	$135,700	
F5	Percentage growth attributable to BBCRM			2%	3%	3.5%	5%	5%	
Ft	Lift in funds raised attributable to BBCRM	F4* F5		$493	$2,070	$3,786	$6,058	$6,785	
Fto	Total (original)		$0	$4,924	$2,070	$3,786	$6,058	$6,785	$19,192

Source: Forrester Research, Inc.

Improvements In Labor Efficiency

The interviewed companies experienced process improvements that allowed their staff to accomplish certain tasks in less time. Process improvements were a result of eliminating manual, paper-driven processes, making changes to the processes themselves, and integrating BBCRM with other systems. A few of the process improvements that we learned of included:

- Reduction in time needed to produce constituent profile reports. In this instance, all of the organization's data about a constituent had been consolidated into a centralized database and enriched with external data. In one example, the time needed to generate a consolidated donor report dropped from days or weeks to minutes.
- Reduction in gift processing times (described earlier).
- Reduction in effort associated with performing constituent segmentation for campaigns.

In general, the interviewees commented that they "are able to do things more efficiently." In one more-mature implementation, efficiency improvements were observed in call center operations, gift processing, and data processing. This organization did not need to increase hiring as its fundraising grew.

To evaluate the labor efficiency benefit, we assume that the benefit applies to BBCRM users. For the composite organization, the number of users increases as the deployment extends to include more locations and fundraising channels. We assume an average blended pay rate of $28.5 per hour for the users. Assuming an average labor efficiency improvement of 15% (see the report listed in Appendix D), the total labor efficiency gains are $2.8 million over five years (see Table 9.

Table 9
Improvements In Labor Efficiency

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
G1	Number of BBCRM users			20	40	60	100	100	
G2	Number of working hours per year	A3		2,080	2,080	2,080	2,080	2,080	
G3	Average labor hourly rate			$28.5	$28.53	$28.53	$28.53	$28.53	
G4	Labor efficiency improvement			15%	15%	15%	15%	15%	
Gt	Total labor efficiency gains	G1*G2*G3*G4	$0	$178,000	$356,000	$534,000	$890,000	$890,000	
Gto	Total (original)		$0	$178,000	$356,000	$534,000	$890,000	$890,000	$2,848,000

Source: Forrester Research, Inc.

Reduction In Direct Fundraising Expenses

BBCRM allowed some of the interviewed organizations to reduce direct expenses associated with fundraising. In particular, direct mail expenses were reduced as a result of removing duplicates from the consolidated constituent file and from improving constituent segmentation, which stemmed from improved data quality.

For the composite organization, we assume that direct mail is sent three times annually to 30% of its constituents. We assume that the amount of mail sent is reduced by 10% in Year 1, 30% in Year 2, and 5% in Year 3, as duplicates are removed from the system and data quality is improved. No substantial improvements are expected after Year 3. We also assume that the composite organization outsources its direct mail operations, at a cost of $0.40 per mailing. This yields a total savings of $324,000 over five years (see Table 10). Forrester encourages readers to apply their own direct mail

expenses and anticipated decreases in mailings sent to generate a savings estimate that is applicable to their organization.

Table 10
Reduction In Direct Fundraising Expenses

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
H1	Number of constituents			2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
H2	Percentage of constituents that are sent mailings			30%	30%	30%	30%	30%	
H3	Number of mailings sent to constituents annually			3	3	3	3	3	
H4	Percentage reduction mail pieces sent	30%		10%	30%	5%	0%	0%	
H5	Average cost of a direct mail piece			$0.40	$0.40	$0.40	$0.40	$0.40	
Ht	Reduction in direct fundraising expense	H1*H2*H3*H4*H5	$0	$72,000	$216,000	$36,000	$0	$0	
Hto	Total (original)		$0	$72,000	$216,000	$36,000	$0	$0	$324,000

Source: Forrester Research, Inc.

Elimination Of IT Maintenance Expense For Decommissioned Legacy Systems

The organizations we spoke with decommissioned legacy systems after deploying BBCRM. The entire support and maintenance costs did not disappear — labor resources used for maintaining the legacy systems were shifted over to maintain BBCRM. The costs that were eliminated were software license maintenance fees and IT labor that would have been used for ongoing system development.

For the composite organization, we assume legacy software maintenance fees of $80,000 annually and one IT developer for systems development. The total savings are $940,000 over five years (see Table 11). Forrester notes that these savings will vary with each organization's legacy systems, the IT labor needed for ongoing development, and the period of time, if any, that the legacy systems and BBCRM are run in parallel.

Table 11
Elimination Of IT Maintenance Expense For Legacy Systems

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total
I1	Software maintenance fees for legacy systems	A4*(1+A9)		$80,000	$80,000	$80,000	$80,000	$80,000	
I2	Labor used to legacy system development			$108,000	$108,000	$108,000	$108,000	$108,000	
It	Elimination of IT maintenance costs for legacy systems	I1+I2	$0	$188,000	$188,000	$188,000	$188,000	$188,000	
Ito	Total (original)		$0	$188,000	$188,000	$188,000	$188,000	$188,000	$940,000

Source: Forrester Research, Inc.

