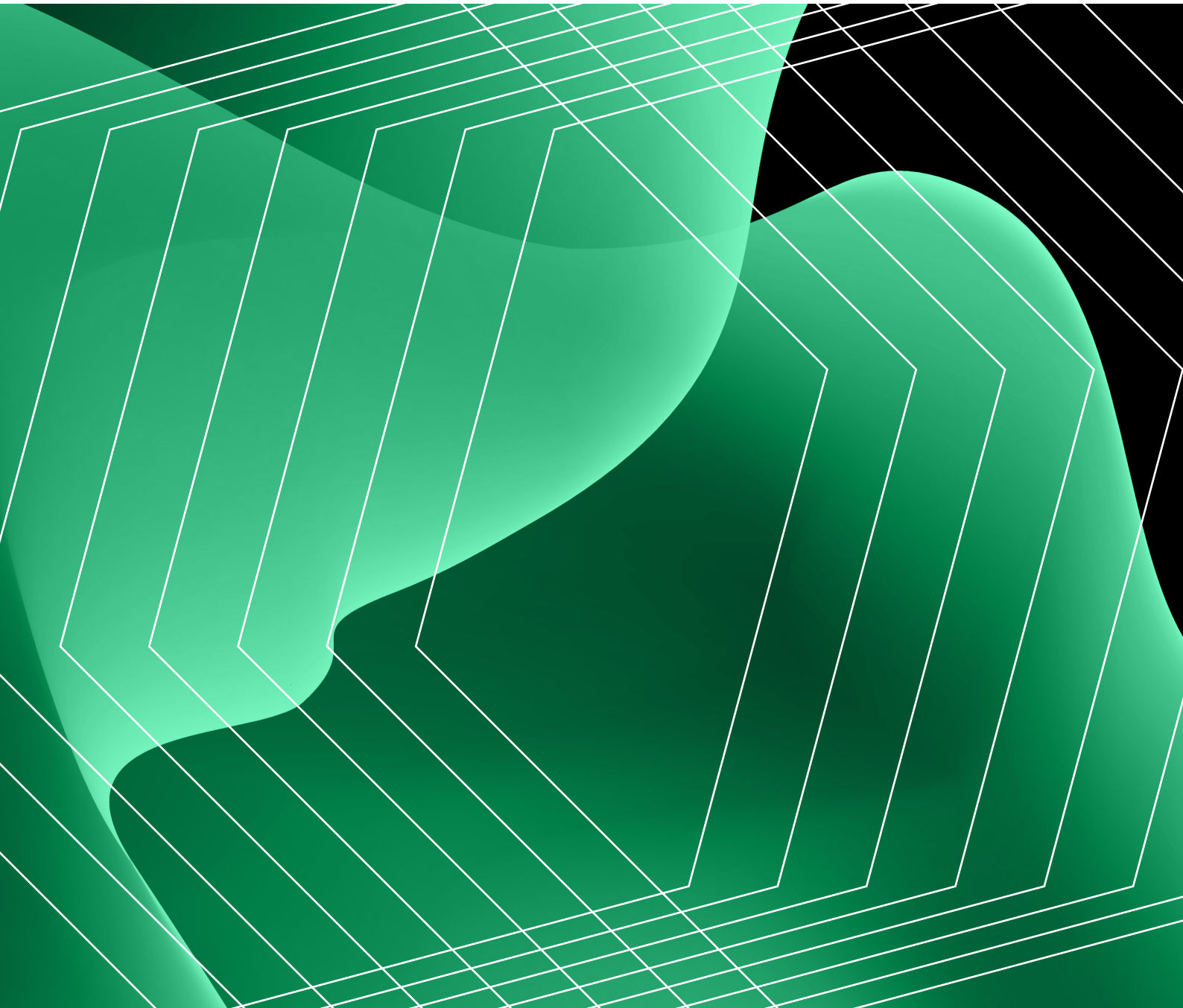
FORRESTER®

The Total Economic Impact™ Of Checkout.com

Cost Savings And Business Benefits Enabled By Checkout.com

A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY
COMMISSIONED BY CHECKOUT.COM, JULY 2024



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Consulting Team:

Sanny Mok

Corrado Loreto

ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute their specific priorities using a unique engagement model that ensures lasting impact. For more information, visit forrester.com/consulting.

Executive Summary

The payment service provider (PSP) landscape is crowded, highly competitive, and includes a mix of legacy providers and established digital-first players. Merchants now look for providers that not only process payments, but that also support their globalization needs, embrace payment innovation, and optimize payment experiences.[1] Checkout.com offers a wide range of modern payment-related solutions that can help customers navigate the digital economy.

Checkout.com is a digital PSP that provides businesses with the technology and expertise to accept payments online and disburse funds through a range of payment methods and integration options. Checkout.com also helps merchants to maximize the number of accepted payments and their performance by offering Intelligent Acceptance and authentication, identity verification, and fraud detection tools.

