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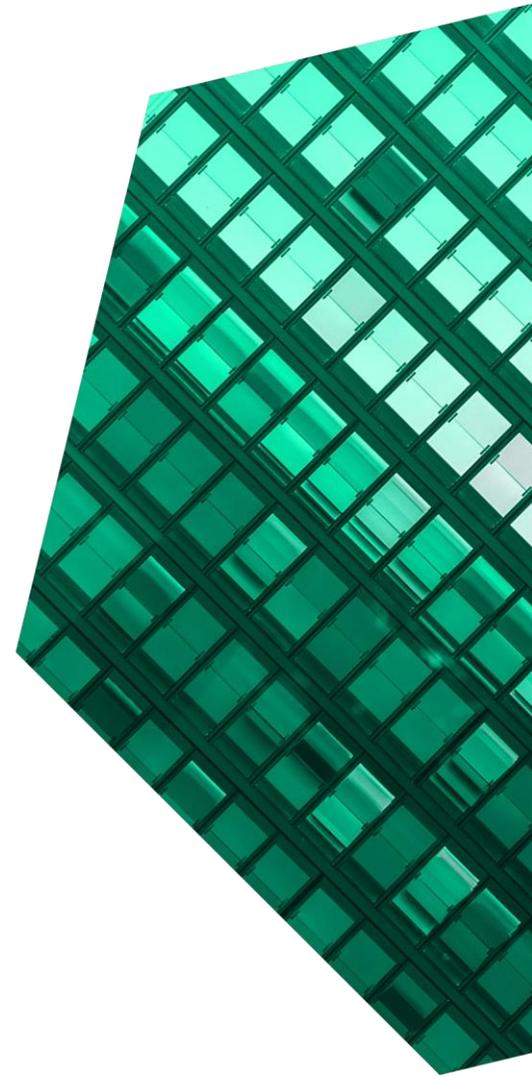
The Total Economic Impact™ Of Staying Current With ServiceNow Upgrades

September 2020

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Executive Summary

ServiceNow delivers biannual upgrades to its solutions that provide product enhancements, greater stability, and increased performance for end user. As Forrester Principal Analyst Liz Herbert stated upgrading SaaS solutions can bring value to almost any organization. “Rapidly evolving solutions will benefit the most from frequent feature and function enhancements... Even areas that benefit from relative stability and limited change will still benefit from (upgrade) innovations.”¹

ServiceNow commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by adopting a consistent approach to upgrading their ServiceNow solutions. For the purposes of this analysis Forrester assumes a more consistent upgrade approach consists of an organization upgrading every six months to reflect ServiceNow’s biannual release pattern. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of adopting a consistent upgrade approach.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four customers with experience using ServiceNow who could speak to a consistent upgrade processes. For the purposes of this study, Forrester aggregated the experiences of the interviewed customers and combined the results into a single [composite organization](#).

Prior to implementing this workflow, customers were inconsistent with their upgrades. They would skip ServiceNow releases which lead to lengthy manual processes when it came time to upgrade their solutions. Customers would spend significant time attempting to build out capabilities within their ServiceNow solutions that would be addressed in subsequent releases. In addition to a lengthy upgrade process customer also failed to use their ServiceNow solutions to their fullest potential. End

KEY STATISTICS



Benefits (PV)
\$6.9M



Reduction in effort to upgrade: **81%**

users were not using the most recent version of their ServiceNow solutions limiting their productivity.

Customer shifted their upgrading process to mirror the release schedule that ServiceNow makes available to its customers. Adopting this upgrade frequency allowed organizations to remove errors from their upgrade process, automate significant portions of the testing associated with each release, and reduce the time they spent building out capabilities internally.

KEY FINDINGS

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

- **Reduce time and effort to perform upgrades by 81%.** By actively making consistent upgrades a priority organizations were able to greatly reduce the amount of time and effort they dedicated towards each ServiceNow upgrade. Before adopting this approach, customers were unsure of what parts of their system could

“ The more we can drive a culture focused on upgrades, the better the platform is going to work for us. ”

— Platform Manager, Automotive manufacturing

present issues during an upgrade. They spent significant time preparing and testing elements of their system that could upgrade with relative ease. After shifting to a more consistent approach to upgrading customers could prioritize work for areas of high complexity. They reduced the amount of time they dedicated to simpler areas of their environment by automating much of the testing workflows associated with these areas. Over three years and six major upgrades for all ServiceNow solutions the composite organization would see a PV benefit of \$2.3M.

