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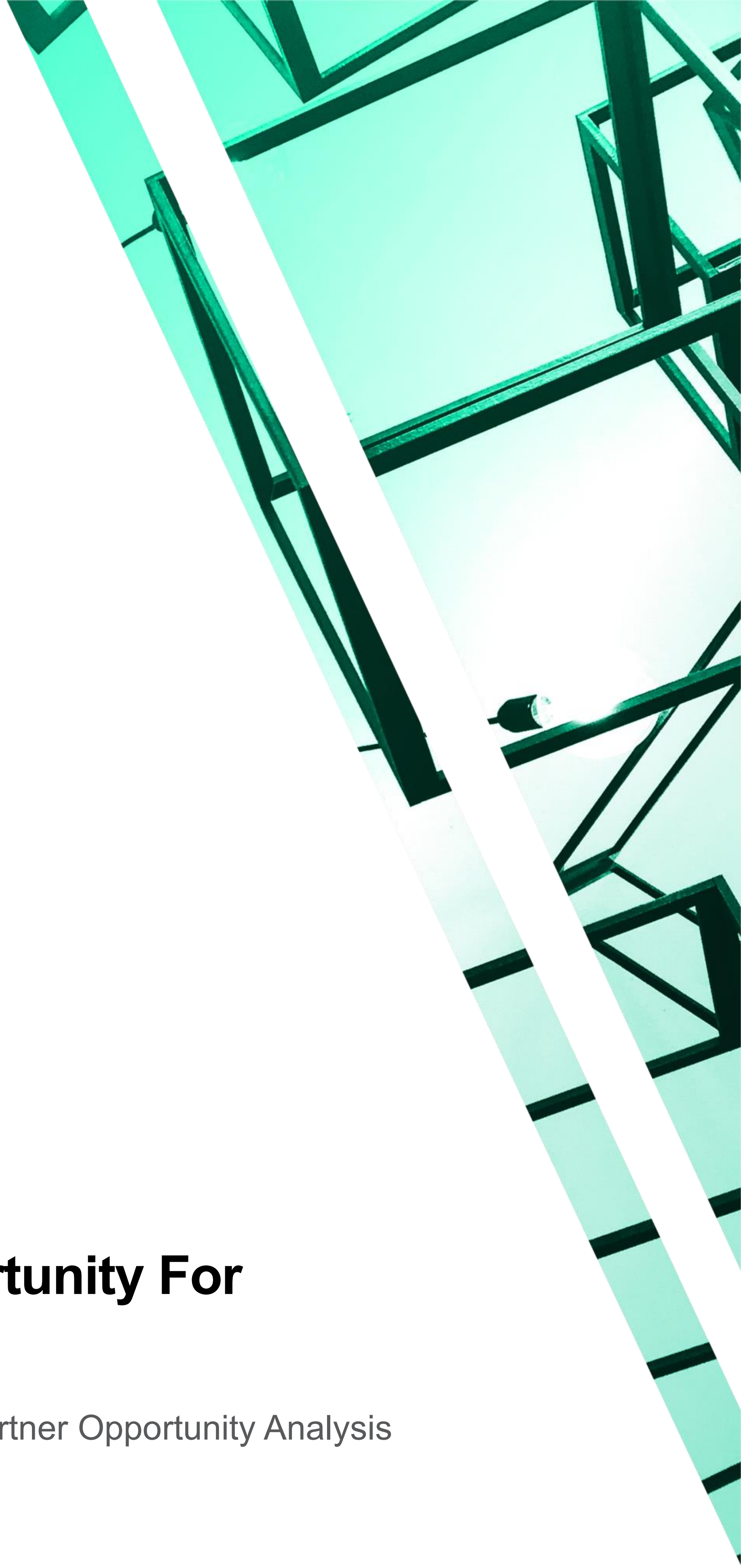