Checkout.com commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Checkout.com.[2] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Checkout.com on their organizations.

Return on investment (ROI)
182%

Net present value (NPV)
$12.40M

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed six representatives of five organizations with experience using Checkout.com. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a B2C organization with $10 billion annual transaction volume, $25 average transaction value, and an authorization rate of 85%.

Interviewees said that prior to using Checkout.com, their organizations often had a mix of providers of payment-related services. The organizations sought to address problems including high costs, processing latency, outages, and poor technical support.

After integrating Checkout.com into their payments ecosystems, the interviewees' organizations gained incremental profit from higher authorization rates, saved costs from mitigating payment retries, and reduced costs with Checkout.com's pricing. They also streamlined chargeback management and fraud controls, improved operational efficiency with better cost transparency, and reduced risks with access to Checkout.com's payment expertise and proactive support.

KEY FINDINGS

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

- **Payment acceptance rate improvement of 2.1%.** Using Checkout.com, the composite organization increases its payment authorization rate by 1.5% in Year 1. This further increases by 0.3% year-over-year to 1.8% in Year 2 and to 2.1% by Year 3. The composite's total profit increase over three years is $13.4 million.
- **Reduction of payment retries by 7%.** Using Checkout.com's Intelligent Acceptance optimizes the composite organization's payments performance, improving the successful retry of failed payments. These capabilities allow the composite to reduce payment retries by 7%, which saves it $1 million in avoided scheme and gateway fees.
- **Avoided existing PSP costs of $4.7 million.** The composite organization avoids transaction fees for payments processed by existing PSPs when transactions are routed to Checkout.com.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified for this study include:

- **Streamlined chargeback management.** Checkout.com notifies the composite organization when it receives a dispute and makes it visible in the payment dashboard. This helps the organization handle disputes timely and more effectively.

- **Effective fraud controls.** Checkout.com helps the composite build effective and tailored risk strategies. Interviewees said they appreciate the velocity with which Checkout.com's Fraud Detection Pro flags suspicious activities, detects new fraudulent trends, and updates criteria into its fraud engine using machine learning.
- **Improved reliability during volume surges.** Checkout.com can support large surges in volumes, which enables the composite to handle seasonal spikes in payments (e.g., during Black Friday, the Christmas shopping season, or product launches).
- **Improved cost transparency.** Checkout.com offers transparent interchange plus plus (IC++) pricing schemes, which enables the composite to not only break down transaction costs, but also to streamline internal reporting and forecasting.
- **Access to Checkout.com's payment expertise.** Checkout.com has a deep understanding of the composite's payment needs in its service provision. Because of this, the composite can count on a team of experts across multiple areas such as integration, customer success, and solutions engineering.
- **Improved customer satisfaction with responsive support.** The composite is able to improve its customer service by leveraging the uptime of Checkout.com and its customer-first support team available around the clock. Interviewees described those two factors as crucial, especially for nimble businesses.

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

- **Checkout.com fees totaling $6.8 million.** Incremental quantified costs for the composite organization include acquirer and gateway fees paid to Checkout.com. Transaction costs are tailored to the composite because Checkout.com uses a bespoke, tiered approach to pricing. The composite also uses value-add services such as Intelligent Acceptance at an additional cost.
- **Implementation and ongoing maintenance costs totaling $53,000.** These costs include the internal time and effort the composite dedicates to the initial implementation of Checkout.com and subsequent expansions. The initial implementation involves three FTEs who each spend 200 hours on the initiative, while the expansions involve 40 person-hours in Year 1 and 80 hours in Year 2.

Two employees at the composite spend 30 minutes per week on ongoing vendor management of Checkout.com.

The representative interviews and financial analysis found that a composite organization experiences benefits of $19.23 million over three years versus costs of $6.83 million, adding up to a net present value (NPV) of $12.40 million and an ROI of 182%.

> “The volume processed by Checkout.com three years ago was half of what it is today. The volume really tells the story of where we put our trust. We will route the lion’s share of our volume in the direction that we see the best performance.”
>
> **VP OF PAYMENT OPS, E-COMMERCE**

Return on investment (ROI)

