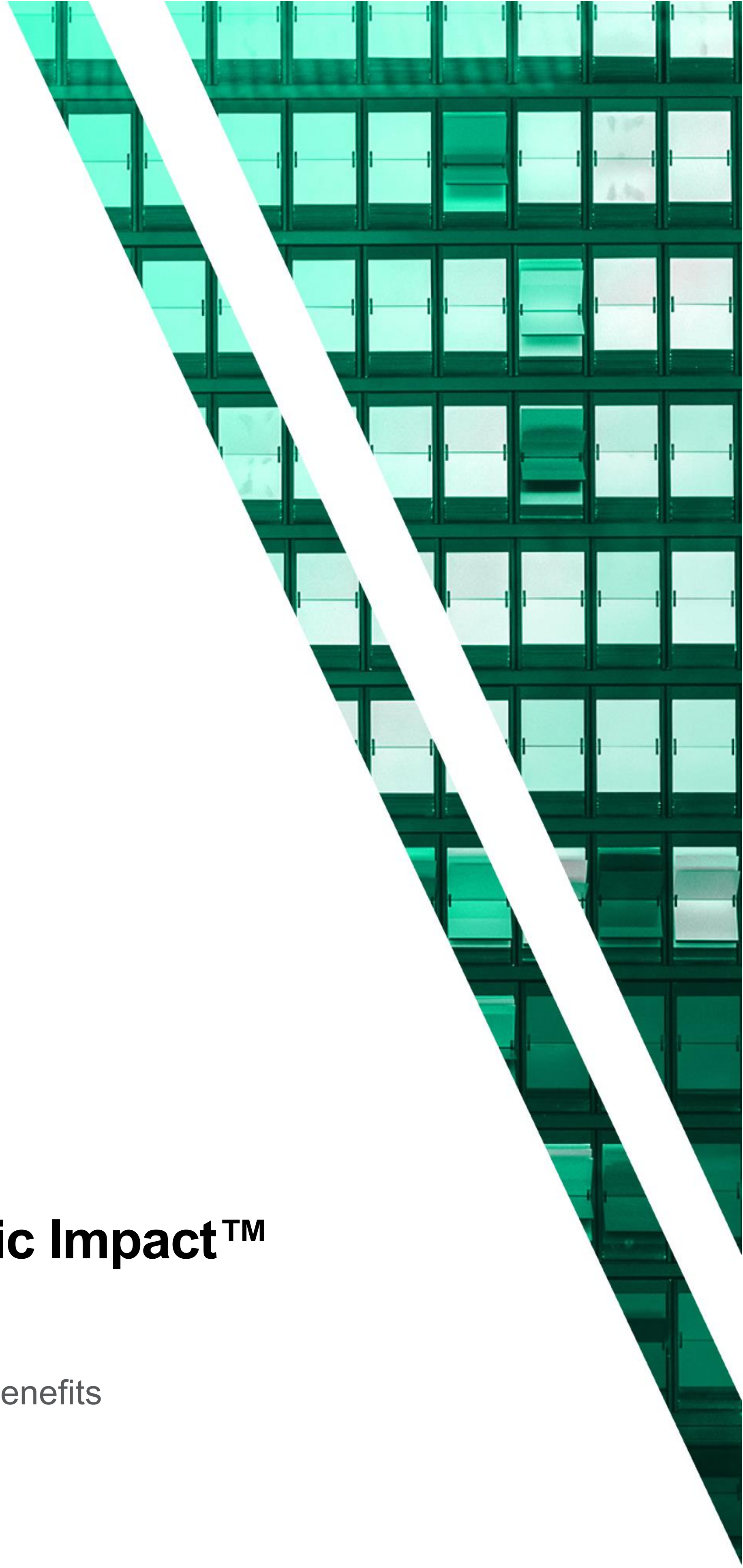


The Total Economic Impact™ Of Payrix Pro

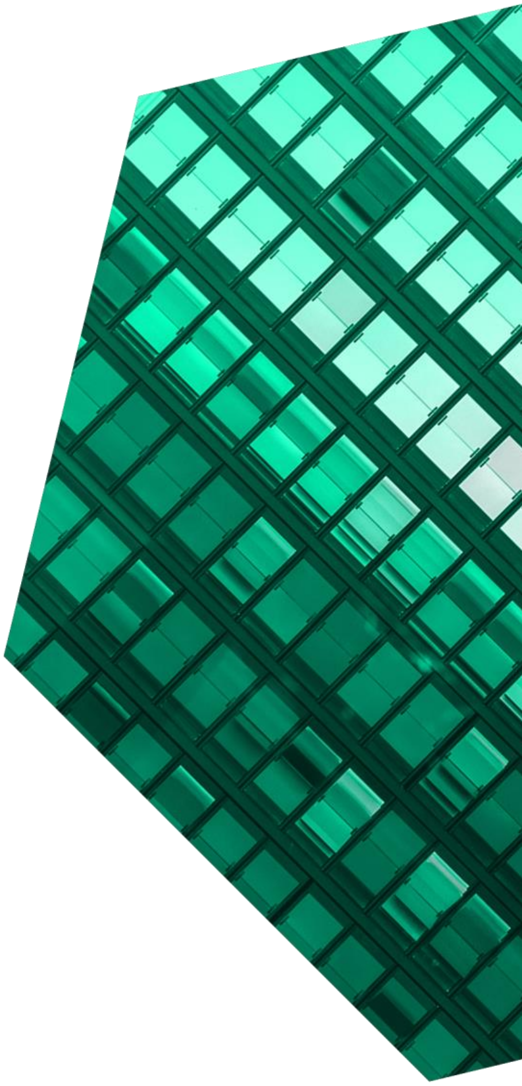
Cost Savings And Business Benefits
Enabled By Payrix Pro

DECEMBER 2022

A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY COMMISSIONED BY PAYRIX

Table Of Contents

Consulting Team: Veronica Iles
Kara Luk



ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. For more information, visit forrester.com/consulting.

Executive Summary

The world of payments is increasingly complex, and simplicity underpins the future. For consumers, payments will become less visible and, for merchants and businesses, they will become more valuable.[1] Payrix Pro offers software-as-a-service (SaaS) companies the ability to create a white-labeled embedded payments experience, giving them more control over customer experience and the ability to price it and sell it the way they want to and monetize more.

Forrester's research around payments recognizes that consumer buying is evolving fast and, as such, payment revenues will increase over the next decade as cash is replaced by other payment methods and as e-commerce drives digital payments.[2] Payments are the invisible invaluable. They're invisible because the best payment experiences are quick, painless, and increasingly barely perceptible. They're invaluable because merchants depend on payments to, well, make money[3].

Payrix Pro is a payments-facilitation-as-a-service solution that helps software platforms and marketplaces embed payment capabilities into their platforms to enhance their offerings and monetize their businesses.

Payrix commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Payrix Pro.[4] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Payrix Pro on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives with experience using Payrix Pro. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization.

KEY STATISTICS

Return on investment (ROI)
264%

Net present value (NPV)
$7.5M

- These interviewees noted how prior to using Payrix Pro, their organizations had a variety of different payment integrations offered to merchants.
- Interviewees knew their organizations were missing out on revenue-generating opportunities and that legacy processes were creating friction points and poor experiences for customers.
- Decision-makers began looking for a new technology partner to enable embedded payments for added value while creating (or growing) payments revenue channels.
