

FORRESTER®

The Total Economic Impact™ Of PayPal's Enterprise Payment Solutions

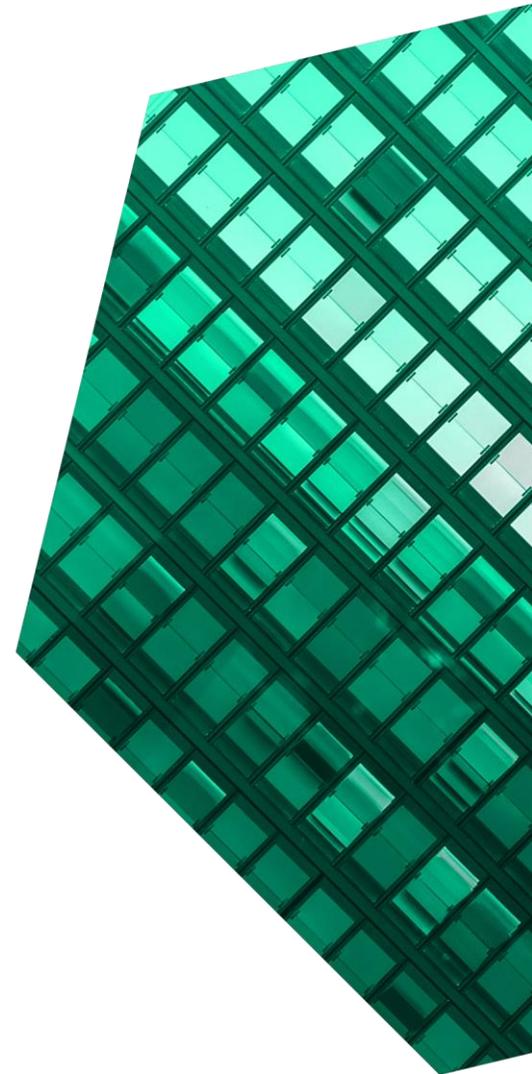
Cost Savings And Business Benefits For Large
Enterprises, Enabled By PayPal

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ABOUT FORRESTER CONSULTING

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Executive Summary

PayPal's enterprise solutions deliver enterprise-level credit card and alternative payment processing services fast and at scale while enabling high authorization rates. Merchants can offer PayPal's proprietary payment methods as well as host of other payment methods like digital wallets and other local payment methods. PayPal can enable new sales through partner channels with its unique orchestration technology, sales lift from new customers by leveraging the PayPal's family, and payment-related cost savings.

Merchants must not only sell goods and services online but they must also provide consumers a quick, easy, and hassle-free buying experience. Merchants expect a payment provider to deliver services that can have global reach and meet moments of peak shopping demand. Customers increasingly expect new, seamless buying experiences. Forrester research estimates that more than 71% of US online adults and 82% of Western Europe online adults will make an online purchase in 2021, and online buyers will spend an average of more than \$2,500 per year.¹

PayPal's enterprise payment solutions, powered by Braintree technology, deliver enterprise-level credit card and alternative payment method processing services and easily integrates with other payment processing services. Merchants see fast transaction processing on a solution that can support enterprise scale in more than 50 countries across more than 130 currencies worldwide. It supports a high volume of credit card processing, as well as high authorization rates on the first try. Merchants can offer popular PayPal payment options, PayPal wallet and Venmo, as well as many region- and country-specific payment types and other leading digital wallets that customers in those markets prefer and find convenient.

PayPal commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying [PayPal's enterprise payment solutions](#).² The purpose of this

KEY STATISTICS



Return on investment (ROI)

401%



Net present value (NPV)

\$3.36M

study is to provide readers with a framework to evaluate the potential financial impact of the payment solution on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four finance directors at merchants that transact e-commerce payments using PayPal's enterprise solutions. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite merchant](#) that processes \$500 million in annual e-commerce sales.

After implementing PayPal's enterprise solutions, interviewees reported benefits beyond high transaction approval rates. The solution includes more than just payment processing: With a single integration, merchants were able to easily offer PayPal's family of payment methods, like its eponymous digital wallet, Pay Later, and Venmo, plus a range of credit, debit, digital wallet and local

payment options that some consumers prefer. Additionally, merchants have access to PayPal's orchestration technology that, with just a few snippets of code, supports in-context commerce experiences. Merchants can securely process their own transactions through a partner's site (for example, a retailer could sell services both from its own website and through a popular online publication or related goods channel).

With these improvements over their legacy payment solutions, merchant representatives reported that PayPal's modern payment solution delivered high approval rates and enabled new sales through PayPal, Venmo, and partner channels.

“We market pretty heavily on the capabilities enabled by [PayPal's partner orchestration technology]. Giving our customers the ability to check out via an event page on social media or other sites has been a huge differentiator for us.”