Total Benefits

The total benefits experienced by the composite organization are $23.3 million (see Table 12).

Table 12
Total Benefits

Ref.	Benefit Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Fto	Lift in funds raised attributable to BBCRM	$492,800	$2,069,760	$3,786,281	$6,058,050	$6,785,015	$19,191,906
Gto	Improvements in labor efficiency	$178,000	$356,000	$534,000	$890,000	$890,000	$2,848,000
Hto	Reduction in direct fundraising expenses	$72,000	$216,000	$36,000	$0	$0	$324,000
Ito	Elimination of IT maintenance expense for legacy systems	$188,000	$188,000	$188,000	$188,000	$188,000	$940,000
	Total benefits (original)	$930,800	$2,829,760	$4,544,281	$7,136,050	$7,863,015	$23,303,906

Source: Forrester Research, Inc.

Flexibility

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so. There are multiple scenarios in which a customer might choose to implement BBCRM and later realize additional uses and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix B).

The organizations we interviewed had varying road maps to deploy BBCRM in other parts of their organizations. Their future plans depended on the state of the current BBCRM deployment, how they wished to manage different fundraising channels, and their desire to replace other systems that were already being used.

Risk

Forrester defines two types of risk associated with this analysis: "implementation risk" and "impact risk." "Implementation risk" is the risk that a proposed investment in BBCRM may deviate from the original or expected requirements, resulting in higher costs than anticipated. "Impact risk" refers to the risk that the business or technology needs of the organization may not be met by the investment in BBCRM, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

Quantitatively capturing investment and impact risk by directly adjusting the financial estimates results in more-meaningful and more-accurate estimates and a more-accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as "realistic" expectations since they represent the expected values considering risk.

The following implementation risks that affect costs are identified as part of this analysis:

- The time and effort needed to perform data consolidation and cleansing will vary with the number of data files and relative data health. This will affect the overall implementation costs and ongoing data maintenance costs.
- Software license and maintenance costs will vary with the organization's contributory income, number of users, number of constituents in the data file, and various other factors that are used to determine software license expense.
- The professional services and internal labor effort needed to deploy BBCRM will vary with the complexity of the deployment, amount of integration with external systems, required customizations, workflow automation, business rule creation, and other factors.
- Miscellaneous fees paid to Blackbaud will vary with the actual services purchased and an organization choosing whether to host its deployment with Blackbaud.

The following impact risks that affect benefits are identified as part of the analysis:

- The relative lift in fundraising will be determined by how successful each organization is at improving overall data health, refining and automating workflows and processes, using BBCRM as a management tool, user adoption and training, and the number of fundraising channels managed within BBCRM.
- Improvements in labor efficiencies will depend on the degree of process automation that BBCRM enables and overall data health.
- Reductions in direct fundraising expenses will depend on overall data health and comparative costs of insourcing versus outsourcing certain services (like direct mail fulfillment or data processing).
- Reduction in IT maintenance expenses will depend on the maintenance expense needed to maintain legacy systems that are decommissioned.

Table 13 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates. The TEI model uses a triangular distribution method to calculate risk-adjusted values. To construct the distribution, it is necessary to first estimate the low, most likely, and high values that could occur within the current environment. The risk-adjusted value is the mean of the distribution of those points. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

Table 13
Cost And Benefit Risk Adjustments

Costs	Low	Most likely	High	Mean
Professional services fees	100%	100%	125%	108%
Miscellaneous services fees paid to Blackbaud	100%	100%	125%	108%
Increment internal labor	100%	100%	125%	108%
Benefits	**Low**	**Most likely**	**High**	**Mean**
Lift in funds raised attributable to BBCRM	80%	100%	103%	94%
Total labor efficiency gains	80%	100%	103%	94%
Reduction in direct fundraising expense	80%	100%	103%	94%
Elimination of IT maintenance costs for legacy systems	80%	100%	103%	94%

Source: Forrester Research, Inc.

Financial Summary

The financial results calculated in the Costs and Benefits sections can be used to determine the return on investment, net present value, and payback period for the organization's investment in BBCRM. These are shown in Table 14 below.

Table 14
Cash Flow — Non-Risk-Adjusted

Cash flow — Original estimates								
	Initial	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Present value
Costs	($2,167,250)	($2,021,250)	($1,046,000)	($1,046,000)	($1,046,000)	($1,046,000)	($8,372,500)	($7,019,004)
Benefits	$0	$930,800	$2,829,760	$4,544,281	$7,136,050	$7,863,015	$23,303,906	$16,355,344
Net benefits	($2,167,250)	($1,090,450)	$1,783,760	$3,498,281	$6,090,050	$6,817,015	$14,931,406	$9,336,340
ROI	133%							
Payback period	29 months							

Source: Forrester Research, Inc.

Table 15 below shows the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 14 in the Risk section to the cost and benefits numbers in tables 7 and 12.