- The organizations' purchasing committees selected Payrix for its white-label offering, embedded payments and onboarding experience, management of underwriting and risk assessments, and to be a partner for growth.

KEY FINDINGS

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

- **Increased revenue share on platform transactions of up to 1.25%.** Payrix Pro enables the organization to generate profit from facilitating payments for merchants through its platform. Based on the transaction volume processed through Payrix, the organization recognizes between 119 and 125 percentage points of profit. Over three years and a cumulative transaction volume of nearly $950 million, profit from payments is worth more than $8.8 million.
- **2.6% reduced processing costs of platform revenues.** The organization avoids processing costs for SaaS subscription revenues with Payrix. Each merchant pays an annual subscription, averaging $6,240. In the legacy environment, the composite paid 2.6% in processing fees. Over three years, the organization recognizes an additional $162 per merchant subscription. The reduced processing costs are worth $1.6 million to the composite organization.

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

- The improvements to merchant onboarding reduces time to first transaction and reduces customer service efforts.
- Increases average transaction size with Automated Clearing House (ACH) offerings.
- Payrix reduces rates of payment fraud and nonpayment.
- Leads to greater satisfaction with transaction speed which contributes to increased CX scores.
- Increases stickiness and loyalty of merchants using Payrix.
- Provides positive downstream impact to merchants.

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

- **Payrix licensing and transaction fees.** The composite pays $2.5 million to Payrix over three years for one-time setup, transactions, merchant onboarding, subscription, and risk management.
- **Implementation and change management efforts.** The composite incurs $66,600 in internal labor costs related to the implementation of and change management for Payrix Pro.
- **Ongoing program management.** To increase the team bandwidth and harness new expertise, the composite adds a payments specialist to the team, and a product manager dedicates 4 hours per week to ongoing program administration. The total ongoing labor costs are $300,000 over three years.

