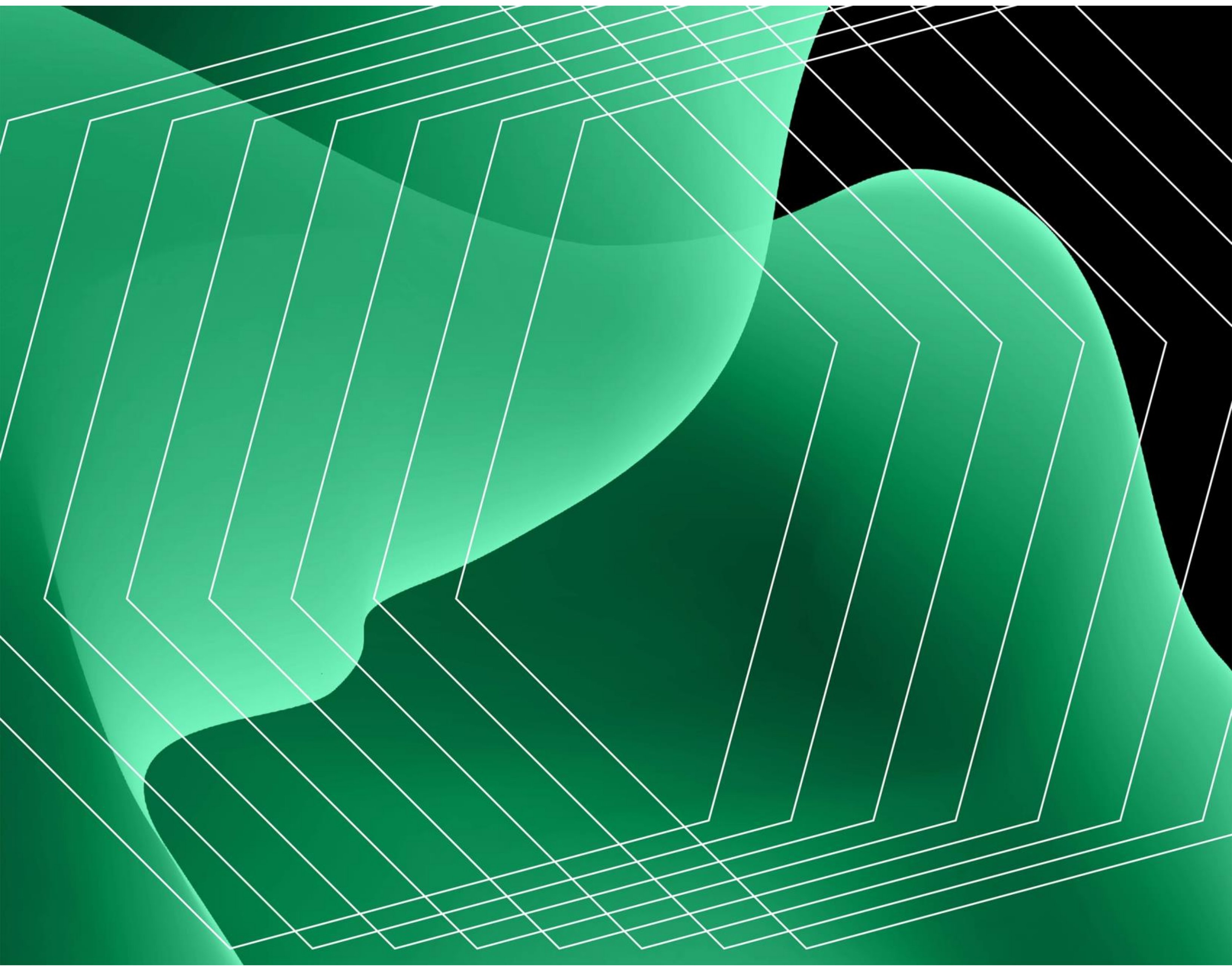
FORRESTER

The Total Economic Impact™ Of Coupa For Source-To-Pay

Cost Savings And Business Benefits Enabled By Coupa For Source-To-Pay

A FORRESTER TOTAL ECONOMIC IMPACT STUDY
COMMISSIONED BY COUPA, JULY 2024



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ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute their specific priorities using a unique engagement model that ensures lasting impact. For more information, visit forrester.com/consulting.

Executive Summary

Many organizations leverage legacy methods and technologies for supplier-related business processes like sourcing, contracting, procurement, and payment, which keeps them siloed from each other. Digitizing these processes and unifying them onto the same platform can help organizations increase their cash flows by streamlining source-to-pay processes, having a better understanding of their suppliers, making better purchasing decisions, and optimizing costs while ensuring regulatory and environmental, social, and governance (ESG) compliance. Source-to-pay platforms that leverage artificial intelligence (AI) like Coupa can empower businesses to focus on growth while creating value through efficient spend management and data-driven decision-making.

Coupa's source-to-pay platform is powered by community-generated AI via its network of 10 million buyers and suppliers and a dataset that includes $6 trillion worth of economic spend. The Coupa platform marries sourcing, contract management, workforce management, supplier risk and performance analysis, procurement management, electronic invoicing, digital payments, and spend analysis on a single platform. This can enable businesses to unlock value by comparing suppliers, de-risking their supply chains, digitizing and automating processes, optimizing operational efficiency and productivity, and leveraging their full purchasing power in negotiations to drive better deals and improve margins. Using Coupa's platform and community-generated AI, companies can improve its fraud detection, automate contract reviews, optimize cash and financial forecasts, mitigate supplier and supply chain risk, and ensure regulatory compliance and efficient spend management.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives of organizations with experience using Coupa's source-to-pay platform. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a global manufacturing organization with 60,000 employees and revenue of $80 billion per year. Although Coupa provides solutions for businesses of all sizes, the ROI in this study is modeled for an organization the size of the composite.

