

A Forrester Total Economic Impact™ Study
Commissioned By Amazon Business
March 2020

The Total Economic Impact™ Of Amazon Business And Business Prime

Simplify Purchasing And Reduce Costs
Using Amazon Business

Table Of Contents

Executive Summary	1
Key Findings	2
Summary Of Quantified Findings	3
TEI Framework And Methodology	4
The Amazon Business Customer Journey	5
Interviewed Organizations	5
Common Challenges	5
Solution Requirements	6
Key Results	7
Composite Organization	8
Analysis Of Benefits	9
Procurement Efficiency Gains	9
Spend Control Optimization Savings	11
Spend Savings On Items And Shipping	12
Unquantified Benefits	13
Flexibility	14
Analysis Of Costs	15
Business Prime Membership Costs	15
Integration And Implementation Costs	16
Financial Summary	17
Amazon Business and Business Prime: Overview	18
Appendix A: Total Economic Impact	19

Project Director:
Henry Huang

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.

© 2020, Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to forrester.com.

Executive Summary

Key Benefits



Procurement efficiency gains:
\$346,113



Spend control optimization savings:
\$93,061



Spend savings on items and shipping:
\$138,657

This commissioned Total Economic Impact™ (TEI) study is to examine the potential return on investment (ROI) enterprises may realize by deploying Amazon Business with Business Prime. It presents a framework to provide readers with a method of evaluating the potential financial impact from using Amazon Business with Business Prime.

To better understand the benefits, costs, and risks associated with using Amazon Business with Business Prime, Forrester interviewed several customers from different industry verticals with years of experience using Amazon Business. Using Amazon Business, with Business Prime in particular, the organizations were able to manage tail spend easily and in a controlled manner through a familiar experience, while realizing pricing benefits and visibility within organizational eProcurement workstreams.

Amazon Business is a store that allows businesses to discover, manage, and engage with multiple suppliers in one place — helping procurement professionals manage tail spend and streamline their purchasing processes. Amazon Business provides business-only pricing and millions of products, along with procurement management tools that help purchases operate more effectively.

Business Prime is a paid membership program for Amazon Business customers that further helps simplify business purchasing. It provides purchasing savings, convenient shipping, payments terms, and advanced eProcurement capabilities to help guide and manage teams, while meeting organizational purchasing goals. This study examines enterprise-level customer usage of Business Prime on Amazon Business.

Prior to using Amazon Business, the customers in this study purchased from a number of vendors using catalogs. However, the previous procurement methods and vendors yielded limited success, leaving customers short on visibility and with a lack of oversight. These limitations led to overspending on a variety of items, either from excessive tail spend or rogue spend, or a simple oversight in terms of the most optimal purchasing path.

As a whole, the interviewed organizations decided to engage Amazon Business based upon the easy and familiar shopping experience that is common to all Amazon accounts. The added benefits of workflow simplification and cost savings were just another positive benefit that these organizations realized in partnering with Amazon Business. In short, the organizations leveraging Amazon Business with Business Prime were able to:

- › Decrease costs on items purchased from the Amazon Business store.
- › Improve visibility on spending.
- › Shift tail spend to planned spend.
- › Increase automation in the procurement process to shorten workflows.

Forrester developed a composite organization based on data gathered from the customer interviews to reflect the value that Amazon Business could have on an enterprise organization that uses Business Prime and spends \$1.2M yearly on Amazon Business with 110 purchasers. The composite organization is representative of the organizations that Forrester interviewed and is used to present the aggregate financial analysis in this study. All values are reported in risk-adjusted, three-year present value (PV) unless otherwise indicated.



ROI
555%



Benefits PV
\$577,831



NPV
\$489,614



Payback
<6 months

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the companies interviewed:

- › **Leveraging the expansive Amazon Business store produces lower costs and shipping, providing a savings of \$138,657 over three years.** Because of the hundreds of thousands of sellers on Amazon Business, buyers are able to leverage a more competitive price – rather than one made available by a few sellers on another supplier’s site. Pricing is further improved by Amazon suggested recommendations or alternatives that can further decrease costs. Shipping is also free with Business Prime on eligible items and is typically free even without Business Prime for eligible orders over a certain threshold.
- › **Spend control is improved through optimization of tail and rogue spend which can result in a savings of \$93,061 over a three-year period.** Two developments can occur following the use of Amazon Business: 1) Organizations are able to increase visibility into purchases and can curtail rogue spending and 2) spend on specific items can be shifted to similar items that cost much less. In general, the increased visibility can decrease rogue spending by 8%.
- › **Procurement process efficiencies, like approvals and ordering processes are made easier, resulting in a three-year gain of \$346,113, PV.** Rule-based purchase settings and Guided Buying (not included in the Essentials plan) are built in features of Business Prime that help control spend and streamline the e-procurement process. Autonomy and approvals are provided where needed, reducing manual intervention. Further, Amazon Business’ product list can be integrated as a punchout catalogue to many e-procurement platforms such as Ariba or Coupa, adding ever more workflow streamlining, without additional charges from Amazon Business.

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

- › **Business Prime membership costs amount to \$26,033 over a three-year period.** The composite organization is a Business Prime Enterprise customer which pays \$10,099 per year. The Enterprise plan provides shipping benefits to 100+ buyers at a predictable annual cost.
- › **Integration and implementation costs can drive costs higher to promote automation, resulting in a cost of \$62,184 over a three-year period.** Larger organizations need eProcurement systems to simplify their procurement workflows. Integrating Amazon Business punch-out with their existing platform provides for a more fluid purchase workflow, but it requires initial integration using internal effort, amounting to a three-month implementation.

Summary Of Quantified Findings



**Decrease in
rogue spending:
8%**

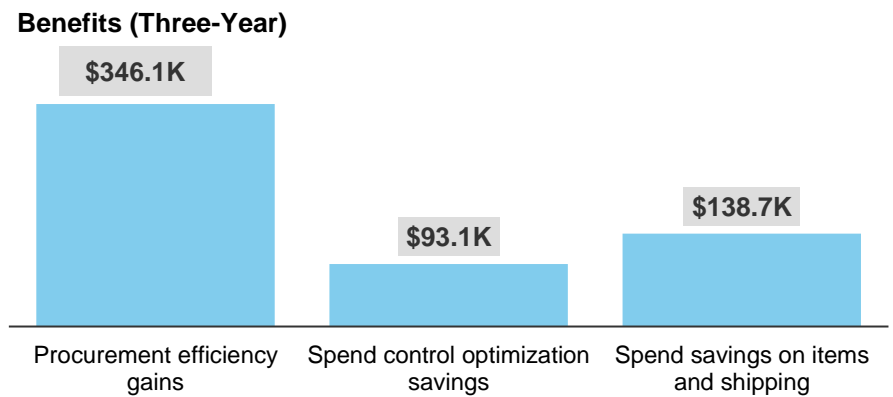


**Savings on
spend from
lower shipping:
4%**



**Procurement
process savings
per buyer yearly:
18 hours**

Forrester's interviews with six existing customers and subsequent financial analysis found that a composite organization based on these interviewed organizations experienced benefits of \$577,831 over three years versus costs of \$87,962, adding up to a net present value (NPV) of \$489,614 and an ROI of 555%.



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 Framework And Methodology

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Amazon Business and Business Prime.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Amazon Business and Business Prime can have on an organization:



DUE DILIGENCE

Interviewed Amazon Business stakeholders and Forrester analysts to gather data relative to Amazon Business and Business Prime.



CUSTOMER INTERVIEWS

Interviewed six organizations using Amazon Business and Business Prime to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewed organizations.



FINANCIAL MODEL FRAMEWORK

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



CASE STUDY

Employed four fundamental elements of TEI in modeling Amazon Business and Business Prime's impact: 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.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Amazon Business 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 Amazon Business and Business Prime.

Amazon Business 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.

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

The Amazon Business Customer Journey

BEFORE AND AFTER THE AMAZON BUSINESS AND BUSINESS PRIME INVESTMENT

Interviewed Organizations

For this study, Forrester conducted six interviews with Amazon Business customers from various industries to field a wide range of experiences. Interviewed customers include the following:

INDUSTRY	SIZE OF ORG	INTERVIEWEES	ESTIMATED ANNUAL SPEND WITH AMAZON
Commercial	1,000+ FTEs	Indirect procurement site lead	\$300K - \$800K
Education	4,000+ FTEs	Director of purchasing	\$300K - \$800K
Education	5,000+ FTEs	Procurement specialist	\$300K - \$800K
Government	10,000+ FTEs	Purchasing director, contracting officer	\$300K - \$800K
Government	25,000+ FTEs	Sourcing manager, category manager	\$5M - \$10M
Healthcare	30,000+ FTEs	Content solution advisor	\$1M - \$5M