182%

Benefits PV

$19.23M

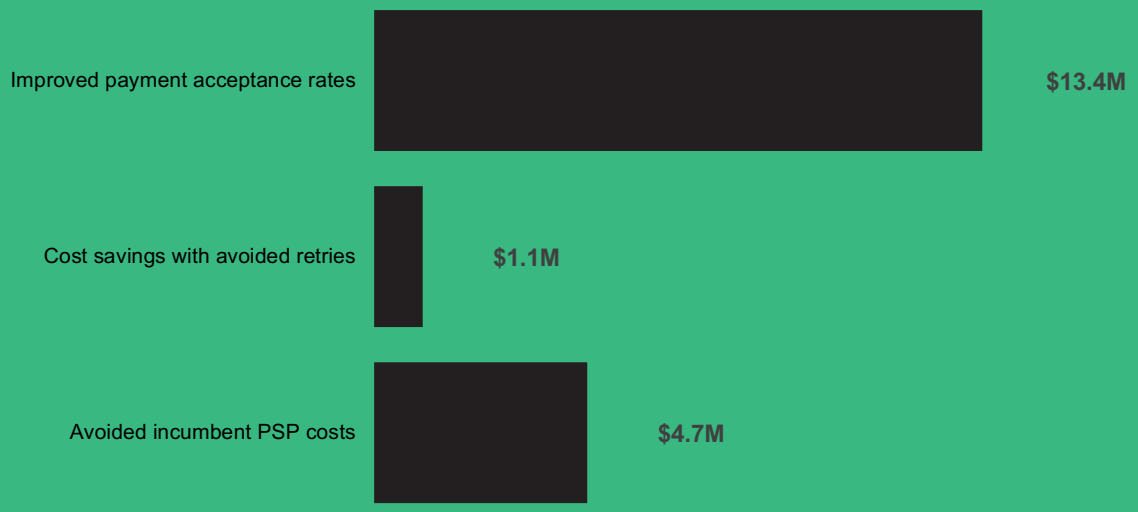
Net present value (NPV)

$12.40M

Payback

<6 months

Benefits (Three-Year)



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 Checkout.com.

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 Checkout.com can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Checkout.com 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 Checkout.com.

Checkout.com 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.

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

1. **Due Diligence**
   Interviewed Checkout.com stakeholders and Forrester analysts to gather data relative to Checkout.com.
2. **Interviews**
   Interviewed six representatives at five organizations using Checkout.com to obtain data about costs, benefits, and risks.
3. **Composite Organization**
   Designed a composite organization based on characteristics of the interviewees' organizations.
4. **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.
5. **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.

The Checkout.com Customer Journey

Drivers leading to the Checkout.com investment

Interviews			
Role	**Industry**	**Market(s)**	**Annual transaction volume**
Senior engineering manager Global head of payments partnerships	Fintech	Global	$90 billion
Senior director of global payments	Digital consumer goods	Global	$25 billion
VP of payments	Food and beverage	Europe, North America	$300 million
VP of payment ops	E-commerce	North America	$800 million
Payments team member	Remittance	North America	$40 billion

KEY CHALLENGES

Prior to using Checkout.com, interviewees' organizations had multiple payment-processor partners, but not all of them were meeting their requirements for an online-first platform. The interviewees noted how their organizations struggled with common challenges, including:

- **Making payments a driver of growth.** The VP of payments at a food and beverage business connected payment performance to business growth. They said, "Payment performance ultimately impacts our overall adoption and our growth spiral as a company, so better approval rates were super important to me."

  The senior director of global payments at a digital consumer goods business described their organization's considerations as a combination of performance and cost: "There was a monetarization drive. We have a revolver of processors

that we use and based on cost and performance and some ancillary factors like account management. It [took] time to deprecate one of the processors that wasn't performing so well and bring in a new modern processor with their own stack."

- **Improving access to payments insights.** Interviewees' organizations sought a range of information from PSPs to help them improve payment experiences and mitigate risks, including transparent costs for accounting and forecasting purposes, tactics used to enhance payments, and transaction data for real-time settlement information.

INVESTMENT OBJECTIVES

The interviewees' organizations searched for a solution that could:

- Understand their business objectives and partner with them to optimize payments performance.
- Improve control over payment experiences and payment flows with a modern tech stack.
- Simplify payment infrastructure across geographies with one integration.
- Surface granular and actionable payments data to support data-driven decision-making.

> "We wanted more flexibility and to have more control over the payments experience."
>
> VP OF PAYMENTS, FOOD AND BEVERAGE

> “Checkout.com is very easy to work with, very nimble, [and] very responsive. We are a complex entity. Think about all the scenario of card payment processing with returns, chargebacks, and partial captures. Checkout.com is very good at understanding what our very unique needs are. They mobilize resources to ensure they serve our needs quicker than others that I’ve seen.”
>
> GLOBAL HEAD OF PAYMENTS PARTNERSHIPS, FINTECH

COMPOSITE ORGANIZATION

Based on the interviews, 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 six interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a B2C organization with $10 billion annual transaction volume, $25 of average transaction value, and 89% as baseline authorization rate. Prior to using Checkout.com, it processed payments using multiple PSPs including modern providers.