Return on investment (ROI)
276%

Net present value
$66 million

Interviewees said that prior to using Coupa, their organizations' sourcing, contracting, procurement, and payment operations were siloed and leveraged manual processes or legacy technologies. These limitations led to inefficient buying, payment, and reporting processes, an inability to capture potential margin improvements in contract negotiations, and an increased risk of supply chain failure.

Interviewees said that after the investment in Coupa's platform, their organizations were better able to manage their supplier relationships, contracts, spend, and payments. Key results from the investment include the ability to use Coupa's AI-driven platform to capture a wide range of margin improvements, improve the efficiencies of various business processes, and mitigate supply chain risk.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Cost of goods sold (COGS)-related margin improvement of 1.4%.** Improved visibility into spend with suppliers of direct materials enables the composite organization to improve its position in negotiations for the 20% of direct materials contracts that come up for renewal annually, accruing savings of up to 1.4% on such contracts.
- **Logistics-related margin improvement of 2%.** Similarly, having a better understanding of its total spend while taking advantage of any potential early payment discounts helps the composite improve its margins related to logistics contracts by up to 2%.

- **Selling, general, and administrative (SG&A)-related margin improvement of 0.7%.** Improved spend management, supplier discounts, and better supplier analysis also lead to savings with SG&A-related services contracts. The composite saves 0.7% on advertising and services contracts with Coupa.
- **Asset redeployment-related margin improvement of 10%.** Coupa's tracking of assets and inventory enables the composite to reduce the purchase of duplicative goods, leading to savings of 10% by deploying already purchased assets and inventory instead of buying new ones.
- **Invoicing efficiencies of 50%.** Having the ability to make more invoices electronic and to automate payments enables the composite to improve the efficiencies of the finance teams handling these processes by 50%. Half of the prior finance professionals doing this work are now able to focus on strategic finance initiatives, which saves the composite an additional, unquantifiable amount in the future.
- **Sourcing and spend reporting efficiencies of 100%.** The composite previously needed 13,000 hours from its workforce to complete manual sourcing and spend reporting processes. With Coupa, the composite's entire process for reporting on sourcing and spend is automated by the platform, which saves it 100% of this labor cost and allows it to redeploy these teams to higher-value work. Additionally, reporting is now better, timelier, and has less human error.
- **Technology-related margin improvement of $560,000 annually.** Coupa replaces the limited point technology the composite had in place before deploying a unified source-to-pay platform, which saves the composite more than half a million dollars annually.

Reported savings on individual contracts with Coupa for interviewees' organizations

Up to 16%

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified for this study include:

- **Supplier diversity.** Coupa provides structure to the composite in terms of analyzing and understanding its supplier base, and this enables it to better track its award rates to diverse suppliers and even win awards and accolades for its supplier diversity efforts.
- **Improved supplier relationships.** Coupa enables the composite to improve its relationship with suppliers, which gives them visibility into payments and allows the composite to pay them earlier and receive more early payment discounts as a result.
- **Risk mitigation.** By better analyzing and tracking suppliers, Coupa helps the composite organization mitigate an unquantifiable amount of risk related to potential supply chain failure, which could impact sales and brand reputation and lead to risk related to compliance and regulatory penalties, which could lead to high monetary penalties and legal costs.
- **Community performance benchmarks and value management.** The composite gets an unquantifiable amount of value from leveraging Coupa's value management team to better understand its benchmarking and how it is performing relative to other businesses in its sector.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Coupa fees.** The composite pays for Coupa's platform based on a number of various inputs — including the number of modules leveraged and the number of users — for a total of $3 million in annual fees by Year 3.

- **Implementation fees.** The composite leverages Coupa's implementation team to assist with implementation, incurring millions of dollars in fees. It pays the bulk up front for the initial deployment and the remainder in ensuing years as the composite expands its use of Coupa.
- **Planning and deployment costs.** For planning and deployment, the composite needs 1,500 hours from 40 FTEs in both the initial period and the first year. This cost decreases to 20 FTEs at 500 hours each as the bulk of the deployment happens up front.
- **Training and ongoing management costs.** The composite incurs time costs associated with training employees to use Coupa and for IT resources needed to manage the platform.

The representative interviews and financial analysis found that a composite organization experiences benefits of $90 million over three years versus costs of $24 million, adding up to a net present value (NPV) of $66 million and an ROI of 276%.

"When you deploy Coupa, you quickly get all spend and all contracts cataloged. We spent a lot of time talking about proactive spend management, and now Coupa has enabled that for us. With Coupa, we manage every dollar right the first time."

