

# IBM Sterling Order Management Enables More Efficient Relationships Among B2B Businesses, Their Partners, And Their Customers

Forrester Consulting conducted a Total Economic Impact™ (TEI) study to provide readers with a framework to evaluate the potential financial impact of IBM Sterling Order Management on their organizations. To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers with experience using Sterling Order Management. This spotlight highlights the IBM Sterling Order Management experience for a B2B organization interviewed by Forrester.

The interviewed B2B organization in the motion control technology industry deals with many unique partners across multiple channels. The organization detailed to Forrester their improved ability to manage inventory, fulfill orders, develop and maintain relationships with partners, and serve their customers as a result of their IBM Sterling Order Management investment.

**Quantified benefits.** The following risk-adjusted quantified benefits are representative of those experienced by the companies interviewed:

- › **New profit from improved order management.** Interviewees collectively described an uplift to their revenue and profit resulting from their IBM Sterling Order Management investment.
- › **Savings from improved operations.** Interviewees noted improvements in operations as a result of IBM Sterling Order Management.
- › **Avoided costs of previous order management solutions.** One interviewed B2B organization saved on license fees, regular hardware upgrades, FTE maintenance hours, and internal development fees by moving to IBM's Sterling Order Management system.

**Unquantified benefits.** The interviewed organization(s) experienced the following benefits which are not quantified for this study:

- › **Improved customer experience delivery.** The interviewed companies deliver better experiences to their customers as a result of their IBM Sterling OMS investment. The B2B organization noted an improvement in customer experience from increased speed of order fulfillment and reduced complexity around placing orders spanning multiple partners or business units.
- › **A single source of truth for all parties involved in a deal.** By improving inventory tracking and visibility, interviewees noted that they now have a single, reliable view of their inventory for the organization, their partners, and their customers.



**ROI**  
**170%**



**Benefits PV**  
**\$12.8 million**



**Costs PV**  
**\$4.6 million**

## SUMMARY

Based on a commissioned study, "The Total Economic Impact Of IBM Sterling Order Management, December 2019."

## METHODOLOGY

The objective of the TEI 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 of IBM Sterling Order Management, including interviews with Forrester analysts, IBM stakeholders, and nine current IBM Sterling Order Management customers. Forrester constructed a financial model representative of the interviews using the TEI methodology.

## COMPOSITE ORGANIZATION

This analysis uses a composite organization, based on the interviewees, to present the aggregate financial analysis.

## RISK ADJUSTMENT

Forrester risk-adjusted the financial model based on issues and concerns of the interviewed organization(s) to account for uncertainties in benefit and cost estimates.

# The IBM Sterling Order Management Customer Journey

For this study, Forrester conducted nine interviews with IBM Sterling Order Management customers.

## Key Investment Drivers And Results

The interviewed organizations shared the following investment drivers:

**Developing order management capabilities in house was costly and inefficient.** In order to meet continually evolving partner and customer expectations, interviewees explored their options to build out order management capabilities. After analysis, interviewees ruled out building internally due to time and labor costs. One interviewed B2B organization told Forrester, “We did try to build out a connection to some of our back offices to bring forward information around inventory, for instance. But the connections were disparate and often outdated.”

**Inventory visibility for channel partners was limited.** For one B2B organization, customer orders which required inventory from partners or other business units lacked visibility and a single source of record. The interviewee noted: “With our homegrown solution, there was no single record for deals or inventory information unless you went back and tried to reassemble things which in many of our back offices was impossible. For us, IBM Sterling OMS was a way that we could have organizational and historical context around orders for our customers.”

**Inventory management inefficiencies were pervasive throughout the organizations, resulting in complexity.** Limited internal visibility into inventory led to inefficient stocking, warehousing, and shipping, driving internal costs up while reducing speed to order fulfillment. This was especially exaggerated within the B2B context, as customer order fulfillment often hinges on several coordinated deliveries.

The interviewed organization(s) achieved key investment results:

**Improved visibility into inventory across all channels.** IBM Sterling Order Management delivers enhanced inventory views across different partners and channels.

**Reduced complexity.** Consolidation of multiple systems and views promotes a single source of truth across complex B2B ecosystems.

**Improved speed to order fulfillment.** Interviewees reported an improved ability to fulfill orders a result of efficiencies throughout their complex operations across multiple partners, channels, and customers.

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-- VP of worldwide business systems, motion controls technology



“The complexity in aggregating important information across our ecosystem for a customer and delivering it to them in an efficient way has been significantly reduced.”