Director of strategic finance, online event management services

KEY FINDINGS

Quantified benefits. Risk-adjusted present value (PV) quantified benefits, as applied to a composite merchant with \$500 million in revenue processed yearly, include:

- **Additional market opportunity with increased PayPal integration amounting to \$1.5 million.** New customer reach opportunities are enabled by easily adding PayPal wallet, Venmo, and other

PayPal's family payment options through a single integration with PayPal's enterprise solutions. Some consumers prefer these payment options for online purchases, and PayPal is also able to provide some co-marketing opportunities reaching its customers via in-app and email channels. For the composite merchant, based on interviews with merchant representatives, 5% of transactions that come from the PayPal's family of payment options (as opposed to non-PayPal payment methods) are brand-new customers to the merchant.

- **New market opportunities from PayPal-enabled payments partnerships totaling more than \$1.8 million.** With PayPal, merchants can provide consumers direct purchase options from a partner's site. Merchants can avoid adding transaction steps, allowing consumers to buy in the context of other websites' experiences where consumers are already engaged. Furthermore, the integration is very simple for partners — they don't have to balance accounts with the partner merchant later. With the opportunity created with easy partner payments integration, the composite merchant (based on representatives from merchants that implemented this solution) saw many transactions coming from partner channels, estimating that 10% of those sales were net-new customers they would never have reached otherwise.
- **High approval rates that meet merchant expectations.** Along with the scale and breadth of the solution, high authorization rates for legitimate transactions were a key driver for the selection of PayPal's enterprise payment solutions. High approval rates at global and local scale meet the expectations of both larger and midsize merchants, enabling value through partner and PayPal channels as well as through higher approval rates compared to some merchants' previous payment solutions.

- **Resource cost savings of \$131,000 with streamlined payment management and integration.** With PayPal's enterprise solutions, payment processing is simplified and centralized. This added up to 15 hours saved each week for each payment administrator or developer — a team of three for the composite merchant.
- **Payment-related support cost savings of \$465,000 with streamlined payment management and integration.** Merchants can leverage easy integration to easily offer PayPal wallet, Pay Later, Venmo, and other alternative payment types. Central management, improved reliability, and reduced reliance on pop-up windows in the payment process all help to reduce customer support contacts.
- **Transaction fee savings of \$254,000.** Some merchants saw a reduction in transaction fees compared to their previous payment solution, especially for credit card transactions. For the composite organization, this adds up to a reduction of 0.025 percentage points.
- **An enterprise-ready and global payment solution that enables growth.** Merchants can count on flexibility for future growth plans, easily expanding to new markets on PayPal's extensive global network. The solution supports many protected local payment alternatives that are popular with consumers in their respective countries. Furthermore, they are optimized for scale. For one organization, PayPal was able to keep up with significant increased transaction demand during the launch of the merchant's mobile app. In addition, future opportunities to add more payment alternatives from PayPal such as PayIn4, PayPal Credit, and others can add up to further incremental sales.
- **E-commerce payment expertise that adds value for merchants.** PayPal's experience and support has helped merchants quickly implement PayPal's enterprise solutions. It has also

provided valuable advice, such as helping one merchant understand that vaulting with multiple payment vendors was unnecessarily costly — streamlining and reducing transaction costs for that merchant.

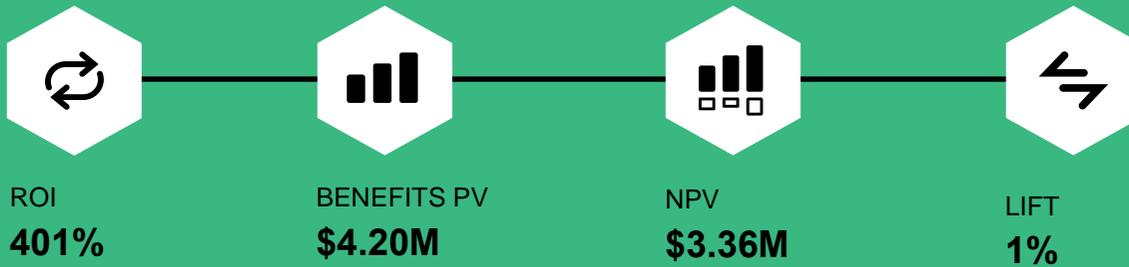
“It’s significant to be able to go to those different distribution channels. It’s a game-changing decision, and PayPal being at the forefront of that was huge for us.”