The Partner Opportunity For Cybersource

A Total Economic Impact™ Partner Opportunity Analysis

DECEMBER 2022

A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY COMMISSIONED BY VISA

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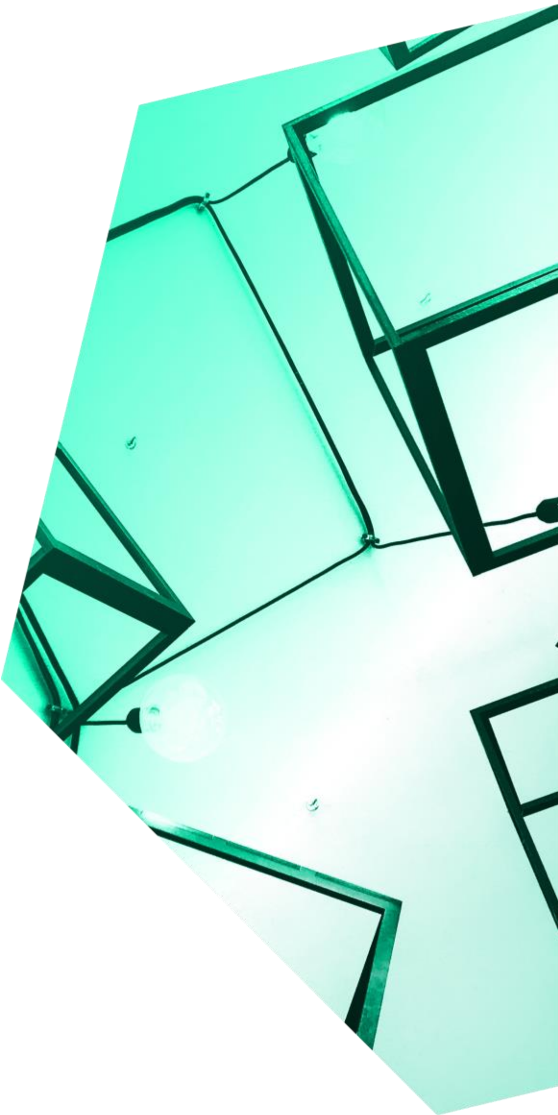


Executive Summary

The merchant payment provider market is complex and comprises a continuously evolving combination of older and emerging technologies as well as strict regulations and a revolving door of new mandates, players, and operating models. To keep up with this dynamic environment, merchants rely on their payment providers to stay ahead of the pace of change, and players such as Cybersource leverage an extensive ecosystem of technology partners to serve customers.

Cybersource, a vital pillar of Visa Acceptance Solutions, is a payment system that works in more than 190 countries and territories, connects to 200+ acquirers and processors, and has funding options in 50+ currencies through one integration. Cybersource facilitates localized payment methods and currencies, intelligent routing, reporting, and analytics, and it has a history as an e-commerce payment gateway whose core strength is its longstanding relationships with its partners in the payment ecosystem. Being owned by Visa underscores its security and long-term viability.

Cybersource has a mature community of tech partners, ranging from small business to enterprise market focus, to provide prebuilt software solutions for clients of all sizes.

"[Cybersource] is very innovative — they satisfy and they exceed our customers' needs on an ongoing basis."

Director of product management, supply chain solutions

Visa commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study to examine the potential business opportunity and return on investment (ROI) partners may realize by building and scaling a Cybersource practice.[1] The purpose of this study is to provide potential and existing partners with a framework to evaluate the potential business opportunity associated with building, managing, and selling Cybersource as part of the Visa Acceptance Solutions partner ecosystem.

KEY STATISTICS

Return on investment (ROI)
258%

Net present value (NPV)
$752K

To better understand the revenue streams, investments, and risks associated with a Cybersource practice, Forrester interviewed eight representatives of existing Cybersource partners who have experience collaborating with Visa to build or innovate, and ultimately sell and scale, their Cybersource practice. To illustrate the financial impact and subsequent partner business opportunity for Cybersource partners, Forrester aggregated the characteristics of these interviewees and combined the results into a single composite organization that earns $100 million per year, is symbiotically engaged with Visa exchanging leads, and has a revenue share agreement.

KEY FINDINGS

Revenue opportunities. The composite partner organization captures the following revenue streams, which are representative of those experienced by interviewees' organizations:

- **Revenue share commissions totaling $796,000 over three years.** The composite partner earns a share from the revenue Cybersource earns from the clients referred to Cybersource by the partner.
- **Leads from Cybersource worth $249,000 over three years.** A symbiotic exchange of leads between the composite partner and Cybersource contributes to a fruitful partnership. The composite partner sources an average of one lead every other month via Cybersource and has a lead-to-close rate of 30% (two closed leads per year) with an average deal size of $125,000.