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# B2B Organizations Can Drive Internal Efficiencies With Partners While Better Serving Their Customers

## Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	New profit from improved order management	\$1,620,000	\$1,701,000	\$1,786,050	\$5,107,050	\$4,220,398
Btr	Savings from improved operations	\$2,484,000	\$2,565,000	\$2,650,050	\$7,699,050	\$6,369,038
Ctr	Avoided costs of previous order management solution	\$765,000	\$990,000	\$990,000	\$2,745,000	\$2,257,438
	Total benefits (risk-adjusted)	\$4,869,000	\$5,256,000	\$5,426,100	\$15,551,100	\$12,846,874

**New profit from improved order management.** Interviewees collectively described an uplift in their eCommerce conversion rates after implementing IBM Sterling Order Management. One B2B organization noted that their IBM Sterling Order Management deployment improved their ability to locate inventory across their partner ecosystem and ultimately capture and service customer demand, leading to revenue increases. They noted: “We’ve reduced the instances in which inaccurate inventory information impacts order fulfillment for our customers. Knowing where our inventory is and feeling confident about that information is one of the biggest benefits for us.” This has significantly reduced the complexity in aggregating important information for a customer and delivering it to them in an efficient way.”

**Savings from improved operations.** Interviewees noted improvements in operations as a result of IBM Sterling Order Management. Reductions in shipping, inventory carrying, and inventory placement were cited as areas of cost savings. One B2B organization described internal efficiency gains with respect to their order fulfillment across multiple divisions: “Each division would historically require their own PO for each order. Now, we can collapse this down to a single purchase order and break it apart in IBM Sterling OMS for each of the divisions involved rather than each of them getting their own unique PO from the customer.” The interviewee also described efficiency savings from consolidating multiple systems into a single pane of glass view across all divisions and partners: “We have a couple of centers that used to have to log in to about 17 different systems to view our operations. Now they essentially go to just a single screen.”

In addition, speed to customer order fulfillment is extremely important to B2B organizations, as MRO (maintenance, repair, operations) demand from the organization’s website is now passed along to key partners who will fulfill these orders in real-time. Once the order is fulfilled, that information is passed back for reference on future orders.

**Avoided costs of previous order management solutions.** One interviewed B2B organization saved on license fees, regular hardware upgrades, FTE maintenance hours, and internal development fees by moving to IBM’s Order Management system from their disparate set of tools connecting their front-end and back-end applications. The interviewee noted that the level of functionality that the organization has achieved with their IBM Sterling OMS would have been impossible given their prior personnel and resource constraints.

**Improved customer experience delivery.** One B2B organization noted that customer experience improvement was their greatest achievement with their IBM Sterling OMS. The interviewee described a reduction of friction in the ordering process for customers, who historically needed to navigate multiple processes and interfaces depending on

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which business units or external partners of the organization they were working with for each order. In addition, order fulfillment speed has increased, driving an improved experience with customers. One organization noted to Forrester that on MRO (maintenance, repair, operations) deals, for instance, an improvement in fulfillment speed can make a major difference for customers: “In a MRO context, our customers often have a machine that’s broken and needs to be repaired immediately, so knowing exactly where our inventory is allows us to get it to them faster. We’re in a great position visibility-wise to deliver a better customer experience.”

**A single source of truth for all parties involved in a deal.** One interviewed B2B company told Forrester: “Our IBM Sterling OMS positions us to aggregate and use information in a single place versus connecting dots across our ecosystem.”

## IBM Sterling Order Management Costs Include License Fees, Implementation And Ongoing Management Personnel Hours

The interviewed B2B and B2C organizations experienced three categories of cost associated with the IBM Sterling Order Management investment. Over three years, the composite organization expects risk-adjusted total costs to be a PV of \$4.6 million.

“We believe the winners in our industry will be those who can digitize their relationships the fastest and the most efficiently to make it easy for customers and partners to transact with them. Our [IBM Sterling] OMS allows us to form stronger bonds within our customer and partner ranks, which in turn is going to improve our ability to retain these customers and partners.”