- **Avoid costly time to build out internal capabilities in ServiceNow that are addressed in subsequent releases saving \$2.1M over three years.** Developers spent significant time building out new or enhanced capabilities within their ServiceNow solutions. At times, these initiatives would be released during a subsequent ServiceNow upgrade rendering the developer's efforts redundant. Increasing their upgrade frequency allowed the interviewed organizations

to avoid duplicating efforts when building out capabilities for their ServiceNow solutions.

- **Increase time to value for new features provided by ServiceNow by as much as 52 weeks.** With each subsequent upgrade ServiceNow releases process improvements and new functionalities designed to make end users more efficient. ServiceNow users who upgrade with consistency receive immediate access to these new functionalities and can begin to realize the value they provide faster than customers who wait to upgrade their systems. Customers who are committed to upgrading their solutions are able to realize the benefits of using these functionalities faster than those who upgrade their solutions infrequently. Over three years customers who adopt this workflow quickly can realize \$1.1M in benefits.
- **Increased productivity from faster releases of new functionalities.** ServiceNow users often saw value sooner with new and enhanced functionality provided via upgrading. As a part of

the new functionality and enhancements released by ServiceNow, quick-start templates and new industry best practices are also released, making for efficient user transitional stages and minimal change impact. New process builds were largely reduced, and end users were able to more effectively use ServiceNow systems. Forrester expects a three-year PV of \$1.2 million

The customer interviews and financial analysis found that a composite organization experiences benefits of \$6,695,795 over three years.

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

- **Increased user engagement.** Organizations who consistently upgrade their ServiceNow solutions stated that their end users were more engaged with the solutions and more committed to using them to their fullest potential. Rolling out new features and enhancements consistently generates excitement and ensures the organization is realizing the benefit of these enhancements as quickly as possible.
- **Improved system security through consistent security patching.** In addition to simplifying upgrades themselves the interviewed organizations stated that staying consistent with their upgrades also improved their security patching workflows. Customers can use similar best practices and workflows to keep pace with ServiceNow's monthly security patches to certifying that they are using the most secure version of ServiceNow available.
- **Increased interaction with ServiceNow community.** Users involved in frequent upgrades can adopt a higher level of expertise which makes them leaders in the ServiceNow community. Organizations reported that their ServiceNow teams were able to help other members of the ServiceNow community as well as engage more with their own ServiceNow representatives. This enabled them to better understand enhancements planned for upcoming upgrades and contribute potential improvements and best practices for future releases.