Key outcomes. Benefits that provide value for the composite partner organization but that are not quantified for this study include:

- **Brand recognition and trust.** Interviewees made it clear to Forrester that they valued the Visa brand. They trusted Cybersource and felt comfortable aligning in a partnership to support their customers.
- **Scale of network and geographic coverage.** The interviewees praised Cybersource for its 190+ countries and territories and 200+ merchant acquirers. The global scale enabled interviewees to expand their businesses and better serve their clients.
- **Creation of more organic and upmarket opportunities.** After partnering, interviewees observed organic growth and further opportunities due to their use of Cybersource with clients.
- **Ready to integrate solutions.** Cybersource's out-of-the-box integrations with many merchant acquirers enabled interviewees to deliver solutions more quickly to clients.
- **Risk/fraud tools.** Interviewees prized Cybersource's fraud management and risk-related tools as they sought to curb fraud and improve their clients' processing experiences.
- **Improved client retention.** Simply using Cybersource reduced client churn rates, according to interviewees, leading to longer customer relationships.
- **Faster authorization rates.** Interviewees observed faster authorizations for their clients.
- **Technical expertise and support.** Interviewees praised the Cybersource team's technical expertise and assistance.

Investments. Beyond the costs that are embedded in the gross margin calculations of each revenue stream, partners also invested in:

- **Development.** After partnering with Cybersource, the composite organization devotes $225,000 upfront in engineering resources and labor to implement Cybersource.
- **Partnership management.** Beyond initial development, the composite partner commits ongoing labor to maximize its partnership with Cybersource. The composite organization's expense is $67,000 over three years.

The representative interviews and financial analysis found that a composite partner organization experiences total present value (PV) gross profits of $1.04 million over three years versus investments and overhead expenses of $292,000, adding up to a net present value (NPV) of $752,000 and an ROI of 258%.

Partner Pro Forma Revenue And Margin Opportunity: Three-Year Analysis (USD)					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
PL1	Transaction volume processed ($)	A1	$1,280,000	$1,280,000	$1,280,000
PL2	Revenue from Cybersource leads	B5	$250,000	$250,000	$250,000
PL3	Total revenue	PL1+PL2	$1,530,000	$1,530,000	$1,530,000
PL4	Total gross profit	At+Bt	$420,000	$420,000	$420,000
PL5	Total gross margin	PL4/PL3	27%	27%	27%
PL6	Initial software development and integration expenses	Ct	$225,000	$0	$0
PL7	Partnership management	Dt	$27,000	$27,000	$27,000
PL8	Total operating expenses	PL6+PL7	$252,000	$27,000	$27,000
PL9	Operating income	PL4-PL8	$168,000	$393,000	$393,000
PL10	Operating margin	PL9/PL3	11%	26%	26%

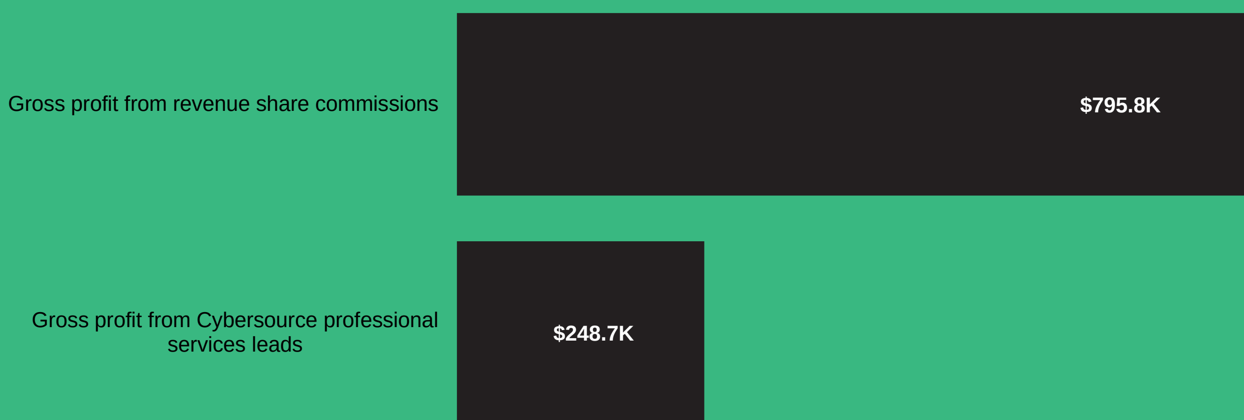
ROI
258%

BENEFITS PV
$1.04M

NPV
$752K

PAYBACK
7 months

Revenue Streams (Three-Year)



"We're doubling down on Cybersource. We think that the opportunity is huge."

