

A Forrester Total Economic  
Impact™ Study  
Commissioned By  
Avangate

Project Director:  
Henry Huang  
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# The Total Economic Impact™ Of Avangate's Digital Commerce Platform

FORRESTER®

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### ABOUT FORRESTER CONSULTING

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## Executive Summary

Avangate commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying the Avangate Digital Commerce Platform. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Avangate's Digital Commerce Platform on their organizations, to leverage Avangate's eCommerce tools to win, serve, and retain customers.

To better understand the benefits, costs, and risks associated with an Avangate Digital Commerce Platform implementation, Forrester interviewed an existing customer with multiple years of experience using the Avangate Digital Commerce Platform. Avangate offers a complete digital commerce solution for organizations to sell software, online services, and other forms of digitally licensed products. The solution is capable of handling global localization for 30-plus languages and 130-plus currencies for organizations that are looking to quickly expand international presence. The interviewed Avangate customer revealed that the Digital Commerce Platform helped it rapidly expand into 34 countries in the first year alone. For this customer, additional features such as revenue leakage capabilities, affiliate marketing connectivity, marketing tools, and international order support centers brought even more to the value proposition.

Prior to the Avangate Digital Commerce Platform, the customer had implemented an internally developed cart. The earlier solution yielded limited success, leaving the customer without a robust solution to fight fraud, a lack of scalability to foreign markets, and only mild success on subscription retention. With Avangate's Digital Commerce Platform, the customer was able to go to market sooner in foreign markets, dramatically reduce revenue leakage, and handle fraud and support in an efficient manner and without the additional burden of compliance, enabling it to meet its objectives, increase revenue, and keep costs in check. Said the VP of eCommerce: "Avangate contributed \$1 million in revenue from our initial international expansion, and if it wasn't for them, we would have had to build out our own localization and cart. . . . It probably would have taken us a year and half . . . rather than the three weeks we're taking to localize now."

Our interview with an existing customer and subsequent financial analysis found that the interviewed organization experienced the risk-adjusted ROI, benefits, and costs shown in Figure 1.<sup>1</sup>

The analysis points to benefits ranging from \$2.2 million to \$3.5 million per year versus costs ranging from \$0.7 million to \$1.2 million, adding up to a net present value (NPV) of \$5 million over three years and an ROI of 212%.

**Avangate's Digital Commerce Platform can provide revenue uplift and help save costs.**

**The costs and benefits for the interviewed company, as summarized in this study, are:**

- **Total costs: \$2.4 million.**
- **Total revenue uplift and cost savings: \$7.4 million.**
- **Net benefit: \$5 million.**

**FIGURE 1**  
**Financial Summary Showing Three-Year Risk-Adjusted Results**

**ROI:**  
**212%**

**Payback:**  
**< three**  
**months**

**International**  
**revenue**  
**gained:**  
**\$2,638,072**

**Reduction in**  
**revenue**  
**leakage:**  
**\$1,620,829**

Source: Forrester Research, Inc.

## AVANGATE GENERATES REVENUE UPLIFT

› **Benefits.** The interviewed organization experienced the following risk-adjusted benefits:

- **An expansion into the international market lifted revenues by roughly \$1 million dollars annually.** Citing merchant of record complications and local laws and taxes as major hurdles, the interviewed organization would not have been able to expand into all of the countries it now serves over a three-year span.
- **Revenue leakage was reduced and brought about an uplift amount of \$1,620,829.** The Avangate Digital Commerce Platform identified abandoned carts, failed payments, and expiring payments for both one-time and subscription sales. In turn, it captured and retained a significantly higher percentage of sales compared with the previous solution.
- **Cost savings from off-handling order and fraud support came to the tune of \$792,956.** Avangate provides phone order support in nine different languages and an internal team dedicated to fighting fraud. The interviewed organization was able to repurpose many of its call support personnel and the internal fraud specialist as a result.
- **Cost savings of international localization and cart maintenance enabled by Avangate's language and currency support resulted in a savings of \$885,788.** Built-in language, local payment methods, and currency support simplified the process of international expansion. Extensive translation and taxation services were no longer necessary, and thus provided the organization savings on every expansion.
- **Time-to-value was drastically improved — revenue uplift was realized sooner with accelerated market entry.** Rather than taking 18 months to expand into a country, the interviewed organization could now do it in three weeks. Faster revenue realization amounted to a benefit of \$1,532,908.