VP OF GLOBAL PROCUREMENT OPERATIONS, FOOD PROCESSING

ROI

276%

BENEFITS PV

$89.9 million

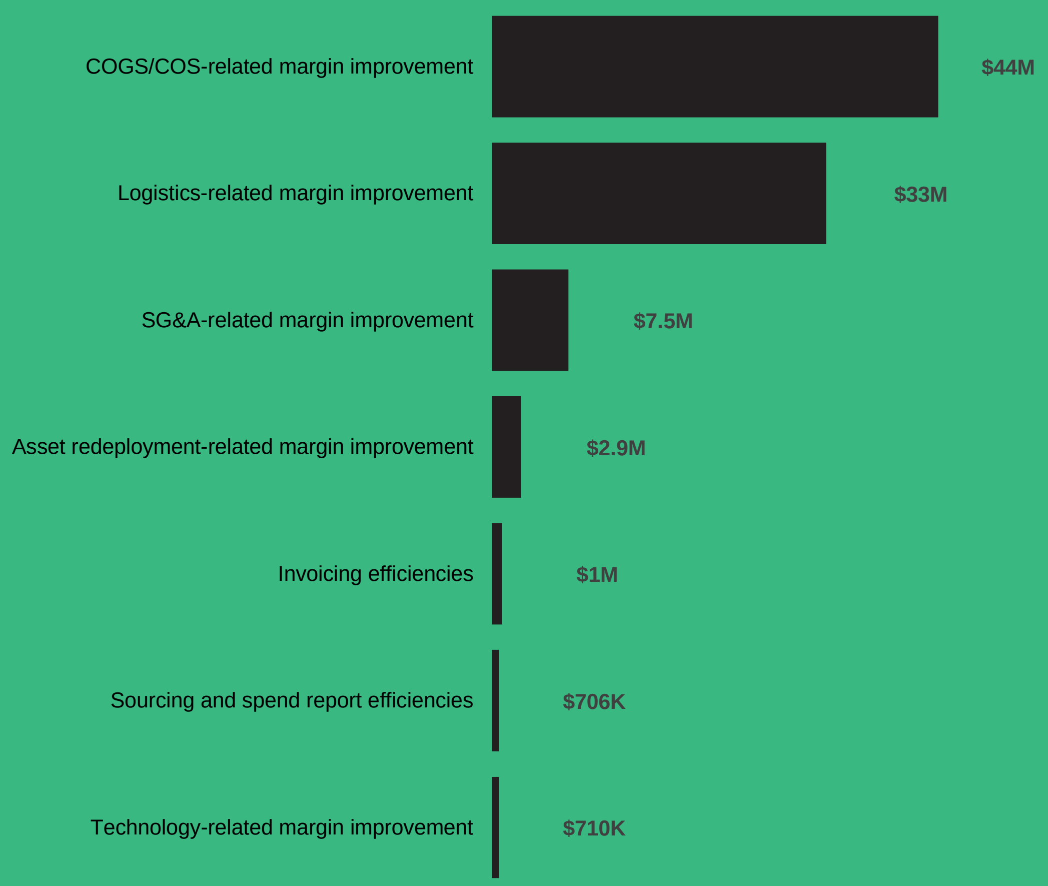
NPV

$66 million

PAYBACK

10 months

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 an investment in Coupa for source-to-pay.

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 Coupa for source-to-pay can have on an organization.

1. **Due Dilligence**
   Interviewed Coupa stakeholders and Forrester analysts to gather data relative to Coupa for source-to-pay.

2. **Interviews**
   Interviewed four representatives at organizations using Coupa for source-to-pay to obtain data about costs, benefits, and risks.

3. **Composite Organization**
   Designed a composite organization based on characteristics of the interviewees' organizations.

4. **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 interviewees.

5. **Case Study**
   Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Coupa and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Coupa for source-to-pay.

Coupa 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.

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

The Coupa For Source-To-Pay Customer Journey

Drivers leading to the Coupa for source-to-pay investment

Interviews			
Role	**Industry**	**Region**	**Revenues**
VP of global purchasing	Manufacturing	Global	$730 million
Senior director of indirect procurement	CPG	Global	$20.4 billion
VP of global procurement operations	Food processing	Global	$94 billion
Innovation manager	Mining	Global	$218 billion

KEY CHALLENGES

Before investing in Coupa, the interviewees' organizations were using less robust technology solutions for various aspects of sourcing, procurement, and payment. The deployment of these solutions was often limited to only parts of their organizations, with the remaining parts leveraging manual processes.

The interviewees noted how their organizations struggled with common challenges, including:

- **Organizational silos.** The interviewees' organizations' specific sourcing, procurement, and payment technologies and processes were limited to use by only certain parts of their organizations, which created silos. The VP of global purchasing from the manufacturing organization said: "We had lots of different sub-units or sub-organizations globally doing different means of procurement. Some entities used specific but different systems, and some entities used no system at all but followed different processes." The VP of global procurement operations from the food processing organization stated: "We're constantly growing via acquisition — [we've had] some 30 to 40 different acquisitions over the past seven years. From these, we inherited different sourcing and procurement technologies and processes and lacked a single source of truth for spend management."

- **Maverick buying.** Some of the interviewees' organizations lacked sufficient controls on buying, which led to the purchase and use of unapproved goods, services, and solutions. The VP of global purchasing from the manufacturing organization said, "Without knowing what different parts of the organization were buying, not only did we face security concerns, we also couldn't leverage our scale for negotiating purchases and potentially saving via bundling."
- **Contract leakage.** Having various systems and processes related to their spending, the interviewees' organizations also found it difficult to ensure that expected contract values matched actual contract outcomes. The innovation manager for the mining company said, "The data was so different between the various systems and teams using different processes that we had no ability to diligently track contract leakage nor effectively limit it."

> "With Coupa, we've been able to reduce maverick buying, especially with regard to IT. Every IT request must be approved to make sure any purchased IT fits into wider organizational policies and structure."
>
> VP OF GLOBAL PURCHASING, MANUFACTURING

> “Before, if a category manager left, so did their knowledge about suppliers and processes. It was a big issue. With Coupa, we no longer face this problem as all supplier information is in the platform, which also covers the process.”
>
> SENIOR DIRECTOR OF INDIRECT PROCUREMENT, CPG

INTERVIEW SPOTLIGHT

Coupa As Used By A Mid-Market Company

Although three of the four interviewees represent buyer organizations classified as enterprises, the VP of global purchasing's manufacturing organization is smaller and classified as a mid-market business. Despite their unique position among the interviewee group, this interviewee said their organization experienced similar challenges before its investment in Coupa and saw similar benefits after its investment.

For example, the interviewee said their organization mostly used manual processes for its source-to-pay business functions before using Coupa, and any technologies deployed were only used by a single function or a single location. Their organization suffered from maverick buying, limited electronic invoicing, and no system for expense reporting. Its units followed different processes for all these functions and remained siloed from each other.

Deploying Coupa enabled this organization to establish structured processes with oversight, approvals, and controls, while remaining flexible enough to keep any necessary, unique localized aspects of these various processes. The VP stated: "We now have controls in place to prevent maverick buying. Every purchase must be verified. This has reduced overspending while improving our compliance. At the same time, Coupa really makes it easy to manage the system, make configurations, and manage settings on an entity-by-entity bases, maintaining certain unique features or processes we need."