Deployment characteristics. Initially, the composite organization adopts Checkout.com’s core processing services (acquiring services, gateway services, and payment processing). The composite then adopts additional solutions such as Intelligent Acceptance in Year 1 and plans to adopt Checkout.com’s chargeback and fraud solutions. The composite processes 5% of its transaction volume through Checkout.com in Year 1, up to 20% in Year 2, and 50% in Year 3.

Key Assumptions

B2C company

$10 billion total annual transaction volume

$25 average transaction value

85% baseline authorization rate

Previously used multiple PSPs including modern providers

Checkout.com processes 5% of total volume in Year 1, 20% in Year 2, and 50% in Year 3

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	Improved payment acceptance rates	$873,529	$4,192,939	$12,229,406	$17,295,874	$13,447,490
Btr	Cost savings with avoided retries	$96,483	$366,011	$905,065	$1,367,559	$1,070,189
Ctr	Avoided existing PSP costs	$414,372	$1,614,646	$3,990,714	$6,019,731	$4,709,402
	Total benefits (risk-adjusted)	$1,384,384	$6,173,595	$17,125,185	$24,683,164	$19,227,081

IMPROVED PAYMENT ACCEPTANCE RATES

Evidence and data. Interviewees said their organizations compared performance with Checkout.com against their existing processors, and they observed higher payment acceptance rates with Checkout.com.

- Authorization rates increased shortly after setting up Checkout.com as a processor. The senior director of global payments at the digital consumer goods business said their organization had deployed Checkout.com for half a year, and they noted: “We’re seeing over the incumbent legacy processor, in the range of very low single digits. At our scale, [we’re] processing billions of dollars. That's huge.”
- The VP of payment ops for an e-commerce with authorization rates over 90% said that in a like-for-like comparison with transactions processed by an existing provider on initial adoption, there was a 0.4% increase in authorization rate with Checkout.com.

  The interviewee said payment performance improvements differed across markets: “Checkout.com outperformed in Australia by 6%, and that’s huge. Instead of an 85% approval rate, you could get 91% with Checkout.com. … They are outperforming again in those 3DS [3D Secure] regions that are so vital for us:

the EU and the UK. In the EU, other providers are averaging around 80%, and Checkout.com is at a 93% approval rate. In the UK, other providers average around 86%, and Checkout is at a 91% approval rate."

- The senior engineering manager at a fintech provider postulated how Checkout.com increased their organization's authorization rates: "We also found 3DS solution fit our need best, especially in Europe where 3DS is mandatory. While it is a conversion killer by itself, we still find a way to make it more friendly to the user so they don't have to mark all the OTP [one-time password] or different types of operation that actually hurt the conversion."
- Interviewees said Checkout.com's proactive collaboration optimizes transaction processing. The senior engineering manager at the fintech provider commented: "[Checkout.com is] actively working with us to optimize payments in different ways — whether it's parameter optimization, helping us prioritize our optimization efforts, [or] tokenization — to make sure that we are getting to a higher result."

> "Checkout.com continues to develop and introduce features that are highly relevant to our payment processing."
>
> VP OF PAYMENT OPS, E-COMMERCE

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- Before using Checkout.com, the composite achieved an 85% authorization rate of its total transaction volume.
- The authorization rate improves by 1.5 percentage points in Year 1.

- The composite works with Checkout.com to optimize payments. Its performance increases by 0.3 percentage points year-over-year, so the composite observes an increase to 1.8 percentage points in Year 2 and to 2.1 percentage points in Year 3.
- The composite's operating profit margin is 11%.

Risks. Factors that can impact the realization of this benefit include:

- Authorization rates, which may vary depending on the organization's industry, region, and customer behaviors.
- The organization's existing payments solutions and maturity of payment operations.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $13.4 million.

Improved Payment Acceptance Rates					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Total transaction attempts	Composite	470,588,000	470,588,000	470,588,000
A2	Percentage of transactions processed by Checkout.com	Composite	5%	20%	50%
A3	Authorization rate before using Checkout.com	Interviews	85%	85%	85%
A4	Authorization rate uplift (percentage points)	Interviews	1.50%	1.80%	2.10%
A5	Average transaction value	Composite	$25	$25	$25
A6	Operating profit margin	TEI standard	11%	11%	11%
At	Improved payment acceptance rates	A1*A2*A4*A5*A6	$970,588	$4,658,821	$13,588,229
	Risk adjustment	↓10%			
Atr	Improved payment acceptance rates (risk-adjusted)		$873,529	$4,192,939	$12,229,406
	Three-year total: $17,295,874		**Three-year present value: $13,447,490**		

Interview Spotlight

Optimizing Payment Acceptance While Managing Risk Of Chargebacks With Checkout.com

Interviewees said it's important that merchants monitor chargeback rates when they work to improve payment acceptance rates and that chargebacks increasing with payment acceptance rates indicates a merchant may be taking on higher risks (e.g., accepting customers who are more prone to initiating chargebacks). Interviewees emphasized the need to maintain a balance between payment acceptance and chargeback rates. The senior director of payments at the digital consumer goods company cautioned, "If you just measure payment acceptance in isolation, it wrongly incentivizes the processors to get a little too aggressive in trying to get those transactions approved."