Summary. The representative interviews and financial analysis found that a composite organization experiences benefits of $10.4 million over three years versus costs of $2.8 million, adding up to a net present value (NPV) of $7.5 million and an ROI of 264%.

> **“We are a software company, not a payments company. So, it made sense for us to leverage the opportunity to have Payrix be our PayFac.”**
>
> *Chief product officer, education*

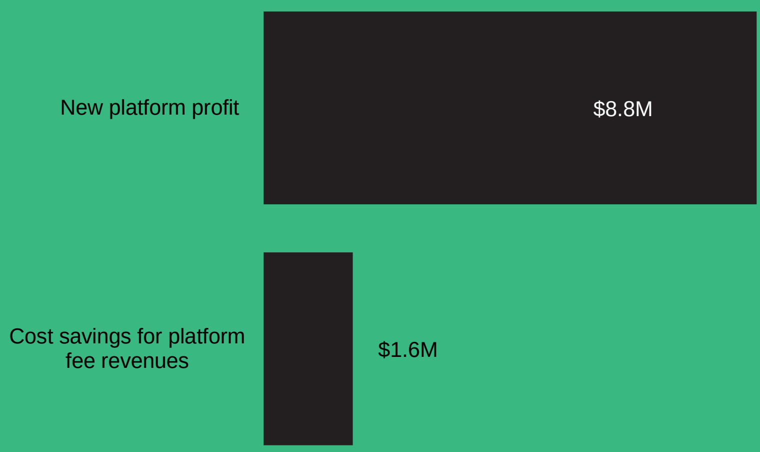
ROI
264%

BENEFITS PV
$10.4M

NPV
$7.5M

PAYBACK
<1 year

Benefits (Three-Year)



Payrix Pro provides incremental profit growth up to 1.25% over the composite's prior environment.

"We partnered with Payrix to create a much better experience for our platform sellers and buyers and to leverage their embedded technology, industry expertise, support, and account management capabilities."

— VP of finance and strategy, marketplace

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 Payrix Pro.

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 Payrix Pro can have on an organization.

DUE DILIGENCE
Interviewed Payrix stakeholders and Forrester analysts to gather data relative to Payrix Pro.

INTERVIEWS
Interviewed four representatives at organizations using Payrix Pro to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION
Designed a composite organization based on characteristics of the interviewees' 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 interviewees.

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 Payrix 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 Payrix Pro.

Payrix 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.

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

The Payrix Customer Journey

Drivers leading to the Payrix Pro investment

Interviews

Role	Software Vertical	Region	Annual Revenue
Chief product officer	Education	US HQ, US operations	$100 million
VP of product design	Construction	US HQ, US operations	$175 million
VP of finance and strategy	Marketplace	US HQ, global operations	$30+ million
VP of payments	Nonprofit	US HQ, North America operations	$30 million

KEY CHALLENGES

The four interviewees' organizations had a mix of before states based on their payment maturity:

- The two least mature organizations did not have any payments integrations for merchants to use with their customers.
- The middle-maturity organization had a variety of different payment integrations offered to merchants, including one registered payment facilitator (PayFac), one integrated processing solution, and various gateways and processers.
- The most mature organization worked with an incumbent PayFac with a commission-based revenue model.

The interviewees noted that prior to their investments in Payrix Pro, their organizations struggled with common challenges, including:

- **The legacy merchant onboarding and underwriting process created friction points.** Interviewees from the two organizations with legacy payment integrations noted that onboarding merchants was challenging, took a long time, and was confusing for merchants. The chief product officer of an education organization said: "With the [incumbent] onboarding, [merchants] would go through a paper application process and they would contact us if they had questions about [the incumbent's] application. There was a lot of back and forth to get answers." The legacy underwriting process lowered conversion rates and created more frustration for merchants.
- **The legacy onboarding process was not transparent and led to cash flow delays.** Interviewees from software providers said their organizations were slow to recognize their newly approved merchants because of poor transparency with the legacy PayFac. The chief product officer of an education organization said: "Several times a year, we were never notified when a new merchant had completed the onboarding process. We would sit there not collecting revenue because we didn't turn the payments feature on for them, even though we could have for 30 to 60 days. The time it takes to generate the first transaction is significantly less for us now with Payrix."
- **The organizations were leaving money on the table.** Interviewees said their organizations knew that by not integrating payments into their solutions, they were not meeting merchants' customers' expectations and passing on revenue-generating opportunities. Interviewees from the two organizations with legacy payment

revenue streams said they knew they were not optimizing the revenue share. The VP of product design at a construction company noted: "A lot of our customers pay with debit cards, and debit cards have super low interchange rates. [Our incumbent PayFac] wasn't giving us enough of a break on debit cards and we tried to negotiate, but they had a line in the sand they wouldn't cross."