Common Challenges

While interviewed customers existed in different industries with different requirements for compliance and processes, there were commonalities — especially as it pertained to the modernization of eProcurement. In recent years, many of these organizations had moved to procurement platforms like Ariba or Coupa, with the intention of smoothing the procurement cycle to reduce human interaction. With this, they were also met with a number of other challenges, some of which are specific to their industry:

- > Rogue and excessive tail spend was difficult to rein in, due to the proliferation of purchasing cards and the lack of a system which specified or suggested items that were out of bounds. Our interviews with organizations found that in an attempt to streamline tail spend, purchasing was decentralized with many employees being offered purchasing cards. While the purchase cards could be monitored by the finance department, the finance department wasn't the group responsible for optimizing tail spend. Additionally, there were opportunities for larger savings only if the procurement system was capable of suggesting alternative or like products at a lower price. As years went on, rogue spending incrementally grew, presenting a serious problem for procurement managers.

“Visibility through reporting has absolutely reduced maverick spending. Between using eProcurement and Amazon, we reduced maverick spending by 47%.”

Director of purchasing, educational entity



- › In addition, these organizations were inundated with nonconsolidated views of purchases that did little to help leadership identify areas to possibly lower spend. Organizations that decentralized purchasing power with numerous purchase cards often had a difficult time in determining legitimate purchases versus rogue purchases. Previously, the task would be for an analyst to combine the purchases — and often it was too late to discern any pattern in unauthorized spending. What the organizations were overspending on was an unknown until official (and time-consuming) compliance audits took place. Leadership knew cost-cutting was possible, but it was near impossible to identify the opportunities for savings.
- › A lack of product choices required onboarding additional vendors, which was a tedious process and often only for a few hundred products. For particular organizations needing industry-specific maintenance, repair, and operations items, they often add vendors that provide only a few specific products. An interviewee stated: “The selection on Amazon [Business] is great, but what has most impressed me about Amazon [Business] is how quickly they have grown into the maintenance, repair, and operations (MRO) type of items that our industry requires.” There was no interest from the organizations to onboard hundreds and hundreds of vendors if they only provided limited value.

Interviewed customers were driven by two other challenges:

- › Onboarding of new vendors often involved integration efforts. Some vendors also lacked a punch-out catalog to integrate fully via electronic means, which can unnecessarily complicate the purchasing process.
- › The onboarding of vendors was tedious, and if it could be consolidated, it would reduce a significant amount of rights assignment and integration efforts.

Solution Requirements

In a statement that represented much of the interviewees, a content solution advisor from a global healthcare organization expressed to Forrester: “As time has gone on since our adoption of Amazon [Business], they are meeting our requirements and more importantly, being a partner that is really interested in understanding and adapting their solution to our business needs.” The organizations interviewed sought the following requirements when selecting Amazon Business:

- › A large enough vendor provider to decrease new vendor onboarding.
- › A large enough vendor provider so that the volume of specific items can be supplied in a single instance.
- › A global footprint to satisfy expansion needs.
- › Deep reporting capabilities and modifiable levers for purchasing agents.
- › Punch-out catalog capable, so that it can be integrated into existing eProcurement solutions.

“Amazon [Business] gives us two major benefits. The first is in the level of control so that we can stay in compliance to public policy and guidelines. The other is from the business intelligence that we can exploit to be able to understand and have better insight into our decentralized spend.”

Sourcing manager, government branch



“Amazon [Business] streamlines the onboarding process and access to all the vendors in the Amazon family because they’ve already done the onboarding, saving us from having to onboard hundreds of companies. Amazon has already done this, so it streamlines it for our users.”

Purchasing director, municipality



“Amazon [Business] now plays a critical part of our procurement toolbox. It’s consolidated all of our individual accounts into one so we can monitor the spend and do analysis on the spend.”

Contracting officer, municipality



A singular business account was also necessary to consolidate purchases for analysis and record-keeping. And due to similarities between Amazon personal accounts and Amazon Business accounts, the transition to Amazon Business was expected to be easy. The additive benefit for these organizations was that the familiar Amazon shopping experience can be retained, while introducing greater automation into the corporate procurement processes.