Director of strategic finance, online event management services

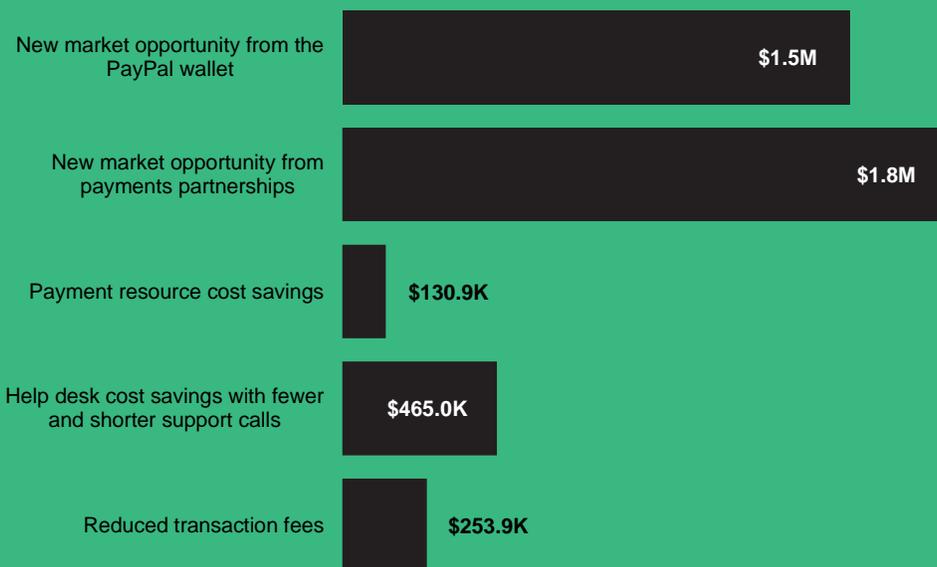
Costs. Risk-adjusted PV costs for the composite merchant include:

- **Transaction costs.** The transaction costs for net-new sales are calculated based on a conservative transaction fee, adding up to less than \$415,000 for the composite merchant.
- **Implementation costs for the payment solution and orchestration with third-party sales channels.** Orchestration software is provided at no additional charge, but resource implementation costs to start transacting through the payment solution added up to less than \$425,000 for the composite merchant.

The merchant decision-maker interviews and financial analysis found that a composite merchant experiences benefits of \$4.20 million over three years versus costs of \$839,000, adding up to a net present value (NPV) of \$3.36 million and an ROI of 401%.



Benefits (Three-Year)



New business opportunities with PayPal enterprise solutions add up to a present value of \$3.3M over three years, a total revenue lift of 1%.

“PayPal has done a good job understanding how payments can be strategically helpful to our business. They introduced us to services that allow us to extend our reach through our partners’ sites that add value beyond payment processing.”

— Director of finance, online food/beverage delivery services

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 PayPal's enterprise solutions.

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 PayPal's enterprise solutions can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by PayPal 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 PayPal enterprise solutions.

PayPal 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.

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



DUE DILIGENCE

Interviewed PayPal stakeholders and Forrester analysts to gather data relative to PayPal's enterprise solutions.



DECISION-MAKER INTERVIEWS

Interviewed four decision-makers at organizations using PayPal's enterprise solutions 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 decision-makers.



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.

PayPal's Enterprise Solutions Customer Journey

■ Drivers leading to investment in the solution

Interviewed Decision-Makers			
Interviewee	Industry	Region	Deployment Characteristics
Director of strategic finance	Online event management services	Headquartered in US, global operations	Vaulting, processing, and orchestration with social media and streaming platforms; PayPal wallet; Venmo; other alternative payment types
Director of finance	Online food/beverage delivery services	Headquartered in US, majority US operations	Vaulting, processing, and orchestration with social and travel sites; PayPal wallet; Venmo; other alternative payment types
Director of strategic partnerships	Nonprofit (microloan provider)	Headquartered in US, majority US operations	PayPal wallet
Director, software engineering	Retail	Headquartered in US, with regional retail stores and US-wide e-commerce	PayPal wallet, Venmo, other alternative payment types

KEY CHALLENGES

Prior to PayPal's enterprise solutions, merchants worked with one or more payment processor partners that were not able to meet their current or future needs.

The interviewees' organizations struggled with challenges including:

- **Inefficient payment management.** The use of multiple or inefficient payment processing partners led to difficulties in payment administration, management, reconciliation, and support. Payment analysis and reporting was time-consuming and required coordination between data sources.
- **Limited customer reach.** Merchants were losing out on potential new customers through channels they were unable to tap into. Merchants relied on their own marketing efforts and web properties and did not enable digital payments connections to sell on third-party channels.

- **Difficulty scaling operations to new regions or payment types.** Existing payment solutions could not easily scale to support planned growth. New markets often required different payment types due to legal or practical requirements and implementing new payment methods and compliance standards demanded extensive time and developer effort.

“PayPal payment solutions helps us make payment processing invisible for our customers.”