Interviewees said Checkout.com improved performance without increasing the risk of chargebacks. The VP of payment ops at an e-commerce organization noted: "We always make sure that any optimizations that are reducing friction or optimizing for success are not met with an increase in chargeback levels. It is really important to recognize that hasn't been our experience with Checkout.com."

And the senior director of global payments at the digital consumer goods company said, "We don't want to increase acceptance rates at the cost of raising chargebacks, and that hasn't happened."

COST SAVINGS WITH AVOIDED RETRIES

Evidence and data. Checkout.com's Intelligent Acceptance optimizes payments, reducing friction at checkout and minimizing the need for merchants to retry payments.

- The VP of payments at a food and beverage company described how Intelligent Acceptance helped their organization increase its first-time authorization rate by over 7%: "There are three different optimizations applied. First is 3DS configurations. We needed to refine that as it was being triggered too often. The second is adaptive messaging, which is a separate bucket here where they play with the ISO 8583 message to the issuer. And thirdly, smart-payment routing tailors the payment route to explore alternatives to advance retry capabilities."
- The VP of payment ops at the e-commerce business said: "Intelligent Acceptance was superior to anything else we had with any other provider, and not just for 3DS. It's superior in retry logic."

> "I don't want customers to have friction. I want them to have a happy experience the first time. … Think about our business model: Having 3DS when you're trying to have a nice time in a restaurant is not a great experience."
>
> VP OF PAYMENTS, FOOD AND BEVERAGE

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite uses Intelligent Acceptance to optimize 80% of the transactions that Checkout.com processes.

- The composite attributes a 7% uplift in first-time payment acceptance rate to Intelligent Acceptance.
- On average, the composite makes three retry attempts if a transaction is initially declined.
- With each avoided retry, the composite avoids part of the scheme fees estimated at 0.57% of the transaction's value and the entirety of the Checkout.com gateway fee, which is tiered according to volume.

Risks. The value of this benefit may vary depending on the organization's authorization rates, the number of merchant-initiated retries, and costs incurred in scheme fees and gateway fees for declined transactions.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1.0 million.

Cost Savings With Avoided Retries					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Total transaction attempts	Composite	470,588,000	470,588,000	470,588,000
B2	Percentage of transactions processed by Checkout.com	Composite	5%	20%	50%
B3	Percentage of transactions processed by Checkout.com and optimized by Intelligent Acceptance	Composite	80%	80%	80%
B4	First-time authorization rate uplift with Intelligent Acceptance	Interviews	7%	7%	7%
B5	Average retries per transaction	Composite	3	3	3
B6	Avoided retries	B1*B2*B3*B4*B5	3,952,939	15,811,757	39,529,392
B7	Average transaction value	Composite	$25	$25	$25
B8	Avoided scheme fees as a percentage of transaction value	Composite	0.057%	0.057%	0.057%
B9	Avoided gateway fee per transaction	Composite	$0.0129	$0.0115	$0.0112
Bt	Cost savings with avoided retries	B6*(B7*B8+B9)	$107,204	$406,678	$1,005,628
	Risk adjustment	↓10%			
Btr	Cost savings with avoided retries (risk-adjusted)		$96,483	$366,011	$905,065
	Three-year total: $1,367,559			**Three-year present value: $1,070,189**	

AVOIDED EXISTING PSP COSTS

Evidence and data. Interviewees' organization incurred transaction fees for payments processed by existing PSPs. These fees were avoided when they routed transactions to Checkout.com. Note that Checkout.com charges transaction fees (see the Costs section below).

- The VP of payment ops at the e-commerce company said, "Checkout.com is not only cost-effective, but it performs in the way that we absolutely require a processor to."
- The VP of payments at the food and beverage business said: "I am saving around 40% on the acquiring and the gateway fees. I still pay the interchange and the scheme fees, so my overall transaction costs have reduced by about 10% to 15%."

  The interviewee added that Checkout.com presented the best-value alternative: "It was worth [my organization] making the transition. Checkout.com wasn't the cheapest option. There were local players that were cheaper, but they didn't have the nice fraud engine, the support, alternative payment methods, currencies, and everything else."

  One interviewee mentioned that their organization incurs support costs from an existing PSP. With the adoption of Checkout.com, the company routes a smaller share of volume to the existing PSP. This reduced the support cost needed from the existing PSP.
- The VP of payments at the food and beverage business said, "Checkout.com doesn't charge me a customer-success-team fee. In fact, the quality of the people that I have working with me is far better compared to [my company's existing provider], which came at a cost."

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite avoids existing provider acquiring fees at 0.0189% of the transaction volume and gateway fees at $0.0186 per transaction.