› **Costs.** The interviewed organization experienced the following risk-adjusted costs:

- **Migration-related costs.** These are typically initial fees incurred through additional internal effort and outside professional services for the migration of databases and APIs onto the Avangate Digital Commerce Platform. Total charges for migration resulted in \$22,521.
- **Merchant processing and hosting-related fees.** This is an ongoing fee paid to Avangate for the services of the shopping cart and merchant processing fees. Smaller hosting-related charges such as backup, affiliate commission, and tax have also been included in this category. Over three years, the total charges in the category amounted to \$2,372,920.

## Disclosures

The reader should be aware of the following:

- › The study is commissioned by Avangate 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 report to determine the appropriateness of an investment in the Avangate Digital Commerce Platform.
- › Avangate 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.
- › Avangate provided the customer names for the interview but did not participate in the interviews.

## TEI Framework And Methodology

### INTRODUCTION

From the information provided in the interviews, Forrester has constructed a Total Economic Impact (TEI) framework for those organizations considering implementing the Avangate Digital Commerce Platform. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision, to help organizations understand how to take advantage of specific benefits, reduce costs, and improve the overall business goals of winning, serving, and retaining customers.

### APPROACH AND METHODOLOGY

Forrester took a multistep approach to evaluate the impact that Avangate/Digital Commerce Platform can have on an organization (see Figure 2). Specifically, we:

- › Interviewed Avangate marketing, sales, and/or consulting personnel, along with Forrester analysts, to gather data relative to the Avangate Digital Commerce Platform and the marketplace for the Avangate Digital Commerce Platform.
- › Interviewed one organization currently using the Avangate Digital Commerce Platform to obtain data with respect to costs, benefits, and risks.
- › Constructed a financial model representative of the interview using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interview.
- › Risk-adjusted the financial model based on issues and concerns the interviewed organization highlighted in interviews. Risk adjustment is a key part of the TEI methodology. While the interviewed organization provided cost and benefit estimates, some categories included a broad range of responses or had a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted and are detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modeling the Avangate Digital Commerce Platform's service: benefits, costs, flexibility, and risks.

Given the increasing sophistication that enterprises have regarding ROI analysis related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

**FIGURE 2**  
TEI Approach



Source: Forrester Research, Inc.

## Analysis

### INTERVIEWED ORGANIZATION AND INTERVIEW HIGHLIGHTS

For this study, Forrester conducted an in-depth interview with representatives from an Avangate customer that makes and markets its own software. Additionally, we gathered actual usage data on the customer to help its benefit and cost segments. Some high-level characteristics of the interviewed organization include:

- › It has annual revenue of over \$25 million.
- › It has an online direct-to-consumer presence.
- › It works with a number of affiliate marketing companies for promotion.
- › It has international channel partners that either sell or bundle their software.
- › Many of its licenses, such as those for support or higher functionality, are on recurring subscription plans.

The organization is US-based but currently has a sales presence in over 40 countries. Its sales channels include direct-to-customer sales, brick-and-mortar retailer sales, and sales through PC manufacturers. Having worked with Avangate for over four years, this organization gradually increased its utilization of the Avangate solution for digital direct sales and now runs the vast majority of its eCommerce through the Avangate Digital Commerce Platform. With the direct sales channel comprising over one third of its total revenues and growing in the global arena, the interviewed organization views its digital commerce solution as a critical part of its growth model. What's more, the organization grew international channel partner sales on the Avangate Digital Commerce Platform (Channel Manager Module) and gave value back to these partners by providing product information and support to the channel partners' customers.

Based on the interview and actual customer usage performance data, Forrester constructed a TEI framework and an associated ROI analysis that illustrates the areas financially affected.

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*“We didn’t want to weed out the fraud sales at the expense of also eliminating a lot of legitimate sales. Using our existing tools and manpower to filter for fraud was not a good solution. This is why we sought a new solution in Avangate.”*

~ VP of eCommerce, software company

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*“Avangate got us into 33 different language markets. . . . And we don’t even have to mess with PCI compliance or local tax reporting in all these new regions.”*

~ VP of eCommerce, software company

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#### *Situation*

Prior to working with Avangate for its digital commerce needs, the interviewed organization operated an internally designed shopping cart that was evolving with the organization's early needs. Many of its other needs, such as affiliate marketing, remarketing, and an automatic billing engine, were developed or contracted for on a need basis.

While this basket of ad hoc solutions was working fine initially, the company found itself wanting a comprehensive solution that could do everything it was already doing and lead it into the international market without having to worry about the increasingly common problem of transactional chargebacks. The organization recognized that increasing its international direct sales would also require the time-consuming process of acquiring merchant of record accounts,

the associated tax and compliance regulations of various regions, and the increased chargebacks that would inevitably come with a higher quantity of sales. The company needed to grow, and to do that, it needed a digital commerce solution to tackle the following challenges:

- › Utilize a modern and comprehensive all-in-one digital commerce solution.
- › Enhance fraud detection and decrease chargebacks.
- › Expand internationally without the need to establish various merchant of record accounts.
- › Minimize revenue leakage, especially in the areas of recurring billing.