— Senior manager, strategic partnerships, subscription management platform

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those partners considering building and growing a Cybersource practice.

The objective of the framework is to identify the revenue streams, investments, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the holistic opportunity for partners building and growing a Cybersource practice.

DUE DILIGENCE

Interviewed Visa stakeholders and Forrester analysts to gather data relative to Cybersource.

INTERVIEWS

Interviewed eight representatives at partner organizations with existing Cybersource practices to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION

Designed a composite partner 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 impact of a Cybersource practice: revenue, investments, 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 investment and partnership 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 Visa 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 a Cybersource practice.

Visa 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.

Visa provided the partner names for the interviews but did not participate in the interviews.

The Cybersource Partner Journey

Drivers leading to the Cybersource practice investment

Interviews

Role	Industry	Region	Revenue	Employees
Senior VP	Mobile communication and e-commerce	Headquartered in US	$60 million	300
Payment processing manager	Computer software	Global, headquartered in US	$40 billion	130,000
Senior VP of sales	Payments solutions	Global, headquartered in US	$30 million	150
Senior manager, strategic partnerships	Subscription management platform	Global, headquartered in US	$200 million	1,000
Director of client financial services	E-commerce solutions	Global, headquartered in US	$340 million	1,800
CTO, principal and cofounder	Computer software	Headquartered in US	$5 million	31
Director of product management	Supply chain solutions	Global, headquartered in US	$660 million	3,600
Principal solutions manager	Travel technology systems	Global, headquartered in US	$1.7 billion	10,000

PARTNER GOALS, CHALLENGES, AND DRIVERS

Partners were diverse in size, background, functional and vertical specializations, type, and degree of engagement with Visa. They partnered with Visa to build and scale their Cybersource businesses for myriad reasons, including:

- **Flexibility.** Interviewees told Forrester that they were looking to processors to introduce new features and options that would provide flexibility in serving their customers.

- **Improved upmarket access.** An interviewee at a very large partner organization explained that Cybersource enabled his firm, previously focused on the small- to medium-sized business market, to penetrate larger and global businesses.

- **Increasing global reach and number of connections with one integration.** Interviewees wanted to support their global clients and connect to the diverse merchant acquirers they preferred, but they faced many laborious integrations.

- **Challenges with other solutions.** Interviewees told Forrester about the challenges they faced with prior solutions, including integration. The director of product management for a supply chain solutions company recalled: “We tried to integrate with other partners that were not meeting our standards. When Cybersource came up, they were premier in that space. That is where the relationship started.”

SELECTING THE RIGHT PARTNER PROGRAM

In choosing a partner and platform around which to build their Cybersource solutions, interviewees emphasized the importance of the following factors:

- **Brand reputation and credibility.** Interviewees emphasized how important the reputation of the Visa and Cybersource brands were to their decision. They trusted the brands and felt comfortable aligning in a partnership.

  The senior manager of strategic partnerships for a subscription management platform said: “They're very capable and well-respected. Visa is the trusted name in payments. That trust makes it easy to tie your business onto Visa and the Cybersource logo."

- **Global scale/international network.** The 200+ acquirers and processers supported in 190+ countries and territories were valued by interviewees as they sought to meet existing client demand and expand to new clients.

  The CTO, principal, and cofounder of a computer software company said, "It was really Cybersource's footprint that attracted us."

- **Innovative and reliable technology solutions.** Interviewees chose Cybersource due to its powerful and reliable technology. They wanted to offer their clients modern, resilient, and scalable solutions with the flexibility to adapt to change.

  The CTO of a computer software organization told Forrester: "At the time, one of the things that we looked at was who could provide us with the feature set, footprint, and technology that would enable us to deliver to our customers. [Cybersource] was a natural choice at that point. We looked at a bunch of [processors], and [Cybersource] hands-down dominates the market as far as the breadth, depth, and personal customer service that you want."

"[Cybersource] lowers the total cost of ownership, and our clients get a jump-start with an out-of-the-box integration."

Director of product management, supply chain solutions

- **Cost savings.** Many interviewees stated that Cybersource was more cost-effective than their prior solutions had been, even with preferential pricing.