- **A lack of formal payments processes created poor experiences for merchants and customers.** The VP of finance and strategy of a marketplace organization shared how the lack of a formal payments offering led to payments chaos on organization's platform. They said: "Historically, money would transfer in a multitude of ways. It wasn't a very good or solidified process. Transactions were made by check through the mail, or buyers could call and give sellers their credit card number or could wire transfer or pay cash on pick-up. These options weren't very compliant and were a very bad experience for our buyers."

"From our perspective, the pain points were having and maintaining multiple processors and integrations and not being able to monetize. We had a lot of volume, but we weren't really making much from that volume."

VP of payments, nonprofit

WHY PAYRIX?

Interviewees said their organizations' purchasing committees searched for a solution that could help them create a better customer experience and increase payments revenue. After evaluating several options, interviewees cited the following reasons for selecting Payrix:

- **Payrix Pro provides a white labeled customer experience and removes any third-party-created friction.** Payrix Pro embeds merchant onboarding and data collection into the sales process, which removes friction. Since Payrix Pro is a white-labeled offering, it is invisible in the back end, and it creates the perception that merchants only interact with the software provider. The chief product officer of an education company said: "We wanted to ensure that our customers remain our customers and do not have to deal with a third party in the process. We were able to work out the processes where our customers don't have to get in touch with Payrix. Everything is handled through our customer relationship managers."

- **Payrix Pro manages underwriting and risk assessments.** Payrix works with merchants to identify levels of risk associated with their business model based on industry, fraud propensity, and sales process factors, and it incorporates risk factors into the information collection process. Payrix automates the data collection process and ensures proper checks are in place. The VP of product design at a construction company said: "We knew we were unprepared to do any fraud-oriented investigation. We were just not equipped nor are we experienced enough to assume the risk of analysis and evaluation of appropriate customers. We needed to find a partner who was much better than us, so we chose Payrix because of the revenue share rates and their assumption of risk."

- **Payrix enables organizations to create more platform value for merchants.** Interviewees said their organizations understood that there was a gap in their platform offerings, and that end customers were increasingly demanding that merchants provide payment capabilities within their tools. Payrix Pro enables organizations to adapt to the growth in digital payments and add value. The VP of finance and strategy at a marketplace organization said: "There was a gradual understanding that [embedded payments] would really help drive value to our service. Payrix solves a pain point for sellers: It helps their operations; and it helps with risk management since this solution has risks support, risk insurance, and risk mitigation built into it. Payrix helps drive value across the platform and happy sellers create happy buyers, so it's a win-win situation."
- **Payrix is a partner for growth and development.** Interviewees noted that Payrix offers partnership and cultivates a relationship with their organizations from implementation through scaling to support new or growing revenue channels.

"We looked at a lot of different solutions. At the time, there really weren't that many PayFacs that were doing embedded payments the way Payrix was doing it. The main criteria were how easy it would be to code and to develop the platform, the revenue that we could make, and then how quickly we could go to market."

VP of payments, nonprofit

"Monetizing payments into a consistent revenue stream and making it easier for our clients to process payments were our objectives."

VP of payments, nonprofit

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected by the Payrix Pro investment. 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 organization is a North American software provider with $75 million in annual revenues and 200 employees.

Deployment characteristics. The composite has 6,000 merchants on its platform at the time of the investment ("back book") and adds 50 new merchants each month after the investment. Back book merchants adopt Payrix at a rate of 25%, 50%, and 80% in Years 1, 2, and 3, respectively. New merchants automatically adopt Payrix. Each merchant transacts an average of $8,000 a month through Payrix.