Reduce effort of internal buildouts by: **80%**

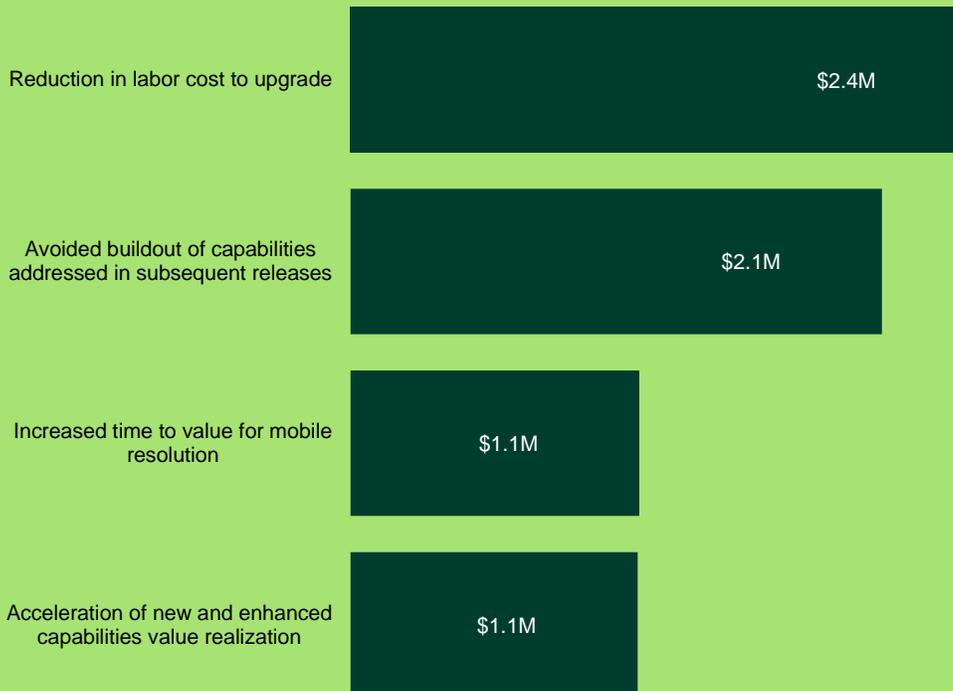


Reduced effort to upgrade by: **81%**



Increase time-to-value for mobile capabilities by: **52 weeks**

Benefits (Three-Year)



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering implementing ServiceNow continuous upgrades.

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 the ServiceNow continuous upgrades can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by ServiceNow 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 the ServiceNow continuous upgrades.

ServiceNow 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.

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



DUE DILIGENCE

Interviewed ServiceNow stakeholders and Forrester analysts to gather data relative to the ServiceNow continuous upgrades workflow



CUSTOMER INTERVIEWS

Interviewed four decision makers at organizations using ServiceNow continuous upgrades 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 the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The ServiceNow Continuous Upgrades Customer Journey

■ Drivers leading to adopting the continuous upgrades workflow

Interviewed Organizations			
Industry	Region	Annual Revenue	ServiceNow Solutions
Pharmaceuticals	Headquartered in the US	\$6.9M	ITSM
Healthcare	Headquartered in the US	\$11B	ITSM, ITOM, ITBM
Automotive manufacturing	Headquartered in APAC	\$270B	ITSM, ITBM, SecOps, HR
Insurance	Headquartered in the US	\$10B	ITSM, ITOM, ITBM

KEY CHALLENGES

Forrester heard that prior to upgrading their ServiceNow solutions on a consistent basis customers would often skip several ServiceNow releases. This made the interviewed organizations struggle with several common challenges, including:

- **Inability to take advantage of key features of upgrade cycle.** Interviewees stated that one of the main issues they faced prior to upgrading with consistency was inability to access and use the new features and enhancements included in each ServiceNow upgrade. Customers were looking for ways to use their solutions to their fullest potential to capitalize on the efficiencies ServiceNow could provide them. Using an outdated version of ServiceNow forced them to spend significant time attempting to build out capabilities and enhancements internally. The director of service management at a healthcare company stated, “We are constantly trying to figure out how do we make things easier for our internal employees as well as our customers. To do that, we need to take advantage of what ServiceNow is developing in the tool. It’s way cheaper for them to just release it than for us to develop them internally.”
- **Falling behind on upgrades puts organizations at risk of falling out of**

ServiceNow support. ServiceNow typically offers support for it is most current release and previously supported more past releases. Organizations that did not prioritize upgrading consistency ran the risk of using an unsupported version of ServiceNow. Should these organizations encounter an issue with their system they would be forced to rely upon very costly and time intensive manual processes to resolve them as they had fallen out of ServiceNow support. Additionally, falling out of ServiceNow support opens organizations up to potential security risks. When customers no longer have patches pushed to them their environment is left vulnerable to potentially malicious attacks.

- **Desired to increase overall system security.** Prior to adopting a consistent upgrade model customers reported that they struggled to keep pace with the monthly security patches that were offered by ServiceNow. Creating workflows that allowed employees to quickly implement each patch as it was released was vital to the interviewee. As one customer noted, “We needed to be in a better position from a patching point of view. Upgrading more frequently definitely enhances our patching strategy as well and ensures we are on the most current patch.”

COMPOSITE ORGANIZATION

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

Description of composite. The composite organization is a multibillion-dollar B2B organization based in the United States. The organization has 25,000 ServiceNow users and an additional 2,500 ServiceNow fulfillers. Additionally, the organization has a dedicated group of developers and fulfillers who are responsible for testing, upgrading, and building new capabilities within ServiceNow.