- The composite reduces support hours required from existing PSPs as it reduces its reliance on them. It reduces support costs paid to existing processors by 30% in Year 1 and by 50% in years 2 and 3.
- The composite's interchange fees and scheme fee amounts are the same regardless of processor, and therefore they are not included in the benefit analysis.

Risks. The value of avoided existing PSP costs may vary depending on:

- The organization's volume of payments routed to Checkout.com.
- Pricing of the organization's existing processors.
- The support cost structure of the organization's existing processors.

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 $4.7 million.

Avoided Existing PSP Costs					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Transaction volume	Composite	$10,000,000,000	$10,000,000,000	$10,000,000,000
C2	Average transaction value	Composite	$25	$25	$25
C3	Percentage of transactions processed by Checkout.com	Composite	5%	20%	50%
C4	Acquiring fees paid to other providers as a percentage of volume	Interviews	0.0189%	0.0189%	0.0189%
C5	Gateway fees paid to other providers per transaction	Interviews	$0.0186	$0.0186	$0.0186
C6	Subtotal: Avoided acquiring fees	C1*C3*(C4)	$94,688	$378,750	$946,875
C7	Subtotal: Avoided gateway fees	C1/C2*C3*C5	$371,208	$1,484,833	$3,712,083
C8	Support costs paid to other processors	Interviews	$72,000	$72,000	$72,000
C9	Avoided support costs	Interviews	30%	50%	50%
Ct	Avoided existing PSP costs	C6+C7+C8*C9	$487,496	$1,899,583	$4,694,958
	Risk adjustment	↓15%			
Ctr	Avoided existing PSP costs (risk-adjusted)		$414,372	$1,614,646	$3,990,714
	Three-year total: $6,019,731			**Three-year present value: $4,709,402**	

UNQUANTIFIED BENEFITS

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

- **Streamlined chargeback management.** Checkout.com provided interviewees' organizations with granular, real-time information on chargeback disputes, which enabled customer support teams and risk teams to efficiently handle payment disputes. The senior engineering manager at the fintech provider said: "Chargeback information used to come in batches with the settlement files. Checkout.com provides the information in real time so we have more time to challenge the dispute if needed. … Checkout.com's APIs are richer. It provides useful information on the dispute — like an update on the balance and reason for the challenge." Interviewees' organizations also used Checkout.com's Rapid Dispute Resolution to automate eligible refunds. The VP of payment ops at the e-commerce business said: "Rapid Dispute Resolution automatically issues a refund when the alert occurs. It eliminates the dispute process entirely, and it saves us reviewing these dispute cases. And time is money."
- **Effective fraud controls.** Interviewees' organizations leverage proprietary and/or third-party fraud tools along with Checkout.com's solution. The VP of payment ops at the e-commerce company said: "Checkout.com and its risk team have always been supportive by flagging duplicating data and adding criteria to block list into their fraud engine. … Our velocity controls within Prism have been highly effective, and there have been no false positives as of now."

  The VP of payments at the food and beverage business said the solution's interface is more user-friendly than others: "Checkout.com's rule builder — where you can actually build different flows — is probably more usable than [our other providers'] solution. I actually prefer to use Checkout.com's [solution]. The dashboard is better."
- **Improved reliability during volume surges.** Interviewees reported that Checkout.com enabled their organizations to handle seasonal spikes in payments. The senior director of global payments at the digital consumer goods organization recalled, "We've seen no problems from Checkout.com, despite going through Christmas and our spike in seasonality." The VP of payments at

the food and beverage payment company also confirmed their satisfaction with Checkout.com's capacity to handle payment velocity. They said: "In terms of [Checkout.com] being able to handle velocity, I've never had any issues. [There's] no downtime and no issues to report there."

Interviewees explained that having a robust and scalable system prepares merchants for seasonal spikes in volumes and mitigates the risk of missed revenue opportunities. The senior director of global payments at the digital consumer goods company highlighted: "If you can't process payments, your store is closed. We've had instances where we're dependent on one processor, but it's not like that anymore." In a scenario in which merchants rely on a single PSP and suffer outages, improvements in system uptime can be quantified as incremental profit generated in the additional uptime.[3]

- **Improved cost transparency.** Interviewees said Checkout.com's IC++ pricing structure offered their organizations higher transparency into their transaction costs. The VP of payments at the food and beverage business explained how this raised the efficiency of finance processes and internal reporting: "The biggest improvement over our existing provider is [Checkout.com's] IC++ pricing. [The existing PSP] would adapt the interchange and scheme fees up to the 15th of the following month for the previous month, which puts some strain on their operational processes and puts a lot of strain on our internal reporting. Checkout.com doesn't change the interchange and scheme fees; what they report on or what they predict at the point of transaction is what they will bill. The finance team can close month-end reconciliation pretty quickly."
- **Access to Checkout.com's payment expertise.** The senior director of global payments at the digital consumer goods organization noted: "We've really enjoyed the personal and genuine attention from the very top of Checkout.com's leadership team all the way up to the CEO. They really put a lot of effort investing with us, inviting us into their offices, explaining things, and getting down into the details, and they gave us the appropriate amount of time."