Key Results

The interviews revealed that key results from the adoption of Amazon Business and the Business Prime investment include:

- › Automation was achieved at a greater level for organizations using Business Prime accounts. These organizations were able to reduce the amount of human touchpoints within the organization for purchases, driven by rule setting, user-level purchase rights, and integrated processes with their eProcurements.
- › Compliance with organizational purchasing policies was easier to achieve and to prove. Purchases out of compliance were made restricted and reduced the likelihood of additional audit scrutiny. Heavily regulated industries like healthcare and government are especially appreciative, as this can reduce help organizations in guiding their users to the right products.
- › Cost of tail spend decreased for a variety of reasons including greater selection of sellers, tiered pricing on a quantity basis, and a drastic reduction of rogue spend — all of which was made possible with greater spend visibility. Shipping was greatly reduced as Business Prime provides free shipping in most instances, too.
- › Purchase process consistency across the globe was enabled with Amazon Business. Organizations with footprints that extend beyond the United States can rely on Amazon Business to have a similar purchasing experience and internal staff efficiency savings in regions like Asia Pacific and Europe.

“Amazon [Business] offers the biggest selection available. After we loaded their (punch-out) catalog and defined thresholds, we drove a lot of automation because we no longer needed someone from procurement to monitor every single purchase.”

*Content solution advisor,
healthcare*



Composite Organization

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

- › **Description of composite.** The composite organization is a North American commercial enterprise, with over 12,000 FTEs, that is seeking to expand globally. Procurement and the logistics of fulfillment have been a concern in the expansion planning process. The initial approach will be to augment and optimize its domestic procurement process, as the industry has been evolving over the past years. Currently, it uses a semi-decentralized team for procurement of tail spend, independent of the direct spend procurement team. As such, digesting and rationalizing the purchase habits of over 100 buyers is difficult, however, it is expected by the organization to also alleviate possible challenges as Amazon Business and Business Prime is added to its procurement cycles.
- › **Deployment characteristics.** Initial tests to verify cost basis between Amazon Business and competitive suppliers are done. And those results point to a lower overall cost with Amazon Business and Business Prime. As the implementation is moved forward, punch-out catalog integration and rights assignment is performed — requiring a period of three months and ultimately delivering a solution that is very much automated.



Key assumptions:

- › 12,000 FTEs
- › 110 buyers
- › \$1.2M annual purchases on Amazon
- › Utilizes an eProcurement platform
- › Ordering is decentralized with rights given to managers

Analysis Of Benefits

QUANTIFIED BENEFIT DATA AS APPLIED TO THE COMPOSITE

Total Benefits

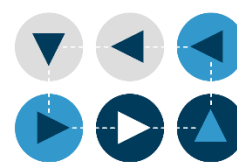
REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Procurement efficiency gains	\$158,138	\$136,329	\$119,367	\$413,834	\$346,113
Btr	Spend control optimization savings	\$31,200	\$37,440	\$44,928	\$113,568	\$93,061
Ctr	Spend savings on items and shipping	\$45,630	\$55,728	\$68,040	\$169,398	\$138,657
	Total benefits (risk-adjusted)	\$234,968	\$229,497	\$232,335	\$696,800	\$577,831

Procurement Efficiency Gains

Organizations often think of savings in the contracts and vendors that they deal with, but a substantial additional cost in internal procurement labor effort is also realized. For many of the interviewed customers, they had either decentralized spending via purchasing cards or a requisition process that was time-consuming. With Amazon Business integrated into an eProcurement platform, the organizations were able to drastically consolidate the procurement process — not only in the chain of approvals, but also via preset thresholds and rules that enable oversight-free purchasing.

- › Prior to using Amazon Business, interviewees indicated that decentralized purchasing was less taxing on employee resources from a process efficiency perspective; but at the same time, it is difficult to manage. These organizations were able to achieve the best of both worlds with consolidated purchases and reporting through one multi-user Amazon Business account. The end result on Amazon Business was a smoother purchasing experience from the steps that were automated, and perhaps even more importantly, the ease and familiarity of purchasing with Amazon Prime where it felt like shopping at home, like on Amazon.com.
- › As a tertiary benefit in the category of procurement efficiency, organizations spoke of the ease of Amazon Business onboarding — as compared to working with 20 different vendors. Amazon Business provides a singular procurement experience and thereby avoids the need of onboarding multiple vendors. The purchasing experience for buyers would be a familiar and consistent experience across all purchases done on Amazon. As a whole, the customers experienced:
 - **Purchase fluidity:** Buyers were able to easily purchase due to the guardrails and integrations available with Business Prime — typically spending much less time to finish a company-compliant purchase. Business Prime and eProcurement systems moved the buyer journey along such that there were

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of more than \$577K.