- **Value-added services and tools.** Interviewees looked beyond payment processing and valued Cybersource's other services and tools like network tokens, fraud detection tools, and other merchant-requested features.

"Cybersource was the first processor that we integrated with because it makes it so easy to go to market. The feature set is there. It's a slam dunk."

CTO, principal, and cofounder, computer software

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite partner company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the 8 interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

- The composite partner is a global, midmarket organization with $100 million in annual revenue and 1,000 employees.
- The composite partner has considerable experience with systems integration, digital transformation, payments, and/or software development capabilities.
- The composite organization has a revenue share agreement with Cybersource.
- The composite partner engages with Cybersource, builds a lengthy partnership, and exchanges leads.

Key Assumptions

- **$100M revenue**
- **1,000 employees**
- **Global market**
- **Significant technical expertise**
- **Revenue share**
- **Engaged partner**

Analysis Of Partner Revenue Streams

Quantified revenue data as applied to the composite

Revenue Streams And Gross Profits

At	Gross profit from revenue share commissions	$320,000	$320,000	$320,000	$960,000	$795,793
Bt	Gross profit from Cybersource professional services leads	$100,000	$100,000	$100,000	$300,000	$248,685
	Total benefits	$420,000	$420,000	$420,000	$1,260,000	$1,044,478

GROSS PROFIT FROM REVENUE SHARE COMMISSIONS

Evidence and data. The majority of interviewees Forrester spoke with benefited from revenue share commissions earned by bringing the processing volume from their clients to Cybersource. Some interviewees also earned revenue by reselling Cybersource.

The CTO, principal, and cofounder of a computer software organization mentioned how his firm earned residuals even though it wasn't their primary focus: "Our partnership has always been one of trying to maximize our relationship with Cybersource and deal with the software, not necessarily trying to line our pockets with some sort of arrangement that benefits us. That being said, Cybersource [does pay] us residuals."

"The opportunity with Cybersource is blue sky. There's so much that we can do — we're barely scratching the surface, and the appetite is on both sides. We're seeing consistent growth."

— Senior manager, subscription management platform

> The senior manager of strategic partnerships for a subscription management platform explained the commissions to Forrester, saying: "There is a revenue share. It's built on a per-click basis, so if it cost 10 cents per click, we're going to make 2 to 3 pennies on each of those, some percentage."

Modeling and assumptions. To calculate the value of this revenue stream, Forrester assumes:

- The composite partner refers client processing volume to Cybersource via its integrations.
- The composite partner earns a revenue share rate of 25%.

Risks. The revenue can vary due to differences in:

- The varying negotiated revenue share rates.
- The processing volume of the composite partners' clients, the number of clients, and the number of products in its integrations.

Results. Forrester calculated a three-year total PV gross profit of $796,000.

Gross Profit From Revenue Share Commissions

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Cybersource referred revenue	Interviews	$1,280,000	$1,280,000	$1,280,000
A2	Average revenue share percentage	Interviews	25%	25%	25%
At	Gross profit from revenue share commissions	A1*A2	$320,000	$320,000	$320,000
	Three-year total: $960,000		Three-year present value: $795,793		

GROSS PROFIT FROM CYBERSOURCE PROFESSIONAL SERVICES LEADS

Evidence and data. In addition to receiving revenue share commissions, some interviewees benefited from the small but growing generation of leads from their partnership with Cybersource.

- The CTO, principal, and cofounder of a computer software firm explained how their partnership with Cybersource has driven business: “It’s a mutually beneficial relationship. Cybersource brings us business. We have an existing customer, and they need a solution. There’s a lot of give and take, and it works out well.”
- Interviewees reported that they were excited about the partnership and the potential for more leads. A senior manager of strategic partnerships for a subscription management platform told Forrester: “That co-selling motion will go ahead and build your partnership quickly. And that’s really in its infancy stage with Cybersource.”
- Speaking about deal close rates, the same senior manager of strategic partnerships stated: “If a salesperson were to go out and source or hunt their own deals, they’re going to close around 25% of those deals. If we go ahead and source a deal through Cybersource, we’re around a 30% to 35% close rate.”
- The CTO, principal, and cofounder for a computer software firm explained why the close rates for Cybersource-derived deals were so high: "We tend to find that the close rate is significantly higher primarily because the Cybersource people know what we're about, particularly if there's already some sort of relationship or some sort of revenue share piece in place."
- **Modeling and assumptions.** To calculate the value of this revenue stream, Forrester assumes:
- The composite organization yields one lead every other month from its partnership with Cybersource, on average closing at a 30% rate.
- The composite organization's average deal value is $125,000.
- Forrester assumes a standard gross margin of 40%.