The interviewee also said Coupa enabled time savings on source-to-pay processes. They stated, "We've automated repetitive processes and reduced the need to input repeat data, which has saved us a lot of time. Coupling this automation with our controls, we essentially have permissioned access to utilize the corporate card for purchases on Coupa, which further reduces maverick buying while improving security regarding those accounts." *(cont.)*

Importantly, the interviewee felt that Coupa improved the standing of procurement within the organization: “Now that our team’s work is backed up by data as tracked by Coupa, we can prove to other teams and to the executive suite just how effective we truly are.” They also noted that users of Coupa “were more satisfied [with their job] after one year” when compared to employees who were not using Coupa. Lastly, the interviewee noted that Coupa’s price is very competitive while offering “a lot of features” that were “the right breadth for what we needed.”

COMPOSITE ORGANIZATION

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

Description of composite. The composite is a global manufacturing organization with 60,000 employees and $80 billion in annual revenue. It spends 48% of these revenues on COGS and direct materials. The average term for these contracts is five years. The composite spends a further 11% of revenues on logistics and transportation contracts with an average term of two years and another 10% of revenues on SG&A services contracts with an average term of three years.

Deployment characteristics. The composite selects Coupa to solve a number of sourcing, contracting, procurement, and payment challenges and to get control over managing its spend, and it contracts with Coupa for implementation services. It assigns a global team of 40 employees to plan and assist in deploying Coupa. Implementation and deployment of Coupa is spread over an initial period and the first two years of usage, with the internal team spending a total of 3,500 hours. Forty-three percent of this is needed in the initial period with the remainder spread over two years as usage of Coupa expands and more modules are deployed.

KEY ASSUMPTIONS

$80 billion revenue

60,000 employees

48% of revenues spent on COGS

11% of revenues spent on logistics/transportation

10% of revenues spent on SG&A

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	COGS/COS-related margin improvement	$9,792,000	$17,625,600	$27,417,600	$54,835,200	$44,067,678
Btr	Logistics-related margin improvement	$4,488,000	$14,586,000	$22,440,000	$41,514,000	$32,994,050
Ctr	SG&A-related margin improvement	$1,346,400	$3,366,000	$4,712,400	$9,424,800	$7,546,314
Dtr	Asset redeployment-related margin improvement	$1,161,000	$1,161,000	$1,161,000	$3,483,000	$2,887,235
Etr	Invoicing efficiencies	$214,200	$415,800	$630,000	$1,260,000	$1,011,692
Ftr	Sourcing and spend report efficiencies	$145,860	$291,720	$442,000	$879,580	$705,772
Gtr	Technology-related margin improvement	$0	$450,000	$450,000	$900,000	$709,992
	Total benefits (risk-adjusted)	$17,147,460	$37,896,120	$57,253,000	$112,296,580	$89,922,733

COGS/COS-RELATED MARGIN IMPROVEMENT

Evidence and data. Before deploying Coupa, the interviewees' organizations suffered from a lack of visibility and control regarding their direct materials. Without proper visibility, the organizations missed out on opportunities to negotiate better contract terms, while a lack of control led to unorganized and inefficient sourcing and buying processes. The VP of global procurement operations from the food processor said: "We didn't fully understand the leverage we had. Sometimes we would go to a supplier and say we spent $30 million with them, but it turned out to be $50 million. Our needs were so large and systems so complex that we just didn't know what we should have known." The innovation manager from the mining business shared, "We weren't doing enough diligence on our sourcing practices or asking the right questions of our suppliers to get the best possible outcome."

However, after deploying Coupa, the interviewees' organizations had the visibility and amount of data they needed to be able to negotiate better contract terms while also making their source-to-pay processes more efficient. The innovation manager from the mining business noted: "Using Coupa for direct materials wasn't built into our business case, but it soon became very clear our business needed it. We've improved supplier list management, contract management, and on-time payments. We now not only have more sourcing options than before, enabling better contract terms, we're running a true TCO (total cost of ownership) on all sourcing, and asking suppliers the right questions and getting better options for our business." The VP of global procurement operations for the food processor shared: "Coupa has given us the ability to have full visibility and to manage every buy. We're getting the best value from suppliers and have basically done away with contract leakage."

Modeling and assumptions. [Based on the interviews, Forrester modeled the following for the composite organization:

- The composite's total annual direct materials spend before using Coupa was $38.4 billion.
- An average of 20% of direct materials contracts come up for renewal each year.
- Savings to this spend amount to 0.5% in Year 1, 0.9% in Year 2, and 1.4% in Year 3.
- Thirty percent of this spend is attributable to Coupa, with the remainder being attributable to people and processes.

Risks. The actual impact of any COGS or COS-related margin improvement will vary with:

- The current spend on COGS or COS.
- The length of current contracts and their negotiation cycles.
- The percentage of savings attributable to people and processes as opposed to Coupa's technology.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $44 million.

COGS-related margin improvement

1.4%

COGS/COS-Related Margin Improvement					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Total annual direct material spend	Composite	$38,400,000,000	$38,400,000,000	$38,400,000,000
A2	Percent of direct material contracts up for renewal	Composite	20%	20%	20%
A3	Savings	Interviews	0.5%	0.9%	1.4%
A4	Percent attributable to Coupa	Composite	30%	30%	30%
At	COGS/COS-related margin improvement	A1*A2*A3	$11,520,000	$20,736,000	$32,256,000
	Risk adjustment	↓15%			
Atr	COGS/COS-related margin improvement (risk-adjusted)		$9,792,000	$17,625,600	$27,417,600
	Three-year total: $54,835,200		**Three-year present value: $44,067,678**		

LOGISTICS-RELATED MARGIN IMPROVEMENT

Evidence and data. Interviewees reported that their organizations experienced margin improvements from managing their logistics-related spend with Coupa. The organizations were able to reduce their contracted costs both for transportation materials such as gasoline and for logistics services and suppliers. The senior director of indirect procurement at the CPG company said: “Coupa’s CSO module’s analytics capabilities are phenomenal. We use it for bidding for both ground and ocean transportation and can bid for thousands of lanes and invite many suppliers across different regions [while] quickly identifying what suppliers are right for us.”