Automation and streamlined procurement processes save buyers significant time, to the tune of 1,800 hours a year.

less hands touching the process, leading to a quicker purchase cycle.

- **Supplier consolidation:** Vendor onboarding decreased, saving procurement specialists and database engineers many hours. A purchasing director from a municipality stated, “Whereas we would previously onboard a vendor that might have a few thousand products, and [potentially repeat] this with several hundred more vendors, Amazon [Business] has already completed that step, so it streamlines it for us.”

Forrester assumes for the composite organization:

- › The composite organization begins at a purchase rate of \$1,200,000 annually, with spend growing 10% year over year (YoY).
- › The composite organization is fairly advanced with multiple vendors already onboarded into its eProcurement platform. They expect just a handful of new vendors per year, which are mostly avoided due to Amazon Business already providing access to these vendors.
- › On average, buyers are saving 1.5 hours each per month between purchasing, reporting, and approval/justification activities.
- › The composite decentralizes ordering to only group managers, and it could potentially realize more value if procurement was even more decentralized.

Various organizations are at different stages in their procurement maturity. As such, Forrester does not want to make the assumption that organizations will reap the entirety of the results that we have quantified. Organizations that have progressed heavily on procurement automation processes may see a diminished benefit as a result. To account for this variable, Forrester adjusted this benefit downward by 20%, producing a new three-year, risk-adjusted total PV of \$341,113.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

Procurement Efficiency Gains: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Amount spent with Amazon Business, annually		\$1,200,000	\$1,440,000	\$1,728,000
A2	Vendor onboarding avoided		5	4	3
A3	Cost of vendor onboarding		\$15,145	\$12,116	\$9,087
A4	Automation enabled time savings per buyer, in hours per year		18	18	18
A5	Number of buyers		110	110	110
A6	Hours saved, via automation	A4*A5	1,980	1,980	1,980
A7	Cost of average business employee per hour fully loaded		\$40.38	\$40.38	\$40.38
A8	Time previously spent to monitor rogue spending, in hours		1,040	1,040	1,040
At	Procurement efficiency gains	A2*A3+A6*A7+A8*A7	\$197,673	\$170,412	\$149,209
	Risk adjustment	↓20%			
Atr	Procurement efficiency gains (risk-adjusted)		\$158,138	\$136,329	\$119,367

Spend Control Optimization Savings

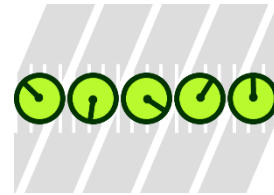
One strong driver for organizations to increase their tail spend with Amazon Business was the ability to gain improved reporting and insights on spending. The customers found the following with their spend control:

- › They were able to identify rogue spenders and the items most prone to be bought in this manner.
- › The ability to identify items alternate/comparable items that Amazon's algorithms suggested, which often carried a discount.
- › Commonly bought items were consolidated into volume orders that often carried a 10% to 15% discount.
- › Even for common items that were not volume items, the customers frequently found items that were at a 10% savings compared to elsewhere.
- › The director of purchasing at an educational institute explained to Forrester, "I did some reporting on the total spend with another marketplace, and after working with Amazon [Business] I was able to determine that, had we bought the exact same items on Amazon [Business], we would have saved about \$150,000 a year." From our calculations, this represents an overall 3% savings in landed cost for this customer, not inclusive of rogue spend adjustment or any other changes.

For the composite organization, Forrester assumes that:

- › The organization is able to redirect rogue spending by 8% from overall Amazon Business spend to approved contracts, due to the newfound visibility.
- › Rogue spending that is shifted to approved purchases carry a pricing delta of 20%.
- › For 10% of the tail spend items purchased from Amazon Business, the composite sees a 10% decrease in cost. Additively, Amazon Business suggested alternative products that can also improve the cost basis. This means that on a \$1.2 million annual spend, the organization is able to save \$12,000 ($\$1.2M * 10% * 10%$), shown as a more conservative aggregate savings than many of the customers that we interviewed.