  The VP of payments at the food and beverage business said they appreciate the know-how of their Checkout.com counterparts: "The integrations team at Checkout.com knows so much about payments. They combine the sales versus

the customer success versus the engineer role between themselves. They're pretty good."

Interviewees said Checkout.com gained the trust of their merchant organizations with its responsiveness and transparency in collaboration. The senior engineering manager at a fintech summarized: "Checkout.com works together end-to-end with us to investigate and resolve issues whether it's a problem on their end, with the networks, or with the issuers. Across the engineering, product, and commercial teams, we are very comfortable working with [Checkout.com]. We feel there is a transparency and trust between the two organizations."

The VP payment ops at the e-commerce firm emphasized: "We are communicating with [Checkout.com] really frequently. In our business, payments never sleeps. It's really important that we have a responsive team on our provider's side. We have that with us, so that goes a long way."

- **Improved customer satisfaction with responsive support**. The VP of payment ops at the e-commerce business said: "In our business model, there are some merchants that are far more passionate about staying in front of chargebacks and are more proactive. When we have suppliers that are eager to go that route, we want to be able to support that. Having Checkout.com enabling that is pretty pivotal to our offering."

> "[Checkout.com's] customer support model is working well. With Checkout.com, we feel they absolutely translate customer-first principles into the service that they give you."
>
> GLOBAL HEAD OF PAYMENTS PARTNERSHIPS, FINTECH

FLEXIBILITY

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

- **Further enhancing operational and cost efficiency**. Merchants can realize extra savings by routing a higher share of payments to Checkout.com or by adopting additional solutions to enhance authentication, chargeback management, or fraud detection.

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

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**
Dtr	Checkout.com fees	$0	$684,600	$2,327,009	$5,626,947	$8,638,556	$6,773,120
Etr	Implementation and ongoing maintenance	$38,027	$5,831	$8,366	$3,296	$55,520	$52,718
	Total costs (risk-adjusted)	$38,027	$690,431	$2,335,375	$5,630,243	$8,694,076	$6,825,838

CHECKOUT.COM FEES

Evidence and data. Checkout.com charged interviewees' organizations transactions fees using an IC++ pricing model that broke down costs into pass-through interchange fees to card issuing banks, card-scheme fees paid to card networks, and acquirer fees paid to Checkout.com. The organizations also incurred gateway fees for using Checkout.com's gateway services.

- Interviewees' organizations adopted tiered pricing plans for acquiring and gateway services, which means the per-unit cost decreased as volumes increased.
- Some organizations also incurred costs for additional Checkout.com services such as Intelligent Acceptance, Real-Time Account Updater, Rapid Dispute Resolution, and Fraud Detection Pro.
- Pricing may vary. Contact Checkout.com for additional details.

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite incurs incremental acquiring and gateway fees for transactions processed by Checkout.com.

- The composite uses Intelligent Acceptance to optimize 80% of the transactions processed by Checkout.com. The cost per transaction is $.015.

Risks. Transaction fees vary depending on:

- The organization's industry and the markets it operates within.
- The organization's types of transactions, planned transaction volume, and value and growth expectations.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $6.8 million.

Checkout.com Fees						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
D1	Acquiring fee	Composite		$145,882	$299,235	$607,353
D2	Gateway fee	Composite		$261,882	$936,635	$2,292,352
D3	Intelligent Acceptance flat fee per transaction	Interviews		$0.0150	$0.0150	$0.0150
D4	Intelligent acceptance fees	B1*B2*B3*(A3+A4)*D3		$244,235	$980,329	$2,459,293
Dt	Checkout.com fees	D1+D2+D4	$0	$652,000	$2,216,199	$5,358,997
	Risk adjustment	↑5%				
Dtr	Checkout.com fees (risk-adjusted)		$0	$684,600	$2,327,009	$5,626,947
	Three-year total: $8,638,556			**Three-year present value: $6,773,120**		

IMPLEMENTATION AND ONGOING MAINTENANCE

Evidence and data. Interviewees said implementation required cross-functional collaboration among engineering, product, and finance stakeholders working with Checkout.com's sales, implementation, and customer success teams. Some interviewees said the process was straightforward while others acknowledged it took longer than normal partly due to organizational culture.