The interviewees shared typically saving between 1.7% and 3.5% on transportation and logistics-related spend through Coupa. However, the interviewee from the CPG company noted, “We just completed a big RFP, and the final outcome resulted in savings of 10% over the prior transportation contract.”

The same interviewees also noted that Coupa enabled their organization to further increase competition for bids by using it both for external suppliers and for internal teams. For example, the VP of global procurement operations from the food processor shared: “We’re using Coupa to bid and assess the cost of a supplier versus ourselves. We’re getting even better deals by engaging the competitive nature of our internal transportation teams in the process.”

Modeling and assumptions. Based on the interviews, Forrester modeled the following for the composite organization:

- The composite’s annual logistics spend is $8.8 billion.
- Fifty percent of the organization’s logistics contracts come up for renewal annually.
- Thirty percent of savings are related to technology, as opposed to people and processes.

Risks. The impact of logistics-related margin improvement will vary with:

- The total amount of logistics spend.
- The amount of logistics spend that comes up for contract renewal each year.

- The percentage of savings attributable to people and processes, as opposed to technology.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $33 million.

Logistics-related margin improvement

2%

"Given the nature of the markets for transportation and logistics, we get savings every year, but they can vary. While some years it's as low as 1%, Coupa has been able to deliver up to 16% for some regions some years."

SENIOR DIRECTOR OF INDIRECT PROCUREMENT, CPG

Logistics-Related Margin Improvement					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Total annual logistics spend	Composite	$8,800,000,000	$8,800,000,000	$8,800,000,000
B2	Percent of logistics contracts up for renewal	Composite	50%	50%	50%
B3	Savings	Interviews	0.4%	1.3%	2.0%
B4	Percent attributable to Coupa	Composite	30%	30%	30%
Bt	Logistics-related margin improvement	B1*B2*B3*B4	$5,280,000	$17,160,000	$26,400,000
	Risk adjustment	↓15%			
Btr	Logistics-related margin improvement (risk-adjusted)		$4,488,000	$14,586,000	$22,440,000
	Three-year total: $41,514,000		**Three-year present value: $32,994,050**		

SG&A-RELATED MARGIN IMPROVEMENT

Evidence and data. The interviewees shared that their organizations improved their margins related to selling, general, and administrative expenses. For example, the senior director of indirect procurement from the CPG organization said: “For us, our SG&A savings from Coupa don’t include headcount. Instead, it’s saving on services contracts like advertising and consulting. We were targeting 0.5% margin improvement but were soon surpassing that and are now beating our even higher 0.7% target.”

Modeling and assumptions. Based on the interviews, Forrester modeled the following for the composite organization:

- The composite’s prior total annual spend on SG&A was $8 billion.
- One-third of these contracts come up for renewal each year.

- Thirty percent of margin improvement is attributable to technology and not people or processes.

Risks. The impact of SG&A-related margin improvement will vary with:

- The amount of SG&A spend.
- The percentage of SG&A-related contracts coming up for renewal.
- The amount of savings attributable to people and processes and not technology.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $7.5 million.

SG&A-Related Margin Improvement

Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Total annual SG&A spend	Composite	$8,000,000,000	$8,000,000,000	$8,000,000,000
C2	Percent of SG&A contracts up for renewal	Interviews	33%	33%	33%
C3	Savings	Interviews	0.2%	0.5%	0.7%
C4	Percent attributable to Coupa	Composite	30%	30%	30%
Ct	SG&A-related margin improvement	C1*C2*C3*C4	$1,584,000	$3,960,000	$5,544,000
	Risk adjustment	↓15%			
Ctr	SG&A-related margin improvement (risk-adjusted)		$1,346,400	$3,366,000	$4,712,400
	Three-year total: $9,424,800		**Three-year present value: $7,546,314**		

ASSET REDEPLOYMENT-RELATED MARGIN IMPROVEMENT

Evidence and data. Interestingly, the interviewees' organizations did not simply use Coupa for managing external spend or creating competition between external and internal teams; they also leveraged Coupa to better track assets and inventory, which reduced the need to buy when an asset was already owned or source when inventory already existed. For example, the VP of global procurement operations from the food processor stated: "Before Coupa, procurement could do their best to get a better price, but they had no influence at all over what the business said they needed. Thanks to a better-structured process with Coupa, we know when a request comes in for an asset we already have on hand and can transfer that asset to the location needed without having to procure a new one."

Similarly, the innovation manager from the mining company noted their organization redeployed inventory for sales rather than sourcing new products. They said: "We have Coupa's inventory modules integrated with our warehouses, so now when someone puts in an order, the first results are those from our warehouses. We've reduced external purchases where we had the product on the shelf and [we have] seen a resultant uptick in inventory turnover."

Modeling and assumptions. Based on the interviews, Forrester modeled that the composite organization's prior annual spend on duplicative assets was $43 million.

Risks. The impact of asset redeployment-related margin improvement will vary with:

- The amount spent on duplicative assets.
- The amount of savings attributable to people and processes and not technology.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $2.9 million.

Asset redeployment-related margin improvement

10%

"Inventory redeployment has absolutely become a core business case for us for Coupa."

INNOVATION MANAGER, MINING

Asset Redeployment-Related Margin Improvement					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
D1	Prior spend on duplicate assets	Composite	$43,000,000	$43,000,000	$43,000,000
D2	Savings	Interviews	10%	10%	10%
D3	Percent attributable to Coupa	Composite	30%	30%	30%
Dt	Asset redeployment-related margin improvement	D1*D2*D3	$1,290,000	$1,290,000	$1,290,000
	Risk adjustment	↓10%			
Dtr	Asset redeployment-related margin improvement (risk-adjusted)		$1,161,000	$1,161,000	$1,161,000
	Three-year total: $3,483,000		**Three-year present value: $2,887,235**		

INVOICING EFFICIENCIES

Evidence and data. Interviewees said Coupa not only helped their organizations improve their management of expenses related to direct materials, logistics and supplies, SG&A services, and assets and inventory, but that it also helped help them to improve a number of business process efficiencies. One of these with the largest financial impact was in accounts payable.