#### *Solution*

The interviewed organization selected the Avangate Digital Commerce Platform for its breadth of functionalities, strong affiliate integrations, and a willingness to provide a high level service — all in addition to the drivers cited above. And while Avangate's Digital Commerce Platform had favorable pricing and met all the initial requirements of the interviewed organization, the recurring transaction capture mechanism was particularly adept at capturing higher rates of auto-renewal subscriptions. Said the VP of eCommerce: "Ever since we migrated to Avangate, the auto-renewals have been far exceeding [our forecasting] model by about 25%. From that standpoint, I am very satisfied with their automatic renewing engine and what they do to capture that revenue."

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*"Flipping the switch to go into a new market would now take only a couple of weeks. If the language is supported, we would just come up with some marketing language and set the local price; then we're good to go."*

~ VP of eCommerce, software company

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## BENEFITS

The interviewed organization experienced a number of quantified benefits in this case study:

- › International revenue gain.
- › Revenue leakage reduction.
- › Cost savings on order and fraud support headcount adjustment.
- › Cost savings from international localization and cart maintenance.
- › Time-to-value — revenue from quicker market entry.



### International Revenue Gain

By using Avangate's Digital Commerce Platform, the interviewed organization gained an instant bridge to be able to market globally. The Avangate Digital Commerce Platform contained language and currency settings that made the expansion a simple endeavor, taking an average of two to three weeks per country expansion. Originally starting with a direct-to-consumer market in only three nations and one language, the organization is now in over 40 countries with 33 different languages. Using minimal and oftentimes no marketing, the interviewed organization has been able to garner a significant revenue uptick with minimal resource input.

The organization was able to:

- › Offhand merchant of record duties to Avangate in all new expansions.
- › Easily convert pricing to uniform levels across nationalities and currencies.
- › Rely on Avangate to calculate local taxes.
- › Expand into locales that it otherwise would not have been able to enter.

An additional but unquantified benefit of the international expansion is that the product information is available to channel partners, who are grateful for the additional marketing collateral. In areas where the software is lesser-known, the availability of a localized version of the product site adds value to the channel business. While the financial effect of this is unknown at this time, it nevertheless contributes positively to develop and bolster the channel partner business.

The total benefit of expanding internationally with Avangate was \$3,213,000. Due to the complexities of navigating international merchant laws and taxation, this would not have been made possible without the use of Avangate's platform over the three-year period of this study.

Different organizations will find varying levels of success in the international arena, and thus we have risk-adjusted this benefit and reduced it by 15%. The risk-adjusted total benefit over three years in net present value terms (PV) was \$2,638,072. See the section on Risks for more detail. Readers are advised to model their own market penetration and potential revenue gain from expanding internationally.

**TABLE 1**  
**International Revenue Gain**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
A1	Total expansion using Avangate, in number of international markets			34	40	46
A2	Base revenue gained, absent additional marketing spend	$A1 * \$30,000$		1,020,000	1,200,000	1,380,000
A3	Expected growth in market share			5%	5%	5%
At	International revenue gain	$A2 * (1 + A3)$	\$0	\$1,071,000	\$1,260,000	\$1,449,000
	Risk adjustment	↓ 15%				
<b>Atr</b>	<b>International revenue gain (risk-adjusted)</b>		<b>\$0</b>	<b>\$910,350</b>	<b>\$1,071,000</b>	<b>\$1,231,650</b>

Source: Forrester Research, Inc.



### Revenue Leakage Reduction

Two key areas addressed by the Avangate platform were the conversion rate optimization and the revenue leakage prevention. In the first example, the Avangate Digital Commerce Platform contains features to remarket to abandoned carts and unfinished payments. A common scenario would be a customer who would check out but have transactional issues such as a billing mismatch or interchange-related issue. The Avangate Digital Commerce Platform has the capability to take a number of steps to capture this through customer follow-ups, retry with payment gateways, and follow other procedures to maximize conversion rates.

Revenue leakage was also a problem and common with other organizations that also offer time-based licenses and/or recurring subscriptions. Similar to single-instance failed cart transactions, recurring customer payment methods were rejected for the same reasons listed previously. In the same vein, customers who moved or were issued new cards seldom update card information. The Avangate methodology entails acquiring the updated card information to attempt successful processing, in addition to traditional retry logic, leading to an improvement of at least 25% at the interviewed organization. In totality, the revenue leakage was vastly reduced at the organization above and beyond what the customer had expected, with a total PV of \$1,620,829 over three years.