Director of finance, online food/beverage delivery services

SOLUTION OVERVIEW

Merchants implemented PayPal's enterprise solutions to mitigate these challenges and enable new value opportunities. With their new payment solution, merchants were able to reduce payment management costs through streamlined administration that also led to fewer payment-related support calls. In addition, they improved sales by reaching new customers through the PayPal wallet, Venmo, and other alternative payment types, as well as by simplifying sales through other channels with orchestration technology.

service provider with global operations. The organization provides sales, customer support, and logistics management for its products.

The organization processes 5 million payment transactions per year, for a total processing volume of \$500 million — almost all processed with PayPal's enterprise solutions, powered by Braintree. Prior to PayPal, the organization worked with two other payment processors because of regional needs and past implementations. After switching to PayPal, the organization standardized to one payment solution across all its regional markets (though it does maintain a backup payment provider). It also partnered with a social platform through PayPal's orchestration technology to enable direct sales via the social platform, which comprise 5% to 7% of total payments. The composite transacted 8% to 12% of payments through PayPal or Venmo.

“PayPal is more enterprise-ready, and we’ve definitely seen improvements in stability and reporting.”

Director of finance, online delivery services provider

Interviewees whose merchants implemented PayPal's enterprise solutions for all e-commerce transactions, including credit cards and alternative payment types.

COMPOSITE ORGANIZATION

Based on the interviews with merchants now using the payment solution, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the organizations for each of the four decision-makers that Forrester interviewed and is used to present the aggregate financial analysis in the next section.

Description of composite. The composite organization is a US-based online e-commerce

Key assumptions

- **\$500 million annual revenue**
- **5 million credit card and alternative payment transactions processed today**
- **\$100 average transaction value**

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 market opportunity from the PayPal wallet	\$425,000	\$610,938	\$843,094	\$1,879,031	\$1,524,699
Btr	New market opportunity from third-party payments partnerships	\$531,250	\$733,125	\$983,609	\$2,247,984	\$1,827,843
Ctr	Payment resource cost savings	\$52,650	\$52,650	\$52,650	\$157,950	\$130,933
Dtr	Help desk cost savings with fewer and shorter support calls	\$187,000	\$187,000	\$187,000	\$561,000	\$465,041
Etr	Reduced transaction fees	\$89,190	\$102,362	\$117,478	\$309,029	\$253,941
	Total benefits (risk-adjusted)	\$1,285,090	\$1,686,074	\$2,183,831	\$5,154,995	\$4,202,457

DIRECT BENEFIT: NEW MARKET OPPORTUNITY FROM THE PAYPAL WALLET

Evidence and data. In addition to a range of credit card and local payment methods, PayPal’s enterprise solutions include access to PayPal’s proprietary payment methods and the 400 million-plus consumers they serve worldwide. This can lead to expanded reach and new business for merchants. Examples include:

- Enhanced customer experience through auto-population of fields, stored payment information, and upgrades to subscription-based services increase new customer follow-through.
- Seamless adoption of new payment options without much development effort, including:
 - Quick and easy implementation of Venmo on desktop or mobile.
 - Immediate acceptance of other alternative payment types.

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

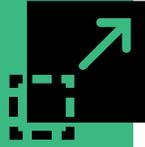
- The PayPal wallet or Venmo are responsible for 8% to 12% of total transactions processed.
- Five percent of PayPal wallet and Venmo transactions yearly are net-new customers.
- There is an e-commerce net margin of 25%.

“PayPal wallet processing integrated into the enterprise solution makes things a lot easier. Without that, I don’t know that we would have gotten around to offering PayPal and Venmo as quickly as we did.”

Director of strategic finance, online event management services

Transactions processed with the PayPal wallet and Venmo:

8% to 12%



Risks. Some factors could result in this benefit being less than interviewees reported, including:

- Fewer transactions are processed with PayPal wallet or Venmo than expected.

- A smaller proportion of PayPal wallet and Venmo transactions are net-new customers.
- The e-commerce net margin is lower than 25%.
- PayPal wallet (and perhaps also Venmo) was being used before the implementation of PayPal's enterprise solutions.
- The average order value (AOV) is lower than \$100.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of more than \$1.5 million.