Deployment characteristics. The composite has been a ServiceNow user for several years and has deployed ServiceNow ITSM, HR Manager, Customer Service Manager, and Security Operations. In the past the composite struggled to prioritize upgrades as it feared it would cause major disruptions to ServiceNow availability and would negatively impact end users. This led to the organization upgrading its ServiceNow solutions once every 18 months. Due to concerns about security, support, and a desire to make the most of their ServiceNow investment the composite has shifted its' upgrading philosophies. The organization now upgrades every 6 months to stay current with each ServiceNow release.

Key assumptions

- **\$10B annual revenue**
- **25,000 ServiceNow Users**
- **2,500 ServiceNow fulfillers**

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	Reduction in labor cost to upgrade	\$959,558	\$959,558	\$959,558	\$2,878,675	\$2,386,280
Btr	Avoided buildout of capabilities addressed in subsequent releases	\$835,200	\$835,200	\$835,200	\$2,505,600	\$2,077,019
Ctr	Increased time-to-value for mobile resolution	\$1,235,000	\$0	\$0	\$1,235,000	\$1,122,727
Dtr	Acceleration of new and enhanced capabilities value realization	\$448,712	\$448,712	\$448,712	\$1,346,135	\$1,115,879
	Total benefits (risk-adjusted)	\$3,478,470	\$2,243,470	\$2,243,470	\$7,965,410	\$6,701,905

REDUCTION IN LABOR COST TO UPGRADE

By adhering to a consistent upgrade workflow, interviewees reported they were able to significantly reduce the amount of time they spent conducting a single upgrade. In legacy workflows, customers spent extensive time analyzing, coding, and testing upgrades, often for multiple major releases at the same time. Typically, these upgrades were accompanied by a coding freeze and significant downtime which affected the productivity of both end users and developers.

By upgrading their ServiceNow solutions more consistently customers had a better understanding of their environment and were able to dedicate more resources to areas that required intense preparation to upgrade. Customers were also able to make use of the automated testing functionality provided by ServiceNow to automate the simpler parts of their upgrades saving them further time. Additionally, interviewees stated that they made upgrading and monitoring their systems a continuous process by incorporating the findings of ServiceNow Health Scan into their daily workflows and testing in both their current environment and the environment they plan to upgrade to. This allows them to identify and resolve

problem areas quickly and reduced the amount of downtime that was needed to complete an upgrade.

One interviewee described these process improvements by saying, “When we are upgrading, we review the best practices and make sure that we don’t have issues with anything that’s going to come with an upgrade. We evaluate the historic pain points, (which are typically found during discovery and integration). We test in our current environment and the environment we are upgrading to in order to expedite our release process. This allows us to put products into production while people are doing work. We really do not stop; we barely slow down. This a huge boost for the team, we have no downtime during our upgrades which makes them vastly more efficient.”

For the composite organization Forrester assumes:

- The organization dedicates a team of 20 developers and 10 fulfillers to testing and implementing each ServiceNow Upgrade.
- To address major ServiceNow releases prior to upgrading their solutions consistently a team of

20 developers spent 400 hours preparing for and executing upgrades. 10 ServiceNow fulfillers spent an additional 160 hours preparing for and executing each upgrade.

- By upgrading their ServiceNow solutions every 6 months the composite organization was able to create more efficient workflows, quickly identify and resolve problem areas, and avoid system downtime. These process improvements reduced the total effort required for an upgrade by 81%
- The minimum cost to upgrade was over \$1.2 million per year to address the two major annual ServiceNow upgrades.
- The average hourly cost of a developer and fulfiller involved in a ServiceNow upgrade is \$72 and \$43 respectively.
- The organization is able to automate an additional 150 hours of their testing process leading to \$21,600 in additional time savings.

The following risks may affect this benefit category.

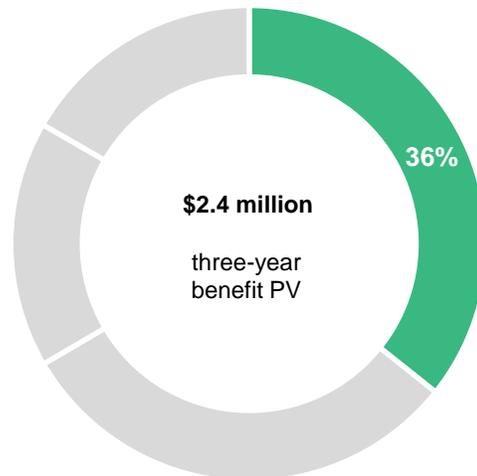
- The number of upgrades an organization performs each year.
- The number of resources and the amount of time that an organization dedicates to upgrading their ServiceNow solutions.
- Organizational ability to prioritize upgrades and maintain processes that promote a faster upgrade schedule will affect the overall impact that consistently upgrading will have on upgrade processes.
- The amount an organization is able to automate their testing process will affect the over

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$2,386,280.