Leveraging Coupa for automation enabled the interviewees' organizations to digitize and automate invoicing and payment processes, improve visibility into orders (including status, payment timing, and impact on financial statements), and make better business decisions using this data. The VP of global procurement operations said: "Not only have we been able to bring electronic invoicing up to 80%, we've [also] automated 90% of payments, reallocating folks to much higher-value work. We've brought our on-time payments up by 32 percentage points and now have access to incredible opportunities with supply chain finance programs."

The VP of global purchasing from the manufacturing organization shared: "Digitizing our payments has meant incredible time savings. Not only did we need to give access to the corporate card to many more individuals before, but they would also have to input the card every time a payment was made. Now, the payment method is automatically integrated into our systems with permissioned access for those that need it. Each of these is also automatically checked against a valid invoice before going through. On top of all that, we now have deep knowledge about local spend on items we never knew [about] before, like corporate meal charges."

Modeling and assumptions. Based on the interviews, Forrester modeled the following for the composite organization:

- Before using Coupa, 14 financing professionals handled invoicing.
- Invoicing automation enables up to 50% of these professionals to reallocate their time to higher-value work.
- The average fully burdened annual rate for one of these finance professionals is $100,000.

Risks. The impact of invoicing efficiencies will vary with:

- The number of finance professionals who currently handle invoicing.
- The annual fully burdened rates for these finance professionals.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1 million.

Efficiencies from invoice automation

50%

Invoicing Efficiencies					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
E1	Finance professionals who managed invoicing before Coupa	Composite	14	14	14
E2	Reallocation percentage from invoice automation	Interviews	17%	33%	50%
E3	Fully burdened rate for a finance professional	TEI standard	$100,000	$100,000	$100,000
Et	Invoicing efficiencies	E1*E2*E3	$238,000	$462,000	$700,000
	Risk adjustment	↓10%			
Etr	Invoicing efficiencies (risk-adjusted)		$214,200	$415,800	$630,000
	Three-year total: $1,260,000		**Three-year present value: $1,011,692**		

SOURCING AND SPEND REPORT EFFICIENCIES

Evidence and data. Interviewees said another process made more efficient thanks to deploying Coupa was reporting, specifically on sourcing and spend. In their prior environments, the interviewees' organizations had upwards of 100 sourcing reports to complete annually, with each taking several hours to complete by manually entering data into a template. Interviewees also shared having to complete a global spend report every one or two years. This would take up to 100 hours for each business group, and one interviewee reported having up to 62 different business groups globally. Such reporting was digitized and automated by Coupa's platform because it became the single source of truth for spend management across the organizations.

Modeling and assumptions. Based on the interviews, Forrester modeled the following for the composite organization:

- Previously, the composite spent 13,000 hours annually on sourcing and spend reporting.
- The average fully burdened hourly rate for an employee who does sourcing and spend reporting is $40.
- The composite eliminates up to 100% of sourcing and spend reporting with Coupa.

Risks. The impact of SG&A-related margin improvement will vary with:

- The amount spent on sourcing and spend reporting.
- The average hourly rate for employees who work on sourcing and spend reporting.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $706,000.

Sourcing And Spend Report Efficiencies					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
F1	Total time spent on sourcing and spend reporting before Coupa (hours)	Interviews	13,000	13,000	13,000
F2	Average fully burdened hourly rate for an employee involved in sourcing and spend reporting	TEI standard	$40	$40	$40
F3	Savings	Interviews	33%	66%	100%
Ft	Sourcing and spend report efficiencies	F1*F2*F3	$171,600	$343,200	$520,000
	Risk adjustment	↓15%			
Ftr	Sourcing and spend report efficiencies (risk-adjusted)		$145,860	$291,720	$442,000
	Three-year total: $879,580		**Three-year present value: $705,772**		

TECHNOLOGY-RELATED MARGIN IMPROVEMENT

Evidence and data. The majority of the interviewees reported that their organization had some legacy technology in place that covered portions of what Coupa would go on to do, but only for sub-groups. For example, one interviewee noted having a contract lifecycle management (CLM) tool in place and a limited electronic invoicing solution that enabled their organization to reach 2% of its electronic invoices. Another interviewee shared having a cloud tool for sourcing, but they said this tool did not have capabilities related to price implementation. Interviewees reported that given the lack of functionality and breadth of these solutions, their organizations received limited benefits from them. They said they decommissioned these solutions in favor of Coupa and that it provided much larger benefits.

Modeling and assumptions. Based on the interviews, Forrester modeled the following for the composite organization:

- By Year 2, the composite decommissions one prior technology solution.
- The total cost of this legacy technology is $562,500 per year.

Risks. The impact of technology-related margin improvement will vary with:

- The number of prior technology solutions able to be decommissioned.
- The total cost of these solutions and any internal or external costs associated with managing them.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $710,000.

Technology-Related Margin Improvement					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
G1	Technology solutions decommissioned	Interviews	0	1	1
G2	Average spend on decommissioned technology solutions	Interviews	$562,500	$562,500	$562,500
Gt	Technology-related margin improvement	G1*G2	$0	$562,500	$562,500
	Risk adjustment	↓20%			
Gtr	Technology-related margin improvement (risk-adjusted)		$0	$450,000	$450,000
	Three-year total: $900,000		**Three-year present value: $709,992**		

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Supplier diversity.** Interviewees said Coupa provided structure to their organizations in terms of analyzing and understanding their supplier bases. One outcome of this was enhancing ESG efforts related to supplier diversity. The VP of global procurement operations for the food processor shared: “Coupa has enabled us to be more intentional in tracking our award rates to diverse suppliers. It has been incredibly helpful to us in our goal of setting the competitive global standard for supplier diversity. We’re actually getting awards and accolades all the time now.”