New Market Opportunity From The PayPal Wallet

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Total transactions per year processed via PayPal enterprise solutions	Composite	5,000,000	5,750,000	6,612,500
A2	Percentage of transactions processed using the PayPal wallet	Composite	8%	10%	12%
A3	Total transactions via the PayPal wallet	A1*A2	400,000	575,000	793,500
A4	Percentage of PayPal wallet transactions that are net-new customers	Composite	5%	5%	5%
A5	Total net-new transactions as a result of the PayPal wallet	A3*A4	20,000	28,750	39,675
A6	AOV	Composite	\$100	\$100	\$100
A7	E-commerce net margin	Assumption	25%	25%	25%
At	New market opportunity from the PayPal wallet	A5*A6*A7	\$500,000	\$718,750	\$991,875
	Risk adjustment	↓15%			
Atr	New market opportunity from the PayPal wallet (risk-adjusted)		\$425,000	\$610,938	\$843,094
Three-year total: \$1,879,031			Three-year present value: \$1,524,699		

DIRECT BENEFIT: NEW MARKET OPPORTUNITY FROM PAYMENTS PARTNERSHIPS

Evidence and data. PayPal can help facilitate new business for merchants by unlocking third-party sales channels through payments connections. With this orchestration technology, customers on another site or social platform can buy directly from a merchant without leaving the experience they are engaging with. Data is transmitted securely via PayPal APIs, and payments are processed efficiently without extra pass-through transactions. While some of those customers would have found the merchant's website regardless, others did not know about their service and represent true net-new customers. Interviewees shared the following examples:

- The director of strategic finance for the online event management services company attributed 10% to 15% of their year-over-year growth to these third-party-payments connections. At one point, 20% of card volume was processed through social media platforms.
- Partnering with a social media site enabled an online food/beverage delivery services company to gain net-new customers.

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

- PayPal-enabled payments partnerships comprise 5% to 7% of all transactions processed.
- Ten percent of these partnership transactions yearly are net-new customers.
- There is an e-commerce net margin of 25%.

Risks. Some factors that could result in this benefit being lower than interviewees reported include:

- Fewer transactions are processed through partners, depending on the nature of the partnership and the goods and services being sold.
- A smaller proportion of partner transactions are net-new customers.
- The e-commerce net margin is lower than 25%.
- The AOV is lower than \$100.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of more than \$1.8 million.

Transactions processed through partner payments connections:

5% to 7%



New Market Opportunity From Payments Partnerships						
Ref.	Metric	Source	Year 1	Year 2	Year 3	
B1	Total transactions per year	Composite	5,000,000	5,750,000	6,612,500	
B2	Percent of transactions through these partnerships	Composite	5%	6%	7%	
B3	Total transactions via partnership	B1*B2	250,000	345,000	462,875	
B4	Percent of partnership transactions that are net new customers	Composite	10%	10%	10%	
B5	Total net new transactions as a result of partnerships	B3*B4	25,000	34,500	46,288	
B6	AOV	Composite	\$100	\$100	\$100	
B7	E-commerce net margin	Assumption	25%	25%	25%	
Bt	New market opportunity from payments partnerships	B5*B6*B7	\$625,000	\$862,500	\$1,157,188	
	Risk adjustment	↓15%				
Btr	New market opportunity from payments partnerships (risk-adjusted)		\$531,250	\$733,125	\$983,609	
Three-year total: \$2,247,984			Three-year present value: \$1,827,843			

FLEXIBILITY BENEFIT: HIGH AUTHORIZATION RATES

Evidence and data. Merchants can rely on PayPal’s track record of reliability and scale. PayPal supports many large merchants worldwide due to its knowledge, experience, and connections as one of the largest merchants of record in the world with its own digital wallet. PayPal’s enterprise solutions use that experience to authorize a high volume of transactions across various card and alternative payment types.

All of the merchants represented by the interviewees chose PayPal in part because of that track record, and they were confident that PayPal could support their transaction scale and authorize a high volume of payments.

While interviewees’ merchants had not conducted any comparative analysis of authorization rates, given the variability of multiple impact factors beyond a processor’s control, merchants may see

improvement. In particular, merchants that had switched from smaller vendors expected to see authorization rate improvement once they measured it.

“We have a more robust integration with PayPal. Our previous payment solution was buggy and crashed more.”

Director of strategic finance, online event management services

Modeling and assumptions. While no specific authorization rate is estimated for the composite organization, some estimation can be made.

- For the composite organization, 5 million successfully processed and approved transactions are identified in earlier benefits.
- The total amount of attempted transactions is higher. Transactions may be declined by banks based on credit card status, by merchants based on their own fraud thresholds, by third-party fraud services, and other reasons.
- Transactions may also fail because the consumer chose to or was forced to cancel the transaction, sometimes because they changed their mind but also because of a transaction system error.
- PayPal may decline some transactions that fit common fraud portfolios, based on advanced algorithmic risk decisioning, and that rate may be lower than a merchant's legacy payment solution.
- As an example, a 0.1 percentage point improvement in authorizations with PayPal could add up to 5,000 or more transactions, or at an AOV of \$100, an additional \$500,000 in revenue.

DIRECT BENEFIT: PAYMENT RESOURCE COST SAVINGS

Evidence and data. Merchants experienced cost savings with their integration of PayPal's enterprise solutions through a variety of time and cost reductions. These include:

- Consolidated payment processing services across regions.
- Reduced developer time to add or update payment types.
- Reduced integration time required to include PayPal wallet and Venmo alternative payments.
- Reduced time for administration and reporting.