**TABLE 2**  
**Revenue Leakage Reduction**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
B1	Revenue run through Avangate			\$8,707,709	\$6,704,926	\$12,510,144
B2	Annual growth			10%	10%	10%
B3	Percentage revenue lift from remarketing to abandoned carts and unfinished payments			0.4%	1.6%	3.0%
B4	Total remarketing revenue lift	$B1*(B2+1)*B3$		\$38,314	\$118,007	\$412,835
B5	Subscription revenue, annually			\$165,154	\$1,598,891	\$4,314,669
B6	Subscription-based renewal capture rate improvement			25%	25%	25%
B7	Total subscription revenue lift	$B5*B6$		\$41,288	\$399,723	\$1,078,667
<b>Btr</b>	<b>Revenue leakage reduction</b>	<b><math>B4+B7</math></b>	<b>\$0</b>	<b>\$79,602</b>	<b>\$517,729</b>	<b>\$1,491,502</b>

Source: Forrester Research, Inc.



### Cost Savings On Order And Fraud Support Headcount Adjustment

Part of the sales process for any organization selling digital products is having an adequate order support infrastructure to handle questions from customers, be it via online chat, email, or phone support. Expanding internationally often means that the supporting staff needs to be fluent in the local languages to offer decent service. Think about the last time you had a foreign tech support specialist who was hardly legible — this is what organizations should seek to avoid. The interviewed organization employed a team of internal and outsourced order support specialists but was able to rely more on Avangate's localized order support staff. As a result, the organization was able to repurpose 20% of its order support professionals all while expanding into new territories.

In addition to the savings from having to hire additional order support personnel, the organization was able to delegate fraud detection/handling to Avangate, as it is a built-in feature of the platform. Formerly, fraud detection was a loose set of credit card rules manually monitored by a person, but it has improved with the Avangate Digital Commerce Platform's automated algorithm and follow-up touchpoints from the Avangate staff.

With the savings of both of these types of personnel and technology, the organization saved a total PV of \$792,956 over three years.

**TABLE 3**  
**Cost Savings On Order And Fraud Support Headcount Adjustment**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
C1	Call center FTE annual salary			\$45,600	\$45,600	\$45,600
C2	Chargeback and fraud specialist FTE annual salary			\$72,000	\$72,000	\$72,000
C3	Call center FTE repurposed/reduced			4	5	6
C4	Chargeback and fraud specialist FTE repurposed			1	1	2
Ct	Cost savings on order and fraud support headcount adjustment	$(C1 \times C3) + (C2 \times C4)$	\$0	\$254,400	\$300,000	\$417,600
	Risk adjustment	0%				
<b>Ctr</b>	<b>Cost savings on order and fraud support headcount adjustment (risk-adjusted)</b>		<b>\$0</b>	<b>\$254,400</b>	<b>\$300,000</b>	<b>\$417,600</b>

Source: Forrester Research, Inc.



### Cost Savings From International Localization And Cart Maintenance

According to the VP of eCommerce at the organization, “It would have taken us a year and a half to localize, on top of the additional people we would have had to hire for translations and legal/taxation research.” Calculating the cost of manual localization entails summing the cost of translators (for cart and nonmarketing language), legal and tax experts, and additional .NET developers. With Avangate, the interface is largely intuitive and modifiable by marketing personnel, as opposed to highly compensated .NET developers as in the organization's old platform. Local customs, value-added tax (VAT)/taxes, and cart language support is all built in, making for simple access into new locales. Without Avangate, the cost of expansion into the 40-plus countries would have been an additional PV of \$885,788 over three years.

**TABLE 4**  
**Cost Savings From International Localization And Cart Maintenance**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
D1	Cost of translator services per language expansion	\$3,000 * number of languages		\$96,000	\$15,000	\$15,000
D2	Cost of legal/regulatory/taxation examination, preparation, and establishment per country expansion	\$5,000 * number of countries		\$170,000	\$30,000	\$30,000
D3	Cost of database/eCommerce engineer, local adaptation, and maintenance	\$115,200 * 2		\$230,400	\$230,400	\$230,400
Dt	Cost savings from international localization and cart maintenance	D1+D2+D3	\$0	\$496,400	\$275,400	\$275,400
	Risk adjustment	0%				
<b>Dtr</b>	<b>Cost savings from international localization and cart maintenance (risk-adjusted)</b>		<b>\$0</b>	<b>\$496,400</b>	<b>\$275,400</b>	<b>\$275,400</b>

Source: Forrester Research, Inc.