Table 15
Cash Flow — Risk-Adjusted

	Cash flow — Risk-adjusted estimates							
	Initial	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**	**Present value**
Costs	($2,270,150)	($2,163,750)	($1,110,480)	($1,110,480)	($1,110,480)	($1,110,480)	($8,875,820)	($7,437,261)
Benefits	$0	$874,952	$2,659,974	$4,271,624	$6,707,887	$7,391,235	$21,905,672	$15,374,023
Net benefits	($2,270,150)	($1,288,798)	$1,549,494	$3,161,144	$5,597,407	$6,280,755	$13,029,852	$7,936,762
ROI	107%							
Payback period	32 months							

Source: Forrester Research, Inc.

Blackbaud CRM: Overview

Blackbaud CRM combines fundraising, online applications, prospect research and analytics, and multichannel direct marketing in one platform to enable an integrated view of the constituent. Built for large to medium-size nonprofit organizations with complex needs, Blackbaud CRM is designed to work around unique configurations like sponsorship, multicurrency, and a federated organizational model. Blackbaud CRM is an enterprise system that can be further tailored to meet the specific business processes and procedures of a philanthropic operation.

Blackbaud CRM brings together disparate information — such as annual and capital giving, gift planning, major giving, volunteer systems, program participants, and advocacy efforts — across the various affiliates and programs within an organization. With a single system of record that can be securely shared, organizations can turn their data into information that can be used to improve fundraising efforts, synchronizes campaigns across affiliates and field offices, and strengthen relationships with constituents.

Appendix A: Composite Organization Description

In this TEI study, Forrester has created a composite or reference organization to illustrate the quantifiable costs and benefits, risk, and flexibility of deploying BBCRM. The composite organization was derived from the eight user interviews with six organizations that were conducted for this study.

The composite organization is a USA-based nonprofit whose mission is to fund medical research. The organization raises $110 million annually, and disburses funds to a variety of teaching hospitals, universities, and other medical research organizations. The organization has a headquarters office that is staffed by 150 employees and 20 local offices in different parts of the country with 300 employees.

The organization has a multichannel fundraising strategy. Approximately 40% of funds are raised through its major gifts program. This program is managed out of headquarters, with the local offices playing a contributory role to this program. Major gifts is the most strategic program in the organization. A further 15% is raised from a planned giving program, 30% from direct marketing, and 15% from events and peer-to-peer programs. Direct marketing is declining in importance due to competition and perceived donor fatigue. Peer-to-peer and events are handled almost exclusively at the local level and have been the fastest growing channels over the last few years.

Prior to deploying BBCRM, the organization used a variety of tools to manage its constituent relationship management activities. These included Team Approach, which was used for major and planned gifts, and other tools for direct marketing campaigns. The local offices maintained their own donor database files and had begun using a variety of products to manage their peer-to-peer and event programs.

The organization faced a number of challenges in its CRM operations. In particular, it had no "single source of truth" with respect to its constituents. Duplicate donor records existed in many systems and within its primary legacy CRM system, Team Approach. This meant that the organization was unable to coordinate donor outreach across the entire organization, resulting in donors receiving multiple solicitations from different parts of the organization, and with no collective insight into how the donors reacted to these solicitations. At the same time, executive leadership had set aggressive contributory revenue targets. To meet these targets, the senior fundraising program managers realized that they would need to coordinate and track fundraising programs across the entire organization and manage fundraising productivity at the individual gift officer level. The program managers understood that they would need to change some of their internal processes to ensure that fundraising acted as single, unified organization. It was also clear that the organization's current fundraising applications would not support future needs.

To support its future requirements, the organization decided to deploy a single, organizationwide constituent relationship management platform that could support all of its programs and provide it with the reporting and analytics that it would need.

Appendix B: Total Economic Impact™ Overview

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.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility.

Benefits

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

Costs

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

Risk

Risk measures the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections, and 2) the likelihood that the estimates will be measured and tracked over time. TEI applies a probability density function known as "triangular distribution" to the values entered. At minimum, three values are calculated to estimate the underlying range around each cost and benefit.

Flexibility

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point in time. However, having the ability to capture that benefit has a present value that can be estimated. The flexibility component of TEI captures that value.

Appendix C: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Although the Federal Reserve Bank sets a discount rate, companies often set a discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organization to determine the most appropriate discount rate to use in their own environment.

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.

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 net present value of cash flows.

Payback period: The breakeven point for an investment. The point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Return on investment (ROI): A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

A Note On Cash Flow Tables

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in Years 1 through 3 are discounted using the discount rate (shown in Framework Assumptions section) at the end of the year. Present value (PV) calculations are calculated for each total cost and benefit estimate. Net present value (NPV) calculations are not calculated until the summary tables and are the sum of the initial investment and the discounted cash flows in each year.

Table [Example]
Example Table

Ref.	Category	Calculation	Initial cost	Year 1	Year 2	Year 3	Total

Source: Forrester Research, Inc.

Appendix D: Supplemental Material

Related Forrester Research
"Quantify The Business Value Of CRM," Forrester Research, Inc., May 2, 2013.

Appendix E: Endnotes

[1] Forrester risk-adjusts the summary financial metrics to take into account the potential uncertainty of the cost and benefit estimates. For more information on Risk, please see page 23.