Key Assumptions

- **Software vertical**
- **$75 million annual revenue**
- **200 employees**
- **6,000 merchants with 50 added monthly**
- **Over $100 million in embedded payments processing volume**
- **$8,000 monthly transaction volume per merchant**

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	New platform profit	$1,234,506	$3,602,172	$6,270,000	$11,106,678	$8,810,024
Btr	Cost savings for platform fee revenues	$323,190	$646,380	$1,015,740	$1,985,310	$1,591,148
	Total benefits (risk-adjusted)	$1,557,696	$4,248,552	$7,285,740	$13,091,988	$10,401,172

NEW PLATFORM PROFIT

Evidence and data. Interviewees said the most significant benefit of the Payrix investment aligned with their organizations' investment objectives: to provide more value to merchants and generate more revenue. One interviewee said that in their organization's prior environment, it had a commission-based payments channel from its legacy payment provider, and another interviewee's organization had a profit share set up that provided 30 to 50 basis points of profit share. The other two interviewees' organizations had no revenue share in their prior environments. With Payrix, the organizations generated profit from a new revenue channel or incremental profit from more favorable revenue share terms.

> **"Part of the product team's job is to generate revenue opportunities. Since our customers were taking credit cards, it was an area where we could generate significant revenue."**
>
> *VP of product design, construction*

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite has a back book of 6,000 existing merchants on its platform at the time of its Payrix investment.
- Back book merchants adopt Payrix at a rate of 25%, 50%, and 80% in Years 1, 2, and 3, respectively.
- The composite acquires 50 new merchants each month, for a total of 600 new merchants each year. New merchants are automatically onboarded onto Payrix.
- Each merchant transacts an average of $8,000 per month through Payrix.
- The transaction volume through Payrix assumes an equal rate of merchant acquisition and adoption of the platform and corresponding transaction value over the year:
  - Year 1: (A7*12 months)*(A5/12 months)*6.5
  - Year 2: ((A7*12 months)*(($A5^{Y2}$ -$A5^{Y1}$)/12 months)*6.5)+(($A5^{Y1}$*A7)*12 months)
  - Year 3: ((A7*12 months) *(($A5^{Y3}$ -$A5^{Y2}$)/12 months)*6.5)+(($A5^{Y2}$*A7)*12 months)

- Compared to in its prior environment, the composite organization recognizes incremental profit on its merchant transactions of 1.19%, 1.22%, and 1.25% in Years 1, 2, and 3, respectively.

Risks. Forrester recognizes that these results may not be representative of all experiences. The impact of this benefit will vary depending on:

- The incumbent PayFac's revenue share, if applicable. Organizations with an incumbent PayFac will realize incremental profit derived from the difference between their revenue share rates with Payrix less the revenue share with the incumbent PayFac.
- The number of back book merchants migrated onto Payrix and the number of new merchants added directly onto Payrix, which will directly impact the amount of profit realized through the payments channel.
- The average monthly transaction volume and the year over year growth of transactions, which will directly impact the revenue share created with Payrix.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $8.8 million

New Platform Profit

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Number of existing back book merchants	Composite	6,000	6,000	6,000
A2	Percent of existing merchants migrated onto Payrix	Composite	25%	50%	80%
A3	Cumulative back book merchants migrated to Payrix	A1*A2	1,500	3,000	4,800
A4	Number of new merchants added directly to Payrix each year	Composite	600	600	600
A5	Cumulative number of merchants transacting through Payrix	$A3+A4+A4^{PY(s)}$	2,100	4,200	6,600
A6	Incremental new merchants added to Payrix	$A5^{CY}-A6^{PY(s)}$	2,100	2,100	2,400
A7	Monthly transaction volume per merchant	Composite	$8,000	$8,000	$8,000
A8	Transactions volume through Payrix	Composite	$109,200,000	$310,800,000	$528,000,000
A9	Incremental revenue share with Payrix	Interviews	1.19%	1.22%	1.25%
At	New platform profit	A9*A8	$1,299,480	$3,791,760	$6,600,000
	Risk adjustment	↓5%			
Atr	New platform profit (risk-adjusted)		$1,234,506	$3,602,172	$6,270,000
	Three-year total: $11,106,678		**Three-year present value: $8,810,024**		

COST SAVINGS FOR PLATFORM FEE REVENUES

Evidence and data. The interviewees' organizations charge their merchants to use their platforms, usually in the form of a SaaS subscription. In their prior environments, this SaaS subscription was transacted through a legacy payment processor that took a certain percentage of the transaction.

After the move to Payrix Pro, merchants processed their SaaS fees on the platform and directly through Payrix, removing the processing fees from the prior environments and no longer losing a portion of the transaction to the legacy payment processors.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The number of merchants transacting through Payrix Pro are 2,100, 4,200, and 6,600 in Years 1, 2 and 3, respectively. These merchants also process their SaaS subscriptions through Payrix.
- In the prior environment, the legacy payments processor charged a 2.6% fee for subscription payments.
- Payrix does not charge a processing fee because Payrix is not processing a card but collecting subscription funds through the merchant account.
- The composite's monthly subscription is $130 per user and merchants purchase an average of four user seats.
- For each merchant subscription processed, the composite recognizes $162 in additional profit.