### Time-To-Value — Revenue From Quicker Market Entry

Time-to-market is everything with software and digital companies. Being among the first in markets typically fortifies an organization's foothold in the segment and enables better future growth. While we have not quantified this benefit, it was very obvious to us that the interviewed organization realized a significant revenue uptick upon entering the international market. Using the customer's estimate of 18 months per market entry without the help of Avangate and aligning that against what the revenue, on average, has shown in these new markets, we calculated the revenue uplift from early market entry. Readers should also note that the average revenue figures were gained with minimal to no marketing efforts.

Over three years, the improved time-to-value presented a PV benefit of \$1,532,908.

**TABLE 5**

**Time-To-Value — Revenue From Quicker Market Entry**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
E1	Entries to new international markets, counted by countries			34	6	6
E2	Revenue gained from earlier market entry, per market on average, per year			\$30,000	\$30,000	\$30,000
E3	Amount of time saved for total market entries, in months			18	6	6
Et	Time-to-value — revenue from quicker market entry	$E1 * E2 * E3 / 12$	\$0	\$1,530,000	\$90,000	\$90,000
	Risk adjustment	0%				
<b>Etr</b>	<b>Time-to-value — revenue from quicker market entry (risk-adjusted)</b>		<b>\$0</b>	<b>\$1,530,000</b>	<b>\$90,000</b>	<b>\$90,000</b>

Source: Forrester Research, Inc.

## Total Benefits

Table 6 shows the total of all benefits across the five areas listed above, as well as present values (PVs) discounted at 10%. Over three years, the interviewed organization experienced risk-adjusted total benefits to be a PV of more than \$7.4 million.

**TABLE 6**  
**Total Benefits (Risk-Adjusted)**

Ref.	Benefit Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Atr	International revenue gain	\$0	\$910,350	\$1,071,000	\$1,231,650	\$3,213,000	\$2,638,072
Btr	Revenue leakage reduction	\$0	\$79,602	\$517,729	\$1,491,502	\$2,088,834	\$1,620,829
Ctr	Cost savings on order and fraud support headcount adjustment	\$0	\$254,400	\$300,000	\$417,600	\$972,000	\$792,956
Dtr	Cost savings from international localization and cart maintenance	\$0	\$496,400	\$275,400	\$275,400	\$1,047,200	\$885,788
Etr	Time-to-value — revenue from quicker market entry	\$0	\$1,530,000	\$90,000	\$90,000	\$1,710,000	\$1,532,908
<b>Total benefits (risk-adjusted)</b>		<b>\$0</b>	<b>\$3,270,752</b>	<b>\$2,254,129</b>	<b>\$3,506,152</b>	<b>\$9,031,034</b>	<b>\$7,470,552</b>

Source: Forrester Research, Inc.

## COSTS

The interviewed organization experienced a number of costs associated with the Avangate Digital Commerce Platform solution:

- › Migration-related costs.
- › Avangate processing and hosting-related fees.

These represent the mix of internal and external costs experienced by the interviewed organization for initial planning, implementation, and ongoing usage of the solution.



### Migration-Related Costs

As with most companies transitioning to a new shopping cart, the interviewed organization needed to migrate a considerable amount of data to Avangate. In addition, it needed to transfer affiliate marketing connections to the new cart. The total cost of the migration in PV was \$18,768.

Shopping cart migration costs vary from organization to organization, considering differences in data architecture and data complexity. To compensate, this cost was risk-adjusted up by 20%. The risk-adjusted PV cost of migration-related efforts over the three years was \$22,521. See the section on Risks for more detail.

**TABLE 7**  
**Migration-Related Costs**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
F1	Affiliate network integration			\$8,000		
F2	Product migration			\$4,000	\$2,000	\$1,000
F3	API integration			\$6,000		
Ft	Migration-related costs	F1+F2+F3	\$0	\$18,000	\$2,000	\$1,000
	Risk adjustment	↑ 20%				
<b>Ftr</b>	<b>Migration-related effort (risk-adjusted)</b>		<b>\$0</b>	<b>\$21,600</b>	<b>\$2,400</b>	<b>\$1,200</b>

Source: Forrester Research, Inc.



### Processing And Hosting-Related Fees

The interviewed organization incurred costs related to Avangate's handling of merchant duties, which include merchant fees, payment processing fees, subscription billing fees, customer experience and flow costs, and hosting-related costs. Overall, the three-year cost for the organization to use the Avangate Digital Commerce Platform was \$2,157,200 (PV-adjusted).