Risks. The revenue can vary due to differences in:

- The organization's business model and whether it derives leads from Cybersource. Not all interviewees derived leads from Cybersource.
- The level of engagement the composite organization has with Cybersource and the length of the partnership. Newer, less engaged partners are likely to see fewer leads compared to older, more engaged partners.
- The size of the composite organization, average deal size, and average close rate.
- The services provided by the composite organization and the associated gross margins.

Results. Forrester calculated a three-year total PV gross profit of $249,000.

> **“The story is one plus one equals three. If we can go ahead and get people to work together, then suddenly, you can accelerate the growth for each company by sharing and co-selling together.”**
>
> *Senior manager, strategic partnerships, subscription management platform*

Gross Profit From Cybersource Professional Services Leads					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Leads from Cybersource per year	Composite	6	6	6
B2	Cybersource leads close rate	Interviews	30%	30%	30%
B3	Closed leads from Cybersource per year	B1*B2	2	2	2
B4	Average deal value of Cybersource leads	Interviews	$125,000	$125,000	$125,000
B5	Revenue from Cybersource leads	B3*B4	$250,000	$250,000	$250,000
B6	Gross margin	Assumption	40%	40%	40%
Bt	Gross profit from Cybersource professional services leads	B5*B6	$100,000	$100,000	$100,000
	Three-year total: $300,000		**Three-year present value: $248,685**		

“We have truly believed in the Cybersource product strategy, product roadmap and their innovation speed to market. We only have great things to [come].”

— Director of product management, supply chain solutions

UNQUANTIFIED BENEFITS

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

- **Brand recognition and trust.** Interviewees and their clients valued the recognition and trust that comes with the Visa brand.

  The director of client financial services for an e-commerce solutions organization stated: “A big benefit is that Visa owns Cybersource. They have a global name with tens of thousands of merchants on the books. That to me is a big benefit because reputation is important in my line of work.”

- **Scale of network and geographic coverage.** Interviewees prized the sheer number of merchant acquirers around the world.

  - The senior manager of strategic partnerships for a subscription management platform told Forrester: “Cybersource gives us access to 250+ merchant acquirers across the globe. So when we need to stand up a new customer, for example, if they're with one bank, we do not need to have a direct integration into that bank. We can use the Cybersource connection to get access.”
  - This sentiment was reaffirmed by the computer software firm’s CTO, who simply said, “It’s hard to beat Cybersource as far as [international is] concerned.”

- **Creation of more organic and upmarket opportunities.** Interviewees noted increased organic and upmarket opportunities after partnering with Cybersource.

  The subscription management platform’s senior manager of strategic partnerships said, “The nice thing about Cybersource is because we have so many merchants who come to us with a payment processor that they’re working with already, our business grew organically through that type of method.”

- **Ready-to-integrate solutions.** Keeping their clients in mind, the interviewees valued the speed afforded to them with Cybersource's solutions.

  The director of product management for a supply chain solutions company stated, “It’s a clear ROI for our customers when they kick off projects and start using our applications which have Cybersource's out-of-the-box integration with payment vendors.”

- **Risk/fraud tools.** Cybersource’s toolset for combating fraud and reducing risk when processing payments was a real benefit according to interviewees.

  The CTO, principal, and cofounder of a computer software firm affirmed this, remarking, “They have a fraud protection management tool that is well-adopted and is excellent.”

- **Faster authorization rates.** While they couldn't necessarily quantify it, at least one interviewee observed faster authorization rates for their firm’s clients using Cybersource.

“Cybersource brings unbelievable risk tools, fraud tools that help.”

Senior manager, strategic partnerships, subscription management platforms

- **Improved client retention.** Setting up an integration with Cybersource helped interviewees keep their clients and reduce their churn rates.

  This reduced churn rate was highlighted by the senior manager of strategic partnerships for a subscription management platform, who commented: “If we have one or more integrations set up with one of our merchants or customers, we are 10.2 times less likely to churn. There’s a huge value in keeping those customers.”

- **Technical expertise and support.** Interviewees praised the Cybersource team's expertise and support. In fact, many interviewees called out helpful Cybersource team members by name.