After accounting for the spend control optimizations, the composite organization realizes a three-year, risk-adjusted total PV of \$93,061 in savings.



"I did some reporting on the total spend with another marketplace, and after working with Amazon [Business] I was able to determine that, had we bought the exact same items on Amazon [Business], we would have saved about \$150,000 a year."

*Director of purchasing,
educational institute*



Spend Control Optimization Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Amount spent with Amazon Business, annually		\$1,200,000	\$1,440,000	\$1,728,000
B2	Decrease in rogue spending, as a percentage of overall Amazon Business spend		8%	8%	8%
B3	Savings on rogue spending vs contractual purchases		20%	20%	20%
B4	Shift of tail spend purchases (excluding rogue purchases) that were priced lower on Amazon Business		10%	10%	10%
B5	Discount found per SKU		10%	10%	10%
Bt	Spend control optimization savings	$B1*B2*B3+B1*B4*B5$	\$31,200	\$37,440	\$44,928
	Risk adjustment	0%			
Btr	Spend control optimization savings (risk-adjusted)		\$31,200	\$37,440	\$44,928

Spend Savings On Items And Shipping

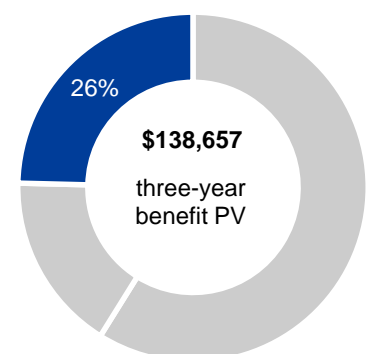
In direct comparison with other vendors, the interviewed customers found, repeatedly, that contractual spend and shipping were both lower on Amazon Business, which they attributed to the scale of Amazon Business. Specifically, the customers found:

- › Shipping costs prior to Amazon Business made up 5% of overall tail spend.
- › With Business Prime, organizations were able to eliminate the vast majority of shipping costs.
- › There was opportunity to move some purchase items to contractual purchases, which further reduced indirect spend.
- › When Forrester asked one educational organization of its shipping costs, the director of purchasing stated: “I’m not paying anything on shipping with Amazon [Business] [beyond shipping costs covered by Business Prime]. I ran a report the other day and I’ve only paid \$340 in shipping on over \$200,000 of purchases.”

For another customer, the shipping speed and the savings on shipping was a winning factor for him: “Anything that we need in a hurry, we always look to Amazon [Business] for it. And [Business Prime] has been a huge cost-saver for us as far as shipping goes. This year, we’ve saved close to \$10,000 just in shipping.”

Forrester gathered the collected data points and estimates conservatively for the composite organization with the following assumptions:

- › The organization purchases \$1.2M in its first year using Amazon Business and Business Prime, with it rising gradually over three years.
- › As a factor of the overall spend, shipping savings with Business Prime amounts to 4% of the overall Amazon Business spend. Readers should note that for organizations which have an extremely high rate of small, just-in-time orders, the savings on shipping could be greater than indicated for the composite.



Contract and shipping savings: 26% of total benefits

- › Items that qualify for contract are fewer, but they can produce a discount of 7.5%.

Over an analysis period of three years, Forrester estimates that the shipping and contract savings result in \$154,064. The amount of shipping savings could be lower depending on the item variability type for some organizations, i.e., spot purchases for light machinery that don't qualify for Business Prime shipping. With this in mind, Forrester has risk-adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$138,657.

Spend Savings On Items And Shipping: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Amount spent with Amazon Business, annually		\$1,200,000	\$1,440,000	\$1,728,000
C2	Shipping savings per year, as a percentage of overall purchase		4%	4%	4%
C3	Value of items on contractual discount on Amazon Business		\$36,000	\$57,600	\$86,400
C4	Contractual discount		7.5%	7.5%	7.5%
Ct	Spend savings on items and shipping	$C1 * C2 + C3 * C4$	\$50,700	\$61,920	\$75,600
	Risk adjustment	↓10%			
Ctr	Spend savings on items and shipping (risk-adjusted)		\$45,630	\$55,728	\$68,040

Unquantified Benefits

While there are many tangible and quantifiable benefits to using Amazon Business and Business Prime, Forrester also heard from organizations that some benefits went beyond what is quantifiable.