This allowed payment administrators and other finance team members to spend more time on additional payment transaction analysis and on other tasks. In addition, developers could focus on other high-value development tasks.

For vendors with multiple payment processors for specific payment types or countries, streamlining to a central system is another time- and cost-saving opportunity. Specific examples mentioned by interviewees include:

- Increased visibility into customer payment issues (e.g., a card error vs. declined payment) saved an estimated 15 hours per week.

- Consolidating to a single processing system led to faster and easier internal reporting and analysis as well as easier-to-handle administration across the board.

Modeling and assumptions. Forrester made the following assumptions for the financial analysis:

- The composite organization has three payment administrators spending some of their time monitoring e-commerce transactions and managing exceptions.
- The average fully burdened salary for a payment resource (payment administrator or junior developer) is estimated to be \$25 per hour.

Risks. Some factors could result in this benefit being lower than interviewees reported, including:

- The organization was previously using multiple or an incorrect mix of payment processing partners and did not realize the benefits of consolidation.
- Previous optimization efforts and the use of other solutions reduce the upside potential of increased visibility or saved developer time.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$130,933.

Payment Resource Cost Savings					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Number of payment resources	Composite	3	3	3
C2	Payment resource time savings per week with PayPal enterprise solutions (hours)	Interviews	15	15	15
C3	Average payment resource hourly salary (fully burdened)	TEI standard	\$25	\$25	\$25
Ct	Payment resource cost savings	C1*C2*C3	\$58,500	\$58,500	\$58,500
	Risk adjustment	↓10%			
Ctr	Payment resource cost savings (risk-adjusted)		\$52,650	\$52,650	\$52,650
Three-year total: \$157,950			Three-year present value: \$130,933		

DIRECT BENEFIT: HELP DESK COST SAVINGS WITH FEWER AND SHORTER SUPPORT CALLS

Evidence and data. In addition to payment administration and developer time savings, a streamlined payment solution also led to a reduction in payment-related customer support issues.

- With PayPal’s variety of capabilities, many services were brought in-house, leading to time and cost savings. These included reduced or avoided chargeback disputes, fraud and risk resourcing, and other issues that could lead to a customer support contact.
- The nonprofit was able to integrate PayPal’s payment acceptance capabilities into its website more effectively, reducing the need for pop-up windows. Customers with ad blocker software were able to complete their transaction instead of making a call to customer support for assistance.

“Payment pop-up windows were susceptible to ad blockers, and some would not be able to complete their payments. I think no longer having that is maybe one reason why conversion improved so much with PayPal.”

Director of strategic partnerships, nonprofit (microloan provider)

Modeling and assumptions. With PayPal’s enterprise solutions, Forrester has made the following assumptions for the composite organization:

- About 8,000 customer support contacts have been avoided.

Help Desk Cost Savings With Fewer And Shorter Support Calls					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Number of support contacts before PayPal enterprise solutions	Composite	50,000	50,000	50,000
D2	Number of support contacts after PayPal enterprise solutions	Composite	42,000	42,000	42,000
D3	Avoided support contacts	D1*D2	8,000	8,000	8,000
D4	Time per support contact before PayPal (minutes)	Composite	30	30	30
D5	Time per support contact after PayPal (minutes)	Composite	20	20	20
D6	Time saved per support contacts that still occur (minutes)	D4*D5	10	10	10
D7	Total annual hours saved with PayPal enterprise solutions from avoided and reduced calls	(D3*D4+D2*D6)/60	11,000	11,000	11,000
D8	Average fully burdened hourly salary for help desk FTE	TEI standard	\$20	\$20	\$20
Dt	Help desk cost savings with fewer and shorter support calls	D7*D8	\$220,000	\$220,000	\$220,000
	Risk adjustment	↓15%			
Dtr	Help desk cost savings with fewer and shorter support calls (risk-adjusted)		\$187,000	\$187,000	\$187,000
Three-year total: \$561,000			Three-year present value: \$465,041		

- Support contacts come from a variety of channels (phone, email, chat) but on average, a support contact took 30 minutes of resource time.
- Support contacts that still take place after implementing PayPal's enterprise solutions take 20 minutes of resource time to complete.
- The blended, fully burdened rate for a customer support rep is \$20 per hour.

Risks. Some factors could result in this benefit being lower than interviewees reported, including:

- Overestimated number of avoided support contacts.
- Overestimated support contact time savings.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$465,000.

DIRECT BENEFIT: REDUCED TRANSACTION FEES

Evidence and data. With PayPal’s enterprise solutions, some merchants have realized a credit card transaction fee savings compared to their legacy solution.