  - The senior manager of strategic partnerships for a subscription management platform told Forrester: “They do have expertise. They have resources to facilitate what we want to do from a technology standpoint as well as growing our businesses through a partnership standpoint. They've been very helpful. Their team has the same type of motivation and energy to work on strategies and motions that will grow our businesses very quickly.”

  - The director of product management for a supply chain solutions organization said: “Another benefit is the great support. For any issues coming from a customer perspective, the support SLA has been excellent. For any integration issues or anything which needs their integration team's support, they've been always very willing to help, and the response time has been phenomenal.”

  - The director of client financial services for an e-commerce solutions firm echoed the other interviewees’ positive outlook on Cybersource’s team: “I look at my interaction with, for example, their director of strategic alliances. She is one of the smartest people I’ve met over there, and I love interacting with her because I always learn something. They manage to keep good talent. So that’s a big thing.”

FLEXIBILITY

The value of flexibility is unique to each partner. There are multiple scenarios in which a Visa partner might implement a Cybersource practice and later realize additional opportunities, including:

- **Access to modern technologies.** The interviewees valued the new features Cybersource introduced over time and the corresponding opportunities that arose for their businesses. The principal solutions manager of a technology travel systems company told Forrester that by partnering with Cybersource in 2009, their firm gained access to new options that significantly enabled their success compared to their prior processors.

- **API and technological flexibility.** Interviewees appreciated the flexibility of Cybersource’s technology. The CTO, principal, and cofounder of a computer software organization said, “We have a lot of choices [enabled by the Cybersource APIs], and we take advantage of them.”

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

Analysis Of Partner Investments

Quantified investment data as applied to the composite

Total Investments

Ct	Initial software development and integration expenses	$225,000	$0	$0	$0	$225,000	$225,000
Dt	Partnership management	$0	$27,000	$27,000	$27,000	$81,000	$67,145
	Total costs	$225,000	$27,000	$27,000	$27,000	$306,000	$292,145

INITIAL SOFTWARE DEVELOPMENT AND INTEGRATION EXPENSES

Evidence and data. After partnering, the interviewees devoted development labor and resources to integrate with Cybersource. Interviewees noted no charges to become a partner beyond this initial deployment work.

- The director of product management for a supply chain solutions company addressed the intricacies of integration: "There are going to be those initial complexities. We had one person getting trained on using the portal, setting up the fraud rules, and solving the configurations. That took us time, but there was a learning curve there. Once we were past that, the rest of the integration exercise was smooth."
- The director of client financial services for an e-commerce solutions firm discussed the integration process with Forrester and how Cybersource helped: "Cybersource was answering our questions during integration, and they had a sandbox. They had all their API documentation available as well. We got to set up the environment, build our technology, and then test out the integration."
- Interviewees spoke about their labor requirements and deployment timeframe. The director of product management for a supply chain solutions organization estimated, "We had about two people involved, and it took us roughly four months." The CTO, principal, and cofounder of a computer software company experienced a quicker implementation process, telling Forrester, "It took us about six weeks to get it all done, which is not that long."
- According to interviewees, initial development costs ranged from $160,000 on the low end to $500,000 for a more complex integration process at a larger organization. Many interviewees described investments of $200,000 to $250,000.

> **"With other processors, there's this limited feature set, so we don't have to make as big of an investment to integrate with them because they don't cover the number of things that Cybersource does."**
>
> *CTO, principal, and cofounder, computer software*

Modeling and assumptions. To calculate the value of this investment, Forrester assumes that the composite organization has a standard development and integration process.

Risks. The investment can vary due to differences in:

- The size of the partner organization.
- The complexity of the partner organization's systems, the length of the integration process, and the number of FTEs involved.

Results. Forrester calculated a three-year total PV investment of $225,000.

"If [Cybersource] didn't offer all these features, the integration wouldn't be as strong. It makes the integration a little bit tougher, but it's a bigger payoff as well."

CTO, principal, and cofounder, computer software

Initial Software Development And Integration Expenses

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
C1	Initial software development and integration expenses	Interviews	$225,000	$0	$0	$0
Ct	Initial software development and integration expenses	C1	$225,000	$0	$0	$0
	Three-year total: $225,000		Three-year present value: $225,000			

PARTNERSHIP MANAGEMENT

Evidence and data. After integrating with Cybersource, interviewees devoted ongoing labor to engaging, managing, and strengthening their partnerships.