- › A contracting officer from a municipality expressed to us that: "In many situations, we find the most effective, efficient, and cost-effective method to fulfill our requirements with spot buying, like on Amazon [Business], rather than consolidating individual spend from 28 different departments with a lengthy bidding process. . . . The items are shipped and delivered faster, so our departments can provide their service and complete their mission faster."
- › The benefits from faster delivery and a shortened procurement process can have widely varying benefits for organizations; and, because of that, we have chosen to not quantify this benefit. For government entities where compliance and the following of processes are absolutely critical, using an electronic ordering system with Business Prime on Amazon Business can bring the entire procurement-to-delivery timeframe down from weeks to days.
- › Another common benefit brought forth by the interviewed organizations was the ability to move away from individual purchasing cards. The visibility provided by the centralized reporting has been already covered, but the sheer time required for accounting of individual purchases has not been quantified. As organizations vary in how they do bookkeeping of tail spend, we've chosen to omit an associated monetary figure to the savings in this bucket. Readers should consider the decreased cost of accounting labor and also the improvement in reporting accuracy.



Employees are able to be effective sooner when ordered items arrive quickly, bringing about accelerated value-add to organizations.

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Business Prime on its Amazon Business account and later capitalize on additional benefits, including:

- › **Decreased stress on cashflow with term-based payments up to net 60.** Some organizations pay immediately on tail spend, but Amazon Business gives the opportunity to pay on terms and even extend those terms with Business Prime. The possibility of freeing up cashflow with extended payment terms like net 60 for qualified customers provides the opportunity to hold on to working capital longer to best leverage the cashflow.
- › **The global footprint of Amazon Business makes it easy for organizations to scale internationally.** An interviewee expressed to Forrester: “When it comes to global reach, Amazon [Business] is uniquely able to offer services in most, if not all the countries that we operate today and potentially in the future.” Should an organization expand, Amazon [Business] will be there to supply them in many of the new territories.

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

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a 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.

Analysis Of Costs

QUANTIFIED COST DATA AS APPLIED TO THE COMPOSITE

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Dtr	Business Prime costs	\$10,099	\$0	\$10,099	\$10,099	\$30,297	\$26,033
Etr	Integration and implementation costs	\$59,126	\$0	\$1,938	\$1,938	\$63,002	\$62,184
	Total costs (risk-adjusted)	\$69,225	\$0	\$12,037	\$12,037	\$93,299	\$88,217

Business Prime Membership Costs

Interviewed organizations indicated that the cost to use Business Prime was fairly insignificant. For larger organizations that had decentralized purchasing, the cost of Business Prime Enterprise plan was approximately \$10,099 per year, plus tax.

- › There are no additional service charges from Amazon Business and Business Prime, for either customer service, support, or technical assistance.
- › Modeling the cost of membership across three years and including organizational headcount growth (which does not incur additional costs at the Enterprise level), the total cost comes to PV total of \$26,033.
- › Forrester does not expect upward deviation from this cost, especially as the pricing is transparent on the Amazon Business website.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of \$87,962.



Reviewer accounts which provide spend visibility and drive spend control are included in most plans.

Business Prime Costs: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
D1	User seats and administrator seats		\$10,099		\$10,099	\$10,099
Dt	Business Prime costs	D1	\$10,099	\$0	\$10,099	\$10,099
	Risk adjustment	0%				
Dtr	Business Prime costs (risk-adjusted)		\$10,099	\$0	\$10,099	\$10,099

Integration And Implementation Costs

Many of the interviewed organizations indicated that automation and the streamlining of procurement was their first initiative when adding Amazon Business to their procurement programs. To enable the automation, the organizations engaged Amazon Business to enable punchout to their existing eProcurement platform.

Amazon Business provided integration and implementation services to assist organizations at no cost, but organizations still incurred internal labor costs for integration. Beyond integration of the catalogs, permission, thresholds, and approval workflows were also set. Most commonly, customers indicated that they were able to use Amazon Business almost immediately upon sign-up, but the complete integration for larger organizations took up to three months.

Forrester assumes for the composite organization that:

- › Complete integration is a three-month effort.
- › Three FTEs spend 50% of their time on the effort, aided by Amazon Business professional services.
- › Integration is performed with Coupa.
- › Approximately 40 to 50 hours are spent yearly on assigning internal purchasing rights and contract negotiations for products.