Risks. Forrester recognizes that these results may not be representative of all experiences. The impact of this benefit will vary depending on:

- How much the processing fee was in the legacy environment, the number of merchants, and the size of the annual vale of the SaaS subscription.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of $1.6 million.

Cost savings for platform fee revenues

Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Cumulative number of merchants transacting through Payrix	A5	2,100	4,200	6,600
B2	Payment processing fee in prior environment	Interviews	2.6%	2.6%	2.6%
B3	Payment processing fee with Payrix	Interviews	0.0%	0.0%	0.0%
B4	Incremental additional profit share using Payrix	B2-B3	2.6%	2.6%	2.6%
B5	Annual merchant subscription	Interviews	$6,240	$6,240	$6,240
B6	Incremental subscription revenue share profit per merchant (rounded)	B4*B5	$162	$162	$162
Bt	Cost savings for platform fee revenues	B1*B6	$340,200	$680,400	$1,069,200
	Risk adjustment	↓5%			
Btr	Cost savings for platform fee revenues (risk-adjusted)		$323,190	$646,380	$1,015,740
	Three-year total: $1,985,310		**Three-year present value: $1,591,148**		

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not quantified for this study include:

- **The improvements to merchant onboarding reduced time to first transaction and reduced customer service efforts.** One interviewee's organization transformed the merchant onboarding experience from a long and manual paper application to an embedded experience with Payrix. The organization was able to reduce the time to a merchant's first transaction from 33 days in the prior environment down to seven with Payrix. The better onboarding process also cut down on unnecessary communications between the legacy PayFac and the merchant, which saved hours of onboarding efforts from sales, customer service representatives (CSRs), and support teams. To measure the financial impact of these two outcomes, organizations may consider the impact to cash flows and productivity.

- **Increased average transaction size with ACH offerings.** One interviewee's organization measured an increased average transaction size due to offering ACH options to merchants, which was not possible in its prior environment.

- **Payrix reduced rates of payment fraud and nonpayment.** The VP of finance and strategy in the marketplace industry said their organization had a previous payments environment that relied heavily on buyers and sellers transacting outside of the platform, over the phone, and through the mail. This resulted in high rates of fraud and nonpayment, both creating poor experiences for platform users. With the investment in Payrix, the organization measured a 20% to 30% decrease in fraud rates and a 40% to 50% reduction in nonpayment rates.

- **Greater satisfaction with transaction speed contributed to increased CX scores.** One organization measured improvements to its CX scores after the Payrix Pro investment and the representative attributed the improvement to faster transaction speed, noting that payments used to take three to four days to reach recipients and that with Payrix, it takes less than 24 hours.

- **Increased stickiness and loyalty of merchants using Payrix.** Interviewees said their organizations were challenged to measure merchant retention rates given the COVID-19 pandemic, but they noted that there was a perceived increase in the stickiness of merchants that adopted Payrix versus those that did not. The VP of finance and strategy at a marketplace organization said, "Revenue is important for us, but it's [our objective] to generate more value across the platform because when you offer an enhanced, comprehensive, and secure payment solution, people will want to return."

- **Positive downstream impact to merchants.** One interviewee noted that their organization was able to improve merchant cash flow with faster transactions and help the merchants offer more seamless experiences to their end customers.

> **"We have payment technology which is innovative in our industry. We are driving a front-end technology and improvement to the overall buying and selling experience."**
>
> *VP of finance and strategy, marketplace*

FLEXIBILITY

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

- **Becoming a PayFac.** Interviewees recognized that their organizations' future road maps with Payrix might include becoming a payment facilitator rather than relying on Payrix to be a payment facilitator as a service. The VP of product design at a construction organization said: "Part of our evaluation [of Payrix] was how we could continue to evolve on the platform and eventually become a true PayFac. One of our long-term strategies is to do this ourselves." The chief product officer of an education organization noted that there is significant investment related to becoming a PayFac and that a strong revenue stream would be needed to fund the investment.

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

"The cutting-edge innovation and robust technology has been great. Buyers are getting value and operating in a more frictionless world. Sellers have more security and get paid faster, so they can run their business more efficiently. We are fortunate to facilitate that with Payrix, it's been a four-way win."