- **Improved supplier relationships.** Coupa enabled the interviewees’ organizations not just to analyze and understand their suppliers better but also to improve their relationships with these suppliers. For example, the innovation manager from the mining company said: “Coupa has improved our supplier relationships in so many ways. First, we can directly communicate in the tool, managing things that might be in flight. If someone leaves the business, we can catch if an invoice gets stuck before it becomes a problem. We’ve given suppliers better visibility into payments, and we’re also paying them faster [and] taking more early payment discounts as a result.”
- **Risk mitigation.** The interviewees reported that Coupa mitigated risk related to supply chain failure and regulatory penalties. On supply chain failure, the innovation manager at the mining company said: “Coupa enabled us to deploy supplier questionnaires regarding how they might handle a supply chain failure. We could then better understand the risk tolerance for our various suppliers and use Coupa to go and look at other market options if need be.” On regulatory penalties, the same interviewee shared: “Coupa makes it easier to pull backup and proof of transactions. Since deploying Coupa, none of the businesses that have adopted it have been fined. Approvals and auditability are clear and concise, which has also driven more businesses to adopt it.”
- **Community performance benchmarks and value management.** The interviewees noted that partnering with Coupa’s value management team provided benefits that were important even if unquantifiable. For example, the innovation manager from the mining organization said: “We use Coupa’s value management team several times annually. They help us with benchmarking and, importantly, [they] enable us to better understand where we stand competitively in our space. When we need to understand how we’re faring against other companies in similar positions, we always choose to interact with them.”

FLEXIBILITY

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

- **Collaboration and internal standing of procurement team.** The interviewees noted that the visibility that Coupa provides into sourcing and procurement helps to improve internal collaboration while also improving the perceived value of the procurement team. The innovation manager from the mining company said: "The procurement process used to be a black box. Coupa is entirely transparent. Comments, questions, and approvals are all there, reducing frustration and enabling collaboration among teams that was nearly impossible before." The VP of global purchasing from the manufacturer shared: "The visibility provided by Coupa has improved how procurement is seen internally. Now that the data is tracked and available, it proves how effective procurement is at what we do."

- **Talent recruitment and employee satisfaction.** The interviewees also noted that Coupa improved talent recruitment and employee satisfaction efforts because it made the lives of procurement and finance professionals easier. The VP of global procurement operations at the food processor said: "If I'm trying to get the best talent and then inform them that they'll be using spreadsheets to track our sourcing and procurement, they're not going to join our team. But now that we have Coupa, we can recruit top talent that will deliver the best value." The VP of global purchasing from the manufacturer shared: "Coupa has improved employee satisfaction with their work. It's because Coupa makes personalization easy, and it works. We can manage the system, make configurations, and implement unique features or processes for our various units, making it easy for them to make the switch to Coupa."

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

> "We haven't had any issues with people using Coupa. In fact, we're always getting questions about deploying more and more features. No one is ever looking for a back door. They just want more Coupa."
>
> **INNOVATION MANAGER, MINING**

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
Htr	Coupa fees	$0	$1,500,000	$2,250,000	$3,000,000	$6,750,000	$5,477,085
Itr	Implementation fees	$4,500,000	$2,250,000	$1,125,000	$0	$7,875,000	$7,475,207
Jtr	Planning and deployment costs	$2,640,000	$2,640,000	$440,000	$0	$5,720,000	$5,403,636
Ktr	Training and ongoing management costs	$0	$1,708,080	$2,508,616	$2,552,440	$6,769,136	$5,543,722
	Total costs (risk adjusted)	$7,140,000	$8,098,080	$6,323,616	$5,552,440	$27,114,136	$23,899,650

COUPA FEES

Evidence and data. The interviewees shared that their organizations incur ongoing Coupa fees as part of their investments. Coupa fees are based on various factors, including the number of modules, the number of users, and the number of services desired.

Modeling and assumptions. Forrester modeled that the composite organization pays $1.5 million in fees to Coupa in Year 1, $2.3 million in Year 2, and $3 million in Year 3.

Risks. The total cost of Coupa Fees will vary with:

- The number of modules used.
- The number of users of various modules.

Results. Because Coupa provided the pricing for the composite organization's Coupa fees, Forrester did not adjust this cost for risk, yielding a three-year total PV (discounted at 10%) of $5.5 million.

Coupa Fees						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
H1	Coupa fees	Coupa	$0	$1,500,000	$2,250,000	$3,000,000
Ht	Coupa fees	H1	$0	$1,500,000	$2,250,000	$3,000,000
	Risk adjustment	0%				
Htr	Coupa fees (risk-adjusted)		$0	$1,500,000	$2,250,000	$3,000,000
	Three-year total: $6,750,000			**Three-year present value: $5,477,085**		

IMPLEMENTATION FEES

Evidence and data. The interviewees noted their organizations incurred implementation costs from Coupa's services team. These costs varied with the size of the implementation and were incurred in subsequent years after the initial investment when additional functionality or modules were employed or other expansion of Coupa was needed.

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

- The composite pays $4.5 million for implementation costs in the initial period.
- These costs decrease to $2.3 million in Year 1 and to $1.1 million in Year 2 as usage expands and more modules are deployed.

Risks. The cost of implementation will vary with:

- The size of the implementation.

- The number and type of modules initially chosen.
- The number and types of modules deployed at later dates.

Results. Because Coupa provided the cost of implementation services directly with Coupa for the composite organization, Forrester did not adjust this cost for risk, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $7.5 million.