- The retailer saw its credit card transaction fees reduce — which could have been higher as the legacy payment solution would have required a multiyear agreement.
- Another organization highlighted PayPal’s guidance and experience helping it understand that it could reduce transaction fees compared to its multiple previous payment solutions.

- Total credit card e-commerce sales do not include net-new transactions enabled by third-party partnerships or PayPal wallet and Venmo integration (since those transactions would not have existed with the previous payment solution) or other transactions made with alternative payment types.
- Forrester assumes about 20% of all transactions are made with an alternative payment type, including the PayPal wallet and Venmo.
- The composite organization realizes a 0.025% reduction in credit card transaction fees.
- This benefit only highlights the transaction fee cost savings. Transaction fees are estimated for net new sales; see the [New Transaction Cost](#) section for more information.

Risks. This benefit may vary from organization to organization based on the following factors:

- PayPal’s enterprise solutions may have the same fees or could be a little more expensive compared to the previous solution.
- Consumers may more often use more expensive alternative payment types.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of nearly \$254,000.

Transaction fee percentage point reduction:

0.025%



Modeling and assumptions. Forrester made the following assumptions for the financial analysis:

Reduced Transaction Fees					
Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	Total e-commerce credit card sales	(B1-B5-A5)*B6	\$396,400,000	\$454,940,000	\$522,123,000
E2	Transaction solution fees saved with PayPal enterprise solutions		0.025%	0.025%	0.025%
Et	Reduced transaction fees	E1*E2	\$99,100	\$113,735	\$130,531
	Risk adjustment	↓10%			
Etr	Reduced transaction fees (risk-adjusted)		\$89,190	\$102,362	\$117,478
Three-year total: \$309,029			Three-year present value: \$253,941		

ADDITIONAL UNQUANTIFIED BENEFITS

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

- PayPal’s scalability and reliability helped enable business growth — or at least did not block business growth from happening compared to payment solutions that can’t scale as greatly.
- For the nonprofit, PayPal’s robust and scalable solution helped enable a successful mobile app launch; the solution supported any increased transactions from the mobile app and was easier than expected to develop.

countries needed to conduct business, greatly reducing the need to engage with multiple payment processors.

- PayPal’s enterprise solutions enabled more efficient compliance with regulatory support for know your customers (KYC) and anti-money laundering (AML).

ADDITIONAL FLEXIBILITY BENEFITS

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement PayPal’s enterprise solutions and realize additional uses and business opportunities, including:

- **Growing partner channel sales even more with third-party payments connections.** A few partners have already been leveraged, but setting up agreements with more partners to sell through their websites (such as related goods sellers, online publications, social media sites, search engines, or other content aggregators) could lead to even more sales.
- **New sales growth by tapping markets made up of users who prefer specific alternative payment types.** Merchants have started to leverage PayPal and Venmo in particular, but more new sales can be enabled by marketing more directly to those account holders, as well as users of other alternative payment types that can support communications such as in-app co-marketing offers.

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

“[PayPal] unlocked our ability to launch our mobile app and updated website. It enabled quick migration and adoption of all these new payment methods, which otherwise would have been really difficult.”

Director of strategic partnerships, nonprofit

- Merchants hadn’t measured customer experience (CX) or Net Promoter ScoreSM (NPS) in all the right periods for comparison, but they reported that customer satisfaction was improved, enabled by better payment visibility with PayPal.³
- PayPal’s own expertise helped one merchant uncover even greater value with consultative support and identifying expensive legacy solutions.
- PayPal met the needs of business for the interviewees’ organizations: It provided a high approval rate, supported credit card and many alternative payment types, and reached most

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
Ftr	New transaction costs	\$0	\$118,125	\$166,031	\$225,652	\$509,808	\$414,138
Gtr	Additional resource costs related to PayPal	\$82,500	\$137,500	\$137,500	\$137,500	\$495,000	\$424,442
	Total costs (risk-adjusted)	\$82,500	\$255,625	\$303,531	\$363,152	\$1,004,808	\$838,580

NEW TRANSACTION COSTS

Evidence and data. Like other payment solutions, PayPal's enterprise solutions charge a transaction fee for its payment services. Since all interviewees' merchant organizations replaced a legacy payment solution with PayPal, only the cost of net-new transactions (i.e., transactions enabled by third-party partnerships and PayPal and Venmo integration that would not have been made in the past) were included in this cost. Any difference in fees compared to the previous solution is highlighted in the [Reduced Transaction Fees](#) section.

Modeling and assumptions. A 2.5% transaction fee is applied for the composite organization. This is a blended rate that includes credit card transactions, as well as PayPal, Venmo, and other alternative transaction types.

Risks and results. To allow for underestimated transaction costs, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$414,000.