— VP of finance and strategy, marketplace

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
Ctr	Payrix licensing and transaction fees	$5,250	$408,114	$1,021,986	$1,689,660	$3,125,010	$2,490,346
Dtr	Payrix implementation efforts	$49,500	$5,280	$5,280	$10,560	$70,620	$66,598
Etr	Ongoing management and administration	$0	$120,806	$120,806	$120,806	$362,419	$300,428
	Total costs (risk-adjusted)	$54,750	$534,200	$1,148,072	$1,821,026	$3,558,049	$2,857,372

PAYRIX LICENSING AND TRANSACTION FEES

Evidence and data. Payrix Pro is a payment-facilitation-as-a-service product, and the licensing and subscription costs are calculated using a combination of fixed and variable components. Components of this subscription include fees related to one-time set up, transactions, merchant onboarding, subscription, and risk management.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- Transaction fees are based on transaction volume, and they increase each year as the solution experiences higher levels of merchant adoption and growth.
- The composite pays a one-time setup fee of $5,000.
- Merchant onboarding fees are $20 per merchant onboarded onto the platform.
- The composite pays a SaaS subscription of $2,500 per month for Payrix Pro.
- The risk management fee is 0.05% of transaction volume.

Risks. Forrester recognizes that these results may not be representative of all experiences. The impact of this cost will vary depending on:

- Contract length, transaction volumes and values, the number of merchants, and discounting.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $2.5 million.

Payrix Licensing And Transaction Fees						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
C1	Transaction fees	Composite		$262,080	$745,920	$1,267,200
C2	One time set up charges	Composite	$5,000			
C3	Back book and new merchant onboarding fees	A6*$20		$42,000	$42,000	$48,000
C4	Payrix SaaS subscription	Composite		$30,000	$30,000	$30,000
C5	Risk Management Fee	0.05%*A8		$54,600	$155,400	$264,000
Ct	Payrix licensing and transaction fees	C1+C2+C3+C4+C5	$5,000	$388,680	$973,320	$1,609,200
	Risk adjustment	↑5%				
Ctr	Payrix licensing and transaction fees (risk-adjusted)		$5,250	$408,114	$1,021,986	$1,689,660
	Three-year total: $3,125,010		**Three-year present value: $2,490,346**			

PAYRIX IMPLEMENTATION EFFORTS

Evidence and data. The interviewees' organizations incurred internal labor costs for the implementation of and change management for Payrix Pro.

- The organizations' implementation efforts included design, prototyping, testing, documentation, development, rollout, troubleshooting, and change management efforts.
- Across the organizations, implementation windows spanned between two to six months.
- The organizations had both business and technical users involved at varying stages and at varying levels of involvement. Roles involved with implementation included front- and back-end developers, customer support, account management, payment operations, marketing, and go to market team members. The heaviest lift was from the development teams.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The core implementation team is comprised of three resources who dedicate 75% of their time to the implementation over the course of two months.
- A core implementation team member has an average burdened monthly cost of $10,000.
- Business users help with implementation and change management and dedicate approximately 100 hours each year to these efforts, including customer support, account management, and marketing.
- A business resources has an average hourly burdened cost of $48.

Risks. Forrester recognizes that these results may not be representative of all experiences. The impact of this cost will vary depending on:

- The amount of full-time equivalent efforts dedicated to the implementation, the total hours dedicated to ongoing change management efforts, and the burdened costs of the participating business and technical resources.

- Whether or not the organization's implementation efforts consume 100% of the resource bandwidth, which may incur additional costs to backstop day-to-day roles.
- Whether or not the organization chooses to have faster or slower implementations depending on business priorities and resource availability.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $66,600.

Payrix Implementation Efforts

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
D1	Developers working on Payrix implementation	Interviews	3			
D2	Number of months dedicated to development	Interviews	2			
D3	Percent of time dedicated developers spent on Payrix implementation	Interviews	75%			
D4	Burdened monthly cost of developer resources	Composite	$10,000			
D5	Number of hours spent by business resources helping with implementation and change management	Composite		100	100	200
D6	Average burdened cost of business resource (rounded)	Composite		$48	$48	$48
Dt	Payrix implementation efforts	(D1*D2*D3*D4)+(D5*D6)	$45,000	$4,800	$4,800	$9,600
	Risk adjustment	↑10%				
Dtr	Payrix implementation efforts (risk-adjusted)		$49,500	$5,280	$5,280	$10,560
	Three-year total: $70,620		**Three-year present value: $66,598**			

ONGOING MANAGEMENT AND ADMINISTRATION

Evidence and data. Interviewees' organizations incurred labor costs related to the ongoing management and administration of Payrix. The ongoing investment enabled the organizations to treat the Payrix Pro investment as part of a larger program, rather than a one-time technology purchase.