Reduced effort needed to complete an upgrade by

80%



Reduction In Labor Cost To Upgrade					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Developer time spent per upgrade before adopting continuous upgrade workflow (hours)		400	400	400
A2	Developers involved in upgrade process		20	20	20
A3	Fully burdened developer hourly salary		\$72	\$72	\$72
A4	Fulfiller time spent per upgrade before adopting continuous upgrade workflow (hours)		160	160	160
A5	Fulfillers involved in upgrade process		10	10	10
A6	Fully burdened fulfiller hourly salary		\$43	\$43	\$43
A7	ServiceNow upgrades annually		2	2	2
A8	Cost to upgrade twice annually with legacy workflows	$(A7*((A1*A2*A3)+(A4*A5*A6)))$	\$1,289,600	\$1,289,600	\$1,289,600
A9	Reduction in effort needed to upgrade		81%	81%	81%
A10	Cost to upgrade with consistent upgrade workflow	$A8*(1-A9)$	\$245,024	\$245,024	\$245,024
A11	Time savings from increased automation		\$21,600	\$21,600	\$21,600
At	Reduction in labor cost to upgrade	$(A8-A10)+A11$	\$1,066,176	\$1,066,176	\$1,066,176
	Risk adjustment	↓10%			
Atr	Reduction in labor cost to upgrade (risk-adjusted)		\$959,558	\$959,558	\$959,558
Three-year total: \$2,878,675			Three-year present value: \$2,386,280		

AVOIDED BUILDOUT OF CAPABILITIES ADDRESSED IN SUBSEQUENT RELEASES

Upgrading with each major ServiceNow release has the benefit of providing access to new enhancements and capabilities. All interviewees cited a main driver behind each upgrade was the desire to acquire the latest tools released in each upgrade. Often in their legacy state organizations would spend significant time attempting to internally build new capabilities within their ServiceNow solutions. These buildouts were often very time intensive and further taxed the ServiceNow development team.

Customers found that many of the capabilities they were building out were addressed in subsequent ServiceNow releases. According to one customer “We had spent a lot of time building, training on, getting everyone up to speed on a capability that was very close to a module that ServiceNow came out with. Another time we spent a significant amount of time building our own calendaring function that was included in our next ServiceNow upgrade. So, we’ve shot ourselves in the foot couple times with that stuff.”

Upgrading their ServiceNow solutions more frequently allowed customers to avoid most of the effort required to build out these capabilities internally.

For the composite organization Forrester assumes:

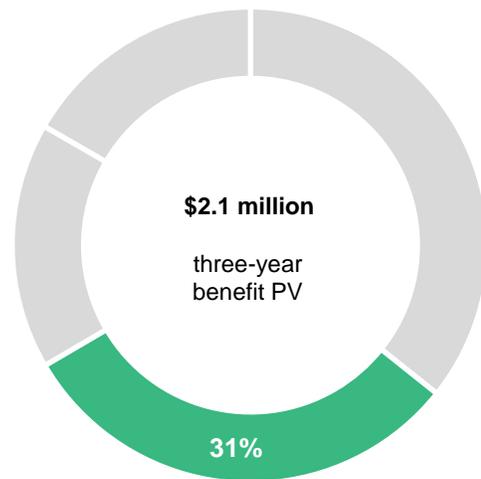
- The composite organization attempts to build out eight new capabilities across its' ServiceNow solutions annually that are addressed in subsequent ServiceNow upgrades.
- The organization dedicates a team of 10 employees which includes a mix of developers and fulfillers. The team dedicates 250 hours to building out internal capabilities.
- The average hourly salary for the employees involved in these buildout processes is \$58.
- ServiceNow feature enhancements and additions could address 80% of the business needs from the platform.

The following risks may affect this benefit category.

- The number of capabilities a customer attempts to build out internally.
- The size of and individual roles within the project team dedicated to building out these capabilities.