Each company sells different products and has varying product volumes, so the fees charged by Avangate could vary. Therefore, we risk-adjusted the cost up by 10%, for a final figure of \$2,372,920. See the section on Risks for more detail.

**TABLE 8**  
Avangate Processing And Hosting Fees

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
G1	Processing charges			\$471,508	\$425,701	\$672,752
G2	Additional ancillary fees — backup media, affiliate commission, tax			\$348,308	\$268,197	\$443,216
Gt	Avangate processing and hosting fees	G1+G2	\$0	\$819,816	\$693,898	\$1,115,968
	Risk adjustment	↑ 10%				
<b>Gtr</b>	<b>Avangate processing and hosting fees (risk-adjusted)</b>		<b>\$0</b>	<b>\$901,798</b>	<b>\$763,288</b>	<b>\$1,227,565</b>

Source: Forrester Research, Inc.

### Total Costs

Table 9 shows the total of all costs as well as associated present values, discounted at 10%. Over three years, the interviewed organization expects total costs to total a net present value of a little less than \$2.4 million.

**TABLE 9**  
Total Costs (Risk-Adjusted)

Ref.	Cost Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Ftr	Migration-related costs	\$0	\$21,600	\$2,400	\$1,200	\$25,200	\$22,521
Gtr	Avangate processing and hosting fees	\$0	\$901,798	\$763,288	\$1,227,565	\$2,892,650	\$2,372,920
	<b>Total costs (risk-adjusted)</b>	<b>\$0</b>	<b>\$923,398</b>	<b>\$765,688</b>	<b>\$1,228,765</b>	<b>\$2,917,850</b>	<b>\$2,395,441</b>

Source: Forrester Research, Inc.

## FLEXIBILITY

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. This provides an organization with the “right” or the ability to engage in future initiatives but not the obligation to do so. There are multiple scenarios in which a customer might choose to implement the Avangate Digital Commerce Platform and later realize additional uses and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Some features such as marketing/merchandising tools (promotions, cross-selling, etc.) and A/B testing were notably used very little by the interviewed organization. Likewise, we feel that the languages and customization options, as well as the affiliate network supported by the Avangate platform, offer additional expansion possibilities that the organization has not yet fully utilized. These capabilities do not cost extra, and we believe that should an organization choose to pursue these options, it can gain additional quantifiable benefits.

## RISKS

Forrester defines two types of risk associated with this analysis: “implementation risk” and “impact risk.” Implementation risk is the risk that a proposed investment in the Avangate Digital Commerce Platform may deviate from the original or expected requirements, resulting in higher costs than anticipated. Impact risk refers to the risk that the business or technology needs of the organization may not be met by the investment in the Avangate Digital Commerce Platform, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

**TABLE 10**  
**Benefit And Cost Risk Adjustments**

Benefits	Adjustment
International revenue gain	↓ 15%
Costs	Adjustment
Migration-related costs	↑ 20%
Avangate processing and hosting fees	↑ 10%

Source: Forrester Research, Inc.

Quantitatively capturing implementation risk and impact risk by directly adjusting the financial estimates results provides more meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as “realistic” expectations since they represent the expected values considering risk.

The following impact risk that affects benefits is identified as part of the analysis:

- › International revenue may not garner the same type of revenue for all organizations, and hence is risk-reduced by 15%. While we realize some organizations may be more successful in the international arena, we’ve made the reduction in favor of conservatism.

The following implementation risks that affect costs are identified as part of this analysis:

- › Migration-related costs could potentially be much greater at organizations with complex existing databases. While the Avangate platform offers easy importation and a simple editor for the cart front end, we nevertheless recognize that back-end migrations can and will often be troublesome. We adjusted the cost of migration up 20% in this cost category.
- › Processing fees and hosting fees have been risk-adjusted up 10%, as organizations running varying amounts of sales through the platform may be able to establish different pricing.