With these considerations, Forrester forecasts the cost of implementation to be \$51,820 PV over three years. We note that there can be variability to how organizations approach guided buying — as in the case of the government customers we interviewed. To account for the risk of variability and increased effort to prepare rights, purchasable items, and taxation, Forrester adjusted this cost upward by 20%, yielding a three-year, risk-adjusted total PV of \$62,814



Three months
Total implementation
and deployment time

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

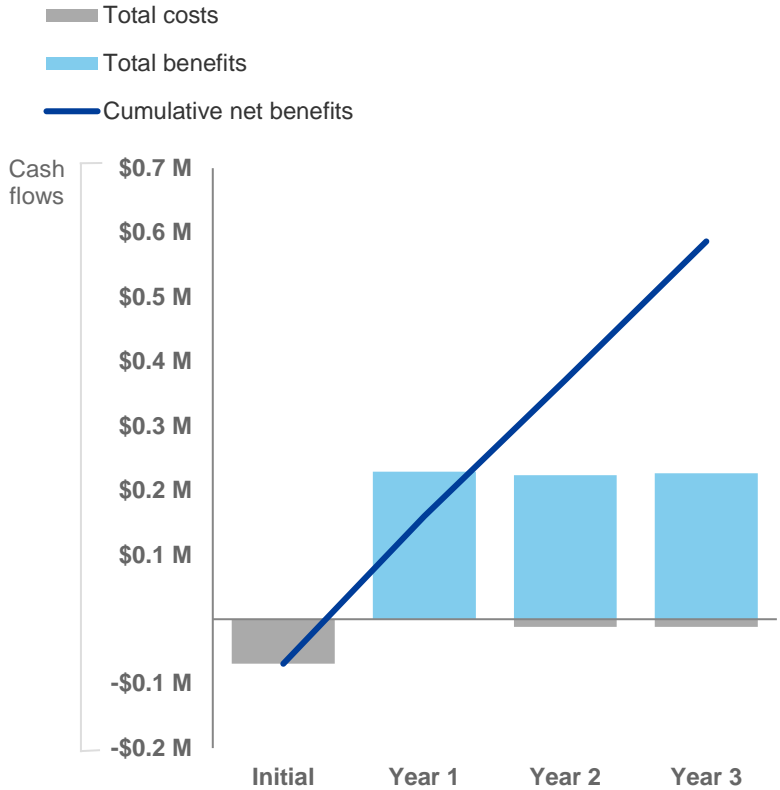
Integration And Implementation Costs: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
E1	Catalog database integration effort in hours		780			
E2	Hourly labor of integration specialists		\$60.58			
E3	Time spent to assign rights and perform contract negotiations, in hours		50		40	40
E4	Hourly labor of procurement analyst		\$40.38	\$40.38	\$40.38	\$40.38
Et	Integration and implementation costs	$E1 * E2 + E3 * E4$	\$49,271	\$0	\$1,615	\$1,615
	Risk adjustment	↑20%				
Etr	Integration and implementation costs (risk-adjusted)		\$59,126	\$0	\$1,938	\$1,938

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$69,225)	\$0	(\$12,037)	(\$12,037)	(\$93,299)	(\$88,217)
Total benefits	\$0	\$234,968	\$229,497	\$232,335	\$696,800	\$577,831
Net benefits	(\$69,225)	\$234,968	\$217,460	\$220,298	\$603,501	\$489,614
ROI						555%
Payback period						<6 months

Amazon Business and Business Prime: Overview

The following information is provided by Amazon Business. Forrester has not validated any claims and does not endorse Amazon or its offerings.

Amazon Business

[Amazon Business](#) offers an online store that provides easy access to millions of products with a variety of benefits that help organizations shape purchasing processes and improve business operations. With Amazon Business, buyers get the familiar purchasing experience of Amazon, with features that make it easy to buy for work. Organizations of all sizes are able to simplify buying, reduce costs, manage purchasing, and streamline procurement processes. Amazon Business serves millions of customers across industries including Retail, Manufacturing, Financial Services, Healthcare, Government, and Education.

Business Prime is a premium membership available for an Amazon Business account. With Business Prime, organizations have unlimited fast, free shipping on eligible orders, plus advanced features for even greater business benefits.

For more information, visit <http://amazon.com/b2b>

Appendix A: Total Economic Impact

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

Total Economic Impact Approach



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



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



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



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

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



Present value (PV)

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



Net present value (NPV)

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



Return on investment (ROI)

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



Discount rate

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



Payback period

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