“Our customers are requesting enhancements to the platform that are coming in a future release and if the answer was that’s coming, but it’s not going to be here for a year, it would be difficult for us to get that customer to happily wait until that upgrade. But when we can say that’s coming in a future release and we upgrade twice a year, we have much happier customers waiting for that upgrade rather than insisting on a custom developed solution that would be obsolete when that upgrades has come.”

Platform manager, Healthcare



- The level of customization an organization needs for each feature will affect the addressability of the ServiceNow features.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2,077,019.

Avoided Buildout Of Capabilities Addressed In Subsequent Releases					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Number of new capabilities built out annually before upgrading consistently		8	8	8
B2	Time to build out new capabilities with ServiceNow in legacy state (hours)		250	250	250
B3	Number of employees involved in capability buildout		10	10	10
B4	Average salary for employees involved in capability buildout		\$58	\$58	\$58
B5	Addressability of SN features and enhancements to organizational needs, as a percent		80%	80%	80%
Bt	Avoided buildout of capabilities addressed in subsequent releases	$B1*B2*B3*B4*B5$	\$928,000	\$928,000	\$928,000
	Risk adjustment	↓10%			
Btr	Avoided buildout of capabilities addressed in subsequent releases (risk-adjusted)		\$835,200	\$835,200	\$835,200
Three-year total: \$2,505,600			Three-year present value: \$2,077,019		

INCREASED TIME-TO-VALUE FOR MOBILE RESOLUTION

In addition to the benefit of avoiding building out capabilities internally customers who upgrade more frequently can increase the time to value they receive from new ServiceNow capabilities. Interviewees reported that when they upgraded their solutions infrequently, they miss out on new enhancements that could create additional efficiencies within their existing workflows.

One example customers mentioned was the increased mobile capabilities included in recent ServiceNow upgrades. ServiceNow fulfiller are able begin the process of addressing cases and incidents from their mobile device which can make the overall resolution process faster. “Users have the ability to just quickly look over a ticket and reassign it to that the correct group from their mobile device. This helps them save several minutes per tickets and can be a real time-saver.” Stated one interviewee. Upgrading

more frequently allows organizations to recognize the value these efficiencies bring faster than they would in their prior state.

For the composite organization Forrester assumes:

- The organization receives 10,000 cases across its four ServiceNow solutions each week. The average cost to address these cases equates to \$20 of resource time.
- 50% of the cases the organization receives each week can be enhanced by the mobile capabilities provided by ServiceNow.
- The interviewees reported the mobile capabilities provided by ServiceNow can make the reduce the effort required to resolve ServiceNow cases by 25%.
- In the composite organization’s legacy state, they upgraded their ServiceNow solutions every 18 months. Changing this workflow to match

ServiceNow’s biannual upgrade schedule allows the composite organization to gain an additional 52 weeks of value from these mobile capabilities.

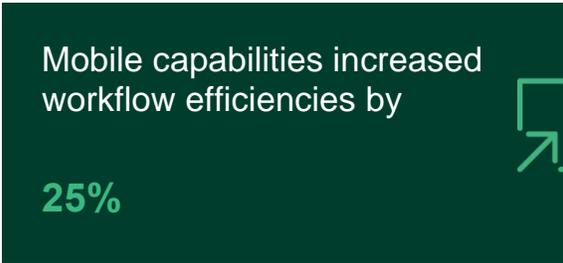
- This benefit is limited to the of analysis as it is assumed that by Year 2 the composite organization would have updated its’ ServiceNow solutions and would begin recognizing the productivity benefits enabled by the mobile capabilities.

- The number of weeks between ServiceNow upgrades will affect how many additional weeks the organization can realize this benefit for.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$1,122,727.

The following risks may affect this benefit category.

- The number of cases that can be addressed through the mobile capabilities provided by ServiceNow.
- The cost to resolve cases within ServiceNow will vary based on the nature and complexity of the case.