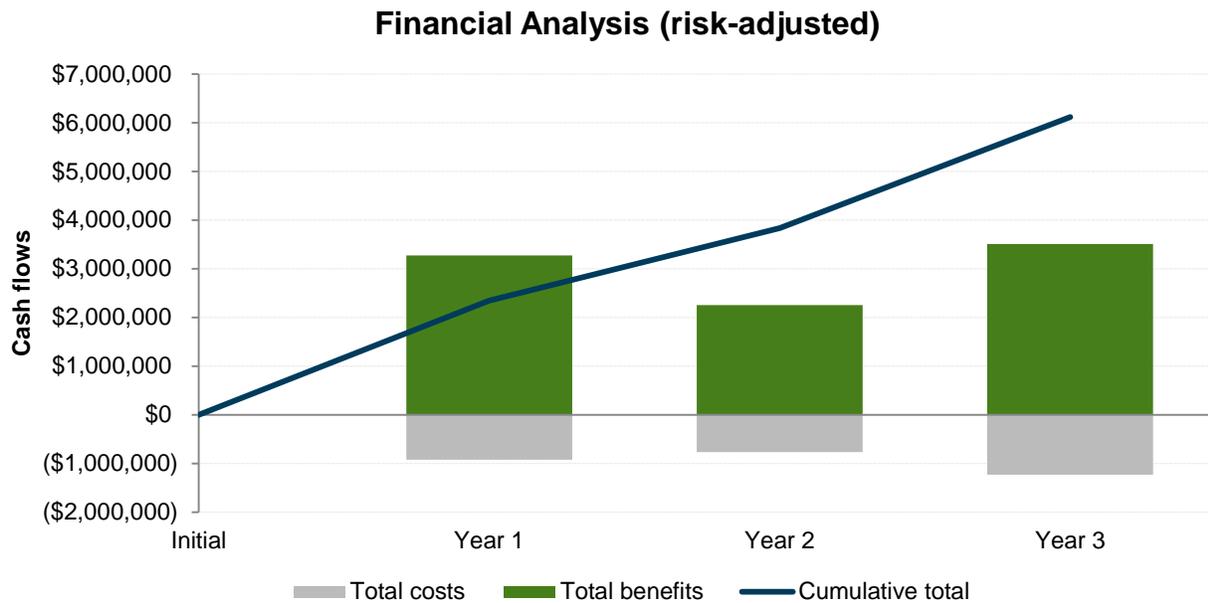
Table 10 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates for the interviewed organization. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

## Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the interviewed organization's investment in Avangate's Digital Commerce Platform.

Table 11 below shows the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 10 in the Risks section to the unadjusted results in each relevant cost and benefit section.

**FIGURE 3**  
Cash Flow Chart (Risk-Adjusted)



Source: Forrester Research, Inc.

**TABLE 11**  
Cash Flow (Risk-Adjusted)

Summary	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	\$0	(\$923,398)	(\$765,688)	(\$1,228,765)	(\$2,917,850)	(\$2,395,441)
Total benefits	\$0	\$3,270,752	\$2,254,129	\$3,506,152	\$9,031,034	\$7,470,552
<b>Total</b>	<b>\$0</b>	<b>\$2,347,355</b>	<b>\$1,488,442</b>	<b>\$2,277,387</b>	<b>\$6,113,184</b>	<b>\$5,075,111</b>
<b>ROI</b>						<b>212%</b>
<b>Payback period (months)</b>						<b>&lt;3 months</b>

Source: Forrester Research, Inc.

## Avangate's Digital Commerce Platform: Overview

The following information is provided by Avangate. Forrester has not validated any claims and does not endorse Avangate or its offerings.

Avangate is a modern digital commerce service that frees digital business leaders from the burden of building and operating their own commerce infrastructure. Powered by a specialized cloud platform and deep commerce expertise, Avangate helps digital businesses scale faster, maximize revenue from every customer, and instantly conduct business in over 180 countries.

Avangate helps digital businesses achieve the fastest path to revenue. Today's fast-paced businesses can deploy a broad range of business models, from download to subscription and usage-based, without being dependent upon traditional IT timeframes. With Avangate, digital business leaders can implement, iterate, and test business models at new speeds and drive usage by delivering the right model to the right customer at every touchpoint and moment.

Avangate maximizes the value of each customer. For the first time, digital business can go beyond acquisition and maximize customer value at every moment across the digital commerce life cycle, from acquire to activate, upgrade, upsell/cross-sell, and renew. This automation enables digital business leaders to seamlessly monetize customer touchpoints while proactively minimizing revenue leakage.

Avangate makes it easy for digital businesses to expand their market reach. Merchant services spanning global shopper support, risk, fraud, tax, and financial reconciliation make it possible to instantly conduct commerce in over 180 countries and navigate the complexities of global business across multiple jurisdictions. These services are surrounded by powerful capabilities, providing visibility and control across multiple distribution channels, including resellers, affiliates, and marketplaces, and access to a global partner network of 50,000 affiliates that open new market segments. Avangate resets the bar for conducting digital commerce on a global scale.

Avangate heralds a new era of digital commerce. Over 4,000 of the world's most demanding digital business leaders trust Avangate as an extension of their business to launch new revenue streams, operate their commerce infrastructure, scale faster, and sell more globally.