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### Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Dtr	License fees paid to IBM	\$0	\$315,000	\$315,000	\$315,000	\$945,000	\$783,358
Etr	Implementation and ongoing management	\$1,782,000	\$792,000	\$693,000	\$594,000	\$3,861,000	\$3,521,008
Ftr	Third-party implementation and management support	\$165,000	\$165,000	\$110,000	\$55,000	\$495,000	\$447,231
	Total costs (risk-adjusted)	\$1,947,000	\$1,272,000	\$1,118,000	\$964,000	\$5,301,000	\$4,751,597

## IBM Sterling Order Management Enables B2B Organizations To Develop Stronger, Digital Relationships With Their Key Partners And Customers

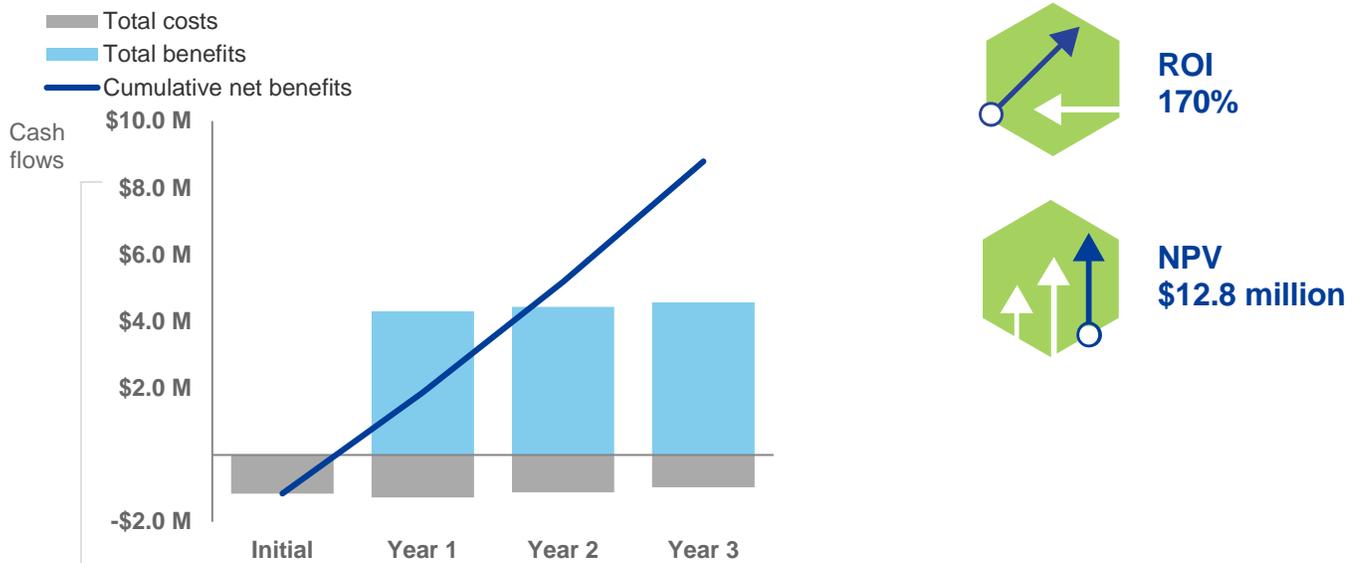
The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement IBM Sterling Order Management and later realize additional uses and business opportunities, including:

**The digitization and strengthening of B2B relationships.** One interviewed B2B company noted to Forrester that their IBM Sterling OMS allows them to operate in ways that B2C companies historically do, which in their industry represents a significant competitive advantage. Notably, for both partners and customers, a single source of information across all parties encourages a digital ongoing relationship versus “transactional” relationships which were historically the norm. The interviewee was optimistic about their organization’s ability to benefit from these improved relationships over time. They added: “We believe the winners in our industry will be those who can digitize their relationships the fastest and the most efficiently to make it easy for customers and partners to transact with them. Our [IBM Sterling] OMS allows us to form stronger bonds within our customer and partner ranks, which in turn is going to improve our ability to retain these customers and partners.”

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the “right” or the ability to engage in future initiatives but not the obligation to so.

## Financial Summary

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



For more information, you can download the full IBM Sterling Order Management TEI analysis [here](#).

## Disclosures

The reader should be aware of the following:

The study is commissioned by IBM and delivered by Forrester Consulting. It is not meant to be 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 IBM Sterling Order Management.

IBM reviewed and provided feedback to Forrester. 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.

IBM provided the customer name(s) for the interview(s) but did not participate in the interview(s).

### ABOUT FORRESTER CONSULTING

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### ABOUT TEI

Total Economic Impact™ (TEI) is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders. The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility. <https://go.forrester.com/consulting/content-marketing-consulting/>

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