Increased Time-To-Value For Mobile Resolution					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Average number of cases per week across solutions		10,000		
C2	Percentage of cases that can be addressed with mobile capabilities		50%		
C3	Average cost to resolve a ServiceNow case		\$20		
C4	Weekly cost to resolve ServiceNow cases in legacy state	$C1 * C2 * C3$	\$100,000		
C5	Time savings enabled by using mobile capabilities		25%		
C6	Cost savings enabled by mobile capabilities	$C4 * C5$	\$25,000		
C7	Additional weeks gained by upgrading early		52		
Ct	Increased time-to-value for mobile resolution	$C6 * C7$	\$1,300,000	\$0	\$0
	Risk adjustment	↓5%			
Ctr	Increased time-to-value for mobile resolution (risk-adjusted)		\$1,235,000	\$0	\$0
Three-year total: \$1,235,000			Three-year present value: \$1,122,727		

ACCELERATION OF NEW AND ENHANCED CAPABILITIES VALUE REALIZATION

ServiceNow solutions touch end users across many different groups within organizations, each with its own specific needs and use cases. When considering the best way to cater ServiceNow’s products to these different group’s organizations must carefully considers the requirements each group has as well as the specific needs of their end users. Customers sited consistent upgrades and adhering to ServiceNow upgrade best practices as mechanisms they use to ensure that their end users are receiving the best experience possible and are using the ServiceNow solutions to their fullest potential.

Forrester analyst Liz Herbert spoke on the role upgrading plays in ensuring that end users are getting the most out of their SaaS solutions. “SaaS includes automatic upgrades. Users get the latest innovations faster than in an on-premises deployment, where vendors are slow to release upgrades and customers delay applying them... Updates range from mandatory enhancements to meet regulatory requirements to enhancements that deliver better features. The more frequent and incremental upgrades also mean that each one is less disruptive.”¹ Upgrading frequently while also adhering to the best practices provided by ServiceNow as a component of the upgrade support can help customers accelerate the pace at which end users can obtain value from improved functionalities within their respective ServiceNow solutions.

For the composite organization Forrester assumes:

- When accounting for the factors of rework alongside the initial duration of builds, the composite organization could release and deploy new capabilities four months sooner by following the consistent upgrade path.
- Forrester’s prior interviews and survey² with ServiceNow customers suggest a benefit value of over \$15 million annually for the four core ServiceNow solutions the composite organization

has deployed (IT Service and Operations Management, HR Service Delivery, Customer Service Management, and ServiceNow Security Operations). Customers in this study revealed that each of the major upgrades provide their organizations with effective gains of 5%. Assimilating this together as shown in the table below, these gains are worth \$448,712 per year prior to risk adjustments.

“We created a more ‘consumer-like’ experience with the ServiceNow platform. Staying current with our upgrades has allowed us to resolve previously unresolved features. For example, we increased the performance of our chat features from 3 seconds to send/receive messages to 50 milliseconds.”

Platform manager, Automotive manufacturing

Forrester recognizes that some organizations may not realize full value of one or more of their ServiceNow solutions. User traction and maturity of the organization’s change management are also concerns. As a result, we have downward risk-

adjusted the value of this benefit by 15% resulting in a three-year PV of \$1,115,879.

Acceleration Of New And Enhanced Capabilities Value Realization					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
D1	Number of core ServiceNow Family solutions in use		4	4	4
D2	Efficiency and productivity realized across the enterprise from ServiceNow solutions deployed as a total solution set, annualized		\$15,836,879	\$15,836,879	\$15,836,879
D3	Effective gain in productivity and efficiencies due to enhancements and functionality buildouts		5%	5%	5%
D4	ServiceNow upgrades across family of solutions per year		2	2	2
D5	New and enhanced capability rollout acceleration, existing state vs. consistent upgrades, in months per upgrade		4	4	4
Dt	End user productivity uplift due to accelerated release of new and enhanced functionality	$(D2 * D3 * D4) * (D5 / 12)$	\$527,896	\$527,896	\$527,896
	Risk adjustment	↓ 15%			
Dtr	Acceleration of new and enhanced capabilities value realization (risk-adjusted)		\$448,712	\$448,712	\$448,712
Three-year total: \$1,346,135			Three-year present value: \$1,115,879		

UNQUANTIFIED BENEFITS

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

- **Increased user engagement.** Customers stated that upgrading their ServiceNow solutions had the added benefit of keeping users engaged with the platform. Frequently deploying new features encourages users to continue finding ways to improve established workflows and helps ensure that organizations are maximizing the potential of their ServiceNow investments. As one interviewee stated: “The twice-a-year upgrades help to keep our users engaged so that it isn’t a

year since they last upgraded. They’re invested in the future of the platform whether they’re engaged for UAT or whether they’re engaged for using a new feature that’s coming out or just anticipating those new features.” Continued use of the solutions allows users further process improvements that could lead to additional time savings for the organization.