## Appendix A: Total Economic Impact™ Overview

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. TEI assists technology vendors in winning, serving, and retaining customers.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

### BENEFITS

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

### COSTS

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

### FLEXIBILITY

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

### RISKS

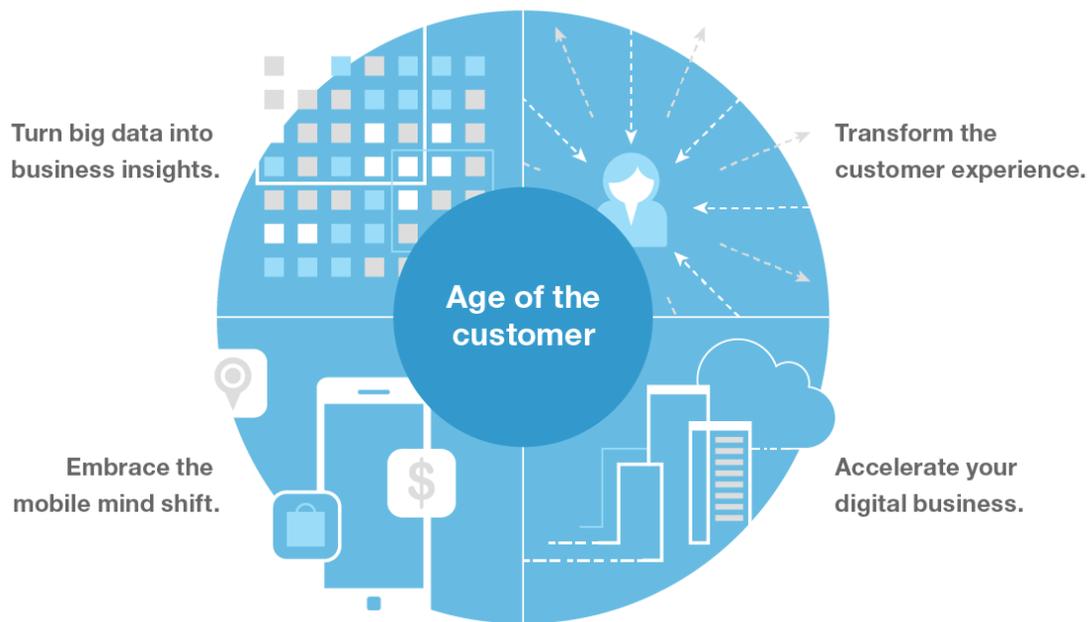
Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections and 2) the likelihood that the estimates will be measured and tracked over time. TEI risk factors are based on a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the risk factor around each cost and benefit.

## Appendix B: Forrester And The Age Of The Customer

Your technology-empowered customers now know more than you do about your products and services, pricing, and reputation. Your competitors can copy or undermine the moves you take to compete. The only way to win, serve, and retain customers is to become customer-obsessed.

A customer-obsessed enterprise focuses its strategy, energy, and budget on processes that enhance knowledge of and engagement with customers and prioritizes these over maintaining traditional competitive barriers.

**CMOs and CIOs must work together to create this companywide transformation.**



Forrester has a four-part blueprint for strategy in the age of the customer, including the following imperatives to help establish new competitive advantages:



Transform the customer experience to gain sustainable competitive advantage.



Accelerate your digital business with new technology strategies that fuel business growth.



Embrace the mobile mind shift by giving customers what they want, when they want it.



Turn (big) data into business insights through innovative analytics.

## Appendix C: Glossary

**Discount rate:** The interest rate used in cash flow analysis to take into account the time value of money. Companies set their own discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organizations to determine the most appropriate discount rate to use in their own environment.

**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.

**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.

**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.

**Return on investment (ROI):** A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

### A NOTE ON CASH FLOW TABLES

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in years 1 through 3 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 are not calculated until 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.

TABLE [EXAMPLE]  
Example Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3

Source: Forrester Research, Inc.

## Appendix D: Supplemental Material

### *Related Forrester Research*

“Market Overview: Commerce Solutions For Digital Products And Services,” Forrester Research, Inc., May 27, 2015

“Market Overview: Digital Commerce Solutions 2011,” Forrester Research, Inc., November 7, 2011

“Identifying Partners to Help Streamline Global Expansion,” Forrester Research, Inc., March 4, 2015

## Appendix E: Endnotes

<sup>1</sup> Forrester risk-adjusts the summary financial metrics to take into account the potential uncertainty of the cost and benefit estimates. For more information, see the section on Risks.