New Transaction Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Incremental transaction volume	$A6*(A5+B5)$		\$4,500,000	\$6,325,000	\$8,596,250
F2	Incremental transaction cost	Assumption		2.50%	2.50%	2.50%
Ft	New transaction costs	$F1*F2$	\$0	\$112,500	\$158,125	\$214,906
	Risk adjustment	↑5%				
Ftr	New transaction costs (risk-adjusted)		\$0	\$118,125	\$166,031	\$225,652
Three-year total: \$509,808			Three-year present value: \$414,138			

ADDITIONAL RESOURCE COSTS RELATED TO PAYPAL

Modeling and assumptions. Merchants reported that integration required to switch to PayPal’s enterprise solutions was not terribly difficult, taking one to two months of total time. Some development and planning time was needed.

Merchants also noted that adding PayPal’s third-party payments connectivity did not require any additional licensing or transaction fees.

On an ongoing basis, merchant resources spent time on some or all of the following:

- Talking with partners and negotiating deals to sell through partner channels through PayPal-enabled payments connections.
- Working with partners to integrate capabilities.
- Investigating and adding new payment types.
- Developing the website to update checkout, payment type selections, and other payment information integration.

Modeling and assumptions. For the composite organization, upfront costs add up to \$75,000 of integration and planning time.

Ongoing costs add up to \$125,000 per year. This includes internal resource costs related to managing the PayPal’s enterprise solutions and communicating with PayPal. It also includes internal resources needed to work with partners to set up integration to process payments through the partners’ sites.

Annual costs remain the same over the three-year analysis period, reflecting the streamlined payment management from using one solution that integrates with the PayPal wallet, Venmo, and other alternative payment types.

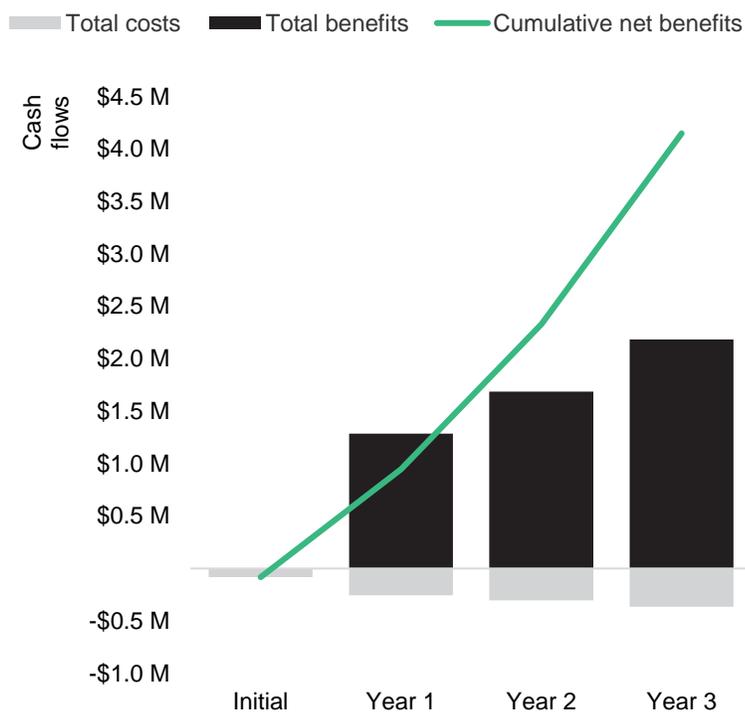
Risks and results. To account for possible underestimation of resource needs (because a merchant added many payment types, for example), Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$424,000.

Additional Resource Costs Related To PayPal						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Additional resource costs related to PayPal enterprise solutions and related services	Composite	\$75,000	\$125,000	\$125,000	\$125,000
Gt	Additional resource costs related to PayPal	G1	\$75,000	\$125,000	\$125,000	\$125,000
	Risk adjustment	↑10%				
Gtr	Additional resource costs related to PayPal (risk-adjusted)		\$82,500	\$137,500	\$137,500	\$137,500
Three-year total: \$495,000			Three-year present value: \$424,442			

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 and NPV for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI and NPV 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	(\$82,500)	(\$255,625)	(\$303,531)	(\$363,152)	(\$1,004,808)	(\$838,580)
Total benefits	\$0	\$1,285,090	\$1,686,074	\$2,183,831	\$5,154,995	\$4,202,457
Net benefits	(\$82,500)	\$1,029,465	\$1,382,543	\$1,820,679	\$4,150,187	\$3,363,877
ROI						401%

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 Sources are calculated for each total cost and benefit estimate. NPV Sources in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value Sources 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: [2021 Online Retail Forecast, US](#),” Forrester Research, Inc., June 29, 2021; and [“2021 Online Retail Forecast, Western Europe](#), Forrester Research, Inc., June 15, 2021.

² 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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