- To increase the team bandwidth and harness new expertise, when needed, additional headcount of payment specialists and merchant specialists was added when needed.
- The specialists ensured program efficiency and ongoing improvements to the payments product.
- The product managers embedded into support and client success and managed integrations
- Other resources that supported the Payrix Pro investment included account executives responsible for escalated items with only 1 hour each month dedicated to supporting Payrix Pro.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- A product manager spends 4 hours per week on Payrix Pro administration.

- The composite chooses to increase the size of its payments team by hiring a payments specialist who dedicates 100% of their time to the payments program.
- The hourly burdened cost of each of these resources is $48.

Risks. Forrester recognizes that these results may not be representative of all experiences. The impact of this cost will vary depending on:

- The available skill sets and bandwidth within the payments department and the burdened cost of these resources.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $300,000.

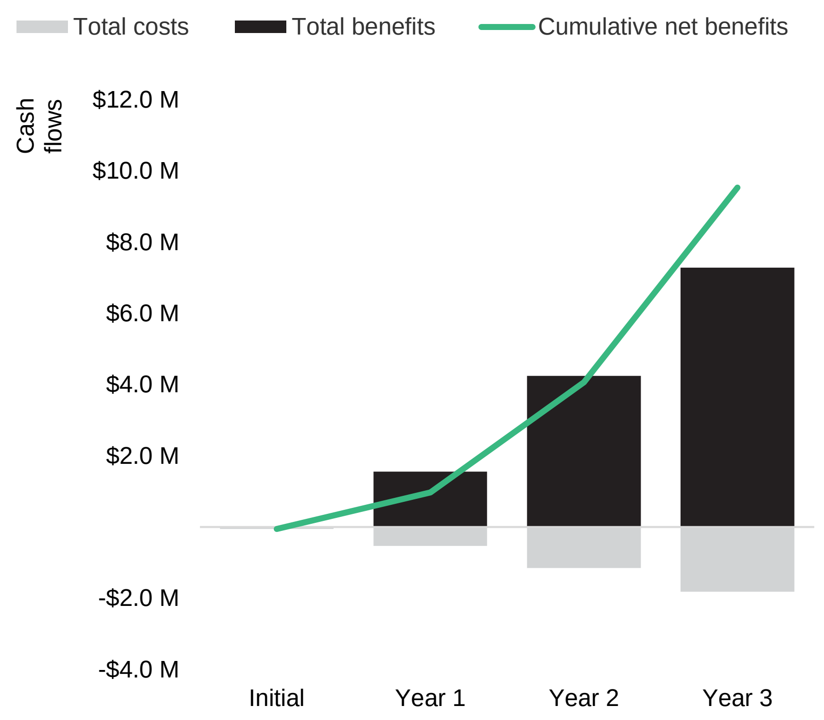
Ongoing Management And Administration

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Product manager hours spent on administration	Interviews		208	208	208
E2	Payments specialist hours	Interviews		2,080	2,080	2,080
E3	Burdened hourly cost of payments resource	Composite		$48	$48	$48
Et	Ongoing management and administration	(E1+E2) *E3	$0	$109,824	$109,824	$109,824
	Risk adjustment	↑10%				
Etr	Ongoing management and administration (risk-adjusted)		$0	$120,806	$120,806	$120,806
	Three-year total: $362,419		**Three-year present value: $300,428**			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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

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

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($54,750)	($534,200)	($1,148,072)	($1,821,026)	($3,558,049)	($2,857,372)
Total benefits	$0	$1,557,696	$4,248,552	$7,285,740	$13,091,988	$10,401,172
Net benefits	($54,750)	$1,023,496	$3,100,480	$5,464,714	$9,533,939	$7,543,800
ROI						264%
Payback						<1 year

Appendix A: Total Economic Impact

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

TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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

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

PRESENT VALUE (PV)

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

NET PRESENT VALUE (NPV)

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

RETURN ON INVESTMENT (ROI)

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

DISCOUNT RATE

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

PAYBACK PERIOD

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

Appendix B: Endnotes

[1] Source: "The Future Of Payments," Forrester Research, Inc., February 1, 2022.

[2] Ibid

[3] Source: "The Forrester Wave™: Merchant Payment Providers, Q2 2022," Forrester Research, Inc., May 19th, 2022

[4] 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.


FORRESTER®