- **Improved system security through consistent security patching.** Organizations who keep their ServiceNow solutions current can more easily deploy and implement security patches provided by ServiceNow ensuring that they are on the

most secure version of solution available. One customer noted, “I would say from a security standpoint, upgrading more frequently has definitely made our environment significantly more secure. With every release there’s new security patches and we are now able to deploy those patches more frequently.”

- **Increased interaction with ServiceNow community.** Interviewee’s observed that an added benefit of upgrading their ServiceNow solutions more consistently was an increase in the interactions between their employees and the ServiceNow community. Employees were more active amongst the various customer community groups and became valued resources for others looking to adopt a more continuous upgrade workflow. Additionally, employees had more valuable interactions with their own ServiceNow representatives. They were able to get a better understanding of future solutions enhancements as well as share potential ideas of additional capabilities that could benefit their organization.

FLEXIBILITY

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

- **Increase ServiceNow use across the organization.** Interviewees stated that their commitment to upgrading made ServiceNow an appealing investment to other parts of their organizations. “Other parts of the business find (implementing ServiceNow) a more welcoming prospect when they know we say that we’re upgrading this regularly, they understand that we’re committed to helping them move their processes over to ServiceNow. They’re not moving it over and getting stuck with in their current state. Their ServiceNow experience is going to be constantly evolving.” Said one

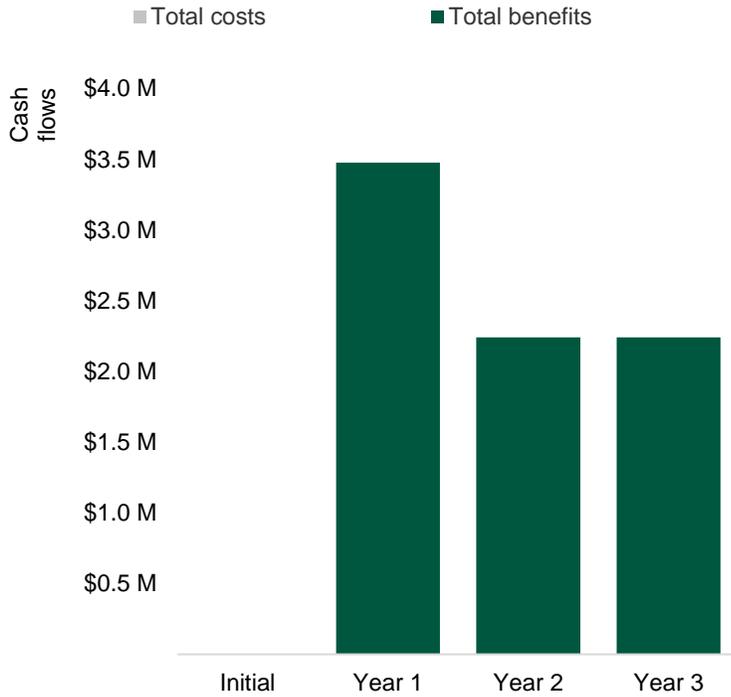
interviewee. Increasing the scope of their ServiceNow investment could lead to further process efficiencies and time savings for new user groups.

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

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



These risk-adjusted benefits values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total benefits	\$0	\$3,478,470	\$2,243,470	\$2,243,470	\$7,965,410	\$6,701,905

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."



PRESENT VALUE (PV)

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



NET PRESENT VALUE (NPV)

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



RETURN ON INVESTMENT (ROI)

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



DISCOUNT RATE

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



PAYBACK PERIOD

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

Appendix B: Endnotes

¹ “Quantifying The Business Value of SaaS,” a commissioned study by Forrester research. February 2019.
<https://www.forrester.com/report/Quantifying+The+Business+Value+Of+SaaS/-/E-RES136018?objectid=RES136018>

² “The Total Economic Impact™ Of ServiceNow For IT, HR, and Customer Service” a commissioned study conducted by Forrester Consulting on behalf of ServiceNow, September 2017.

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