- The senior manager of strategic partnerships for a subscription management platform detailed: "My job is to work with our partners to build out our relationship, make sure that we have a best-of-class integration, and also to see how we can drive more processing volume on their platform and build reciprocal leads going back and forth."
- While the importance of managing the partnership was high, the ongoing costs were comparatively low. The CTO, principal, and cofounder of a computer software company told Forrester, "Ten percent of our resources go towards making sure that our relationships with processors are up to speed." They clarified, "Two people manage our partnership: me and the business manager."

Modeling and assumptions. To calculate the value of this investment, Forrester assumes:

- Two employees spend 3 hours per week each managing the partnership with Visa.
- Managers earn a fully burdened salary of $90 per hour.

> **"[Growth] takes investment on both sides to build out their partnership teams, experiment, and learn what the best ways are to work together."**
>
> *Senior manager, subscription management platform*

Risks. The investment can vary due to differences in:

- The organization size and level of engagement with Cybersource.
- The number of employees and the amount of time involved.
- The types of employees involved and their pay.

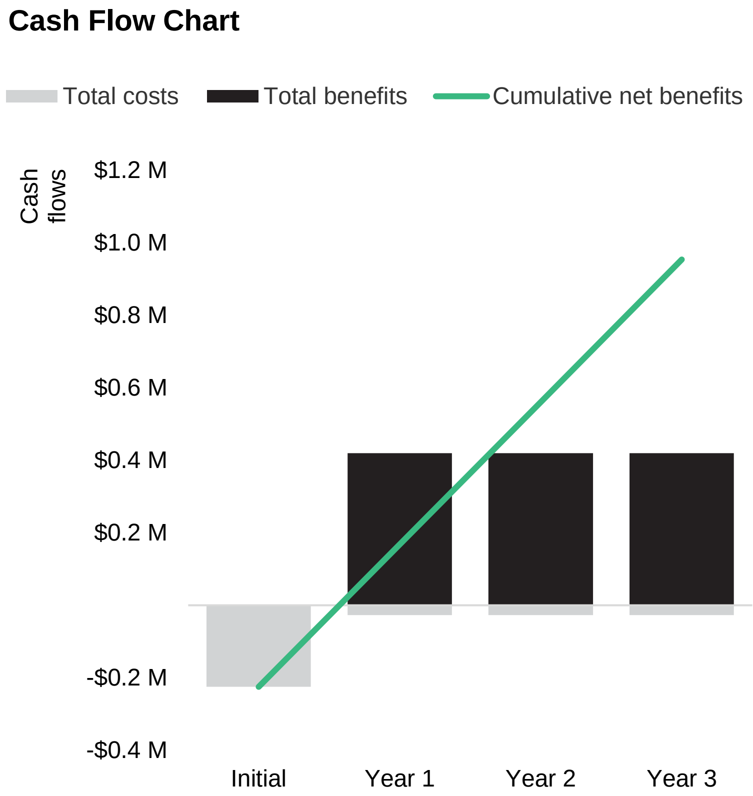
Results. Forrester calculated a three-year total PV investment of $67,000.

Partnership Management

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
D1	Number of FTEs involved in partnership management	Interviews		2	2	2
D2	Partnership management hours per week	Interviews		3	3	3
D3	Partnership management hourly rate	TEI standard		$90	$90	$90
Dt	Partnership management	D1*D2*D3*50	$0	$27,000	$27,000	$27,000
	Three-year total: $81,000		Three-year present value: $67,145			

Financial Summary

CONSOLIDATED THREE-YEAR METRICS



The financial results calculated in the Revenue Streams and Investments 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 ROI, NPV, and payback period values are determined from the results in each Revenue Stream and Investment section.

Cash Flow Analysis

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total investments	($225,000)	($27,000)	($27,000)	($27,000)	($306,000)	($292,145)
Total gross profits	$0	$420,000	$420,000	$420,000	$1,260,000	$1,044,478
Net benefits	($225,000)	$393,000	$393,000	$393,000	$954,000	$752,333
ROI						258%
Payback (months)						7

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: Supplemental Material

Related Forrester Research

“The Forrester Wave: Merchant Payment Providers, Q2 2022,” Forrester Research, Inc., May 19, 2022

“Merchants Want More From Their Payment Providers,” Forrester Research, Inc., June 6, 2022

Appendix C: Endnotes

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[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.


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