Implementation Fees

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
I1	Implementation fees	Coupa	$4,500,000	$2,250,000	$1,125,000	$0
It	Implementation fees	I1	$4,500,000	$2,250,000	$1,125,000	$0
	Risk adjustment	0%				
Itr	Implementation fees (risk-adjusted)		$4,500,000	$2,250,000	$1,125,000	$0
	Three-year total: $7,875,000			**Three-year present value: $7,475,207**		

PLANNING AND DEPLOYMENT COSTS

Evidence and data. Interviewees said that in addition to Coupa fees and implementation services, their organizations also incurred internal time costs related to planning for and deploying Coupa. The interviewees shared that planning and deployment of Coupa took between one and two years for an initial implementation and required between 30 and 40 dedicated FTEs. They also said additional implementations could take several months to a year with fewer dedicated FTEs.

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

- The composite needs 40 FTEs to dedicate 1,400 hours in both Year 1 and Year 2 to complete initial implementation and rollout.

- The composite needs 20 FTEs to dedicate 500 hours in Year 3 for the expansion of Coupa.

Risks. The cost of planning and deployment will vary with:

- The size of the implementation.
- The complexity of the IT environment.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $5.4 million.

Planning And Deployment Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
J1	Total employees involved in deployment	Composite	40	40	20	0
J2	Time spent planning and deploying (hours)	Interviews	1,500	1,500	500	0
J3	Average fully burdened hourly rate for an employee involved in deployment	TEI standard	$40	$40	$40	$0
Jt	Planning and deployment costs	J1*J2*J3	$2,400,000	$2,400,000	$400,000	$0
	Risk adjustment	↑10%				
Jtr	Planning and deployment costs (risk-adjusted)		$2,640,000	$2,640,000	$440,000	$0
	Three-year total: $5,720,000			**Three-year present value: $5,403,636**		

TRAINING AND ONGOING MANAGEMENT COSTS

Evidence and data. Lastly, the interviewees noted their organizations need to train Coupa users and require IT professionals to manage Coupa on an ongoing basis. Most interviewees noted having to train additional team members every year due to turnover and to maintain process excellence.

Some interviewees expressed a preference for making sure employees are certified to use Coupa. Additionally, interviewees said some IT professionals are needed to manage the platform on an ongoing basis, although the need for these decreases over time as workflows improve and ownership becomes more efficient.

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

- The composite trains an increasing number of employees each year as use of Coupa expands across the organization.
- The need for less training time per individual as the composite employees a train-the-trainer model while drafting and deploying self-learning materials.
- A decreasing number of IT professionals are needed to manage Coupa on an ongoing basis, as the platform shifts from being a new implementation to simply needing to be managed and maintained.

Risks. The cost of training and ongoing management will vary with:

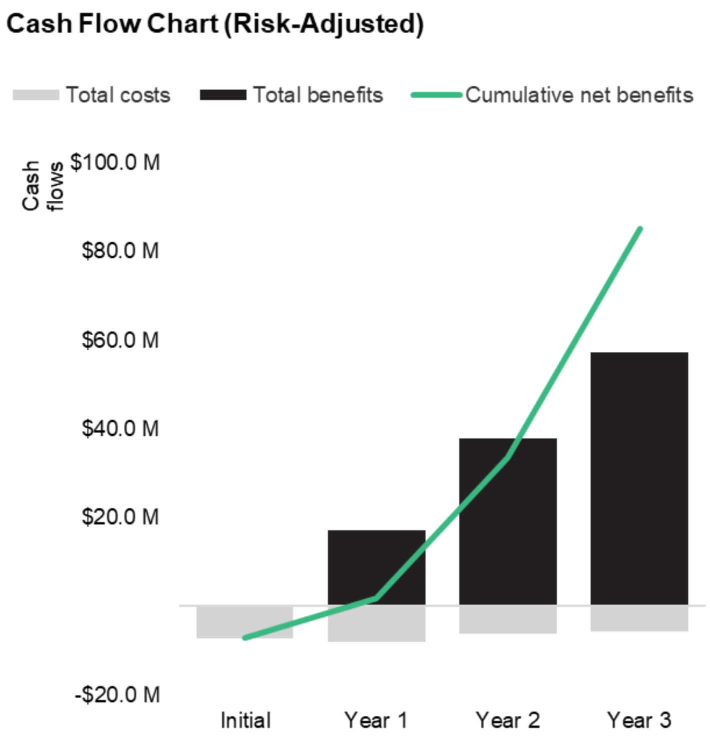
- The total number of Coupa users.
- Whether or not the organization becomes Coupa certified.
- The scale of the Coupa implementation and deployment.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $5.5 million.

Training And Ongoing Management Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
K1	Total FTEs trained	Interviews	0	970	1,900	2,900
K2	Time needed for training (hours)	Interviews	0	40	30	20
K3	Average fully burdened hourly rate for a trained FTE	TEI standard	$0	$40	$40	$40
K4	Total FTEs needed for ongoing management	Interviews	0	10	7	5
K5	Average fully burdened annual rate for a managing FTE	TEI standard	$0	$80	$80	$80
Kt	Training and ongoing management costs	K1*K2*K3+ K4*K5	$0	$1,552,800	$2,280,560	$2,320,400
	Risk adjustment	↑10%				
Ktr	Training and ongoing management costs (risk-adjusted)		$0	$1,708,080	$2,508,616	$2,552,440
	Three-year total: $6,769,136			**Three-year present value: $5,543,722**		

Financial Summary

Consolidated Three-Year Risk-Adjusted Metrics



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

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

Cash Flow Analysis (Risk-Adjusted)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($7,140,000)	($8,098,080)	($6,323,616)	($5,552,440)	($27,114,136)	($23,899,650)
Total benefits	$0	$17,147,460	$37,896,120	$57,253,000	$112,296,580	$89,922,733
Net benefits	($7,140,000)	$9,049,380	$31,572,504	$51,700,560	$85,182,444	$66,023,083
ROI						276%
Payback						10 months

APPENDIX A: TOTAL ECONOMIC IMPACT

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

Total Economic Impact Approach

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

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

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

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

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.

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.

APPENDIX B: ENDNOTES

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