- The VP of payments at the food and beverage organization said: “It was pretty quick from the initial conversation to agreeing on pricing. I was then handed off to the integration team. I had the implementation manager available on Slack. He worked very closely with me and my product manager. [Checkout.com has] nice flow diagrams, ramp-up processes, and migration processes. He was answering all of the questions on the API, the callbacks, the testing, and the piloting with our engineers, as well.”
- The senior director of global payments at the digital consumer goods company recalled: “[Implementation] probably took a year end-to-end. We love to plan, and we have to make sure everything’s super airtight and that it works with our financial reconciliation systems without any problems. We went through several rounds of testing, and Checkout.com flew people out to our location to handhold us.”
- After the initial deployment, interviewees’ merchant organizations undertook subsequent expansions either to add Checkout.com to markets their organizations already operated in as part of business expansion or to roll out additional Checkout.com solutions. The development and go-live effort depended on the scope of the expansion. The senior engineering manager at the fintech provider commented: “The technical implementation was not a big deal. I would say it was part of a sprint task for the teams.” The interviewee also provided an example of a more complex project: “It was a more complex go-live, but the technical part was never a blocker. We were restricted by the regulatory and compliance complexities.”
- Interviewees said their organizations have frequent, ongoing collaborations with Checkout.com as part of their remit to optimize payments. Beyond project-based communications, they said vendor management effort was light. The senior engineering manager at the fintech firm said, “The time we spend on managing Checkout.com is relatively low.”

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The initial implementation takes place over five weeks, and three payments software engineers dedicate all of their time (40 hours per week) to the project during this period.
- The composite expands adoption of Checkout.com as it migrates a higher share of payments to the processor. This entails 40 person-hours in Year 1 and 80 person-hours in Year 2 for a larger scope of work.
- Two employees spend 30 minutes per week on ongoing vendor management activities.
- The average fully burdened hourly rate for a payments team member is $60.

Risks. This cost may vary depending on the scope and complexity of the implementation. Many elements may drive complexity in a payments implementation. These include geographical scope, regulatory and compliance requirement exposure, breadth and uniqueness of functional requirements, organizational dependencies, and existing technology or payment ecosystem investments.

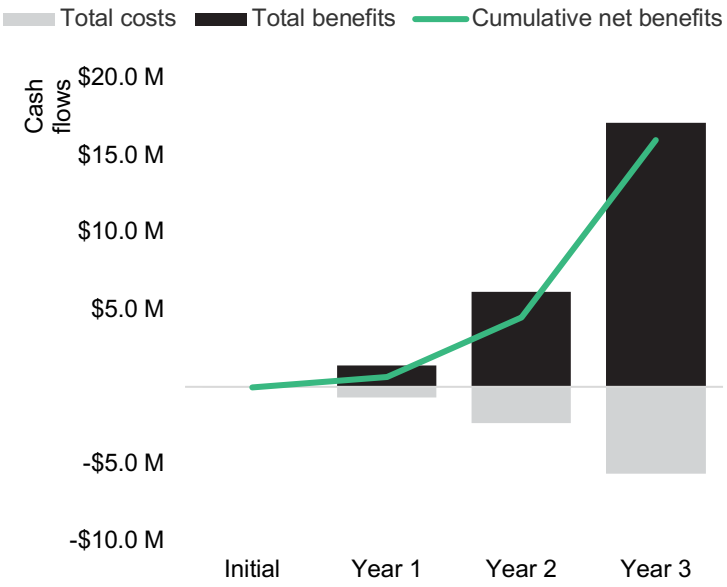
Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $53,000.

Implementation And Ongoing Maintenance						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
E1	Time spent on Initial implementation (hours)	Interviews	200			
E2	FTEs involved in initial implementation	Interviews	3			
E3	Time spent on follow-up implementation (hours)	Assumption		40	80	
E4	FTEs involved in follow-up implementation	Assumption		1	1	
E5	Time spent on ongoing management (hours)	Interviews		26	26	26
E6	FTEs involved in ongoing management	Interviews		2	2	2
E7	Average fully burdened hourly salary for a payments engineering FTE	Interviews	$60	$60	$60	$60
Et	Implementation and ongoing maintenance	(E1*E2+E3*E4+E5 *E6)*E7	$36,216	$5,553	$7,968	$3,139
	Risk adjustment	↑5%				
Etr	Implementation and ongoing maintenance (risk-adjusted)		$38,027	$5,831	$8,366	$3,296
	Three-year total: $55,520			**Three-year present value: $52,718**		

Financial Summary

Consolidated Three-Year Risk-Adjusted Metrics

Cash Flow Chart (Risk-Adjusted)



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

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

Cash Flow Analysis (Risk-Adjusted)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($38,027)	($690,431)	($2,335,375)	($5,630,243)	($8,694,076)	($6,825,838)
Total benefits	$0	$1,384,384	$6,173,595	$17,125,185	$24,683,164	$19,227,081
Net benefits	($38,027)	$693,953	$3,838,220	$11,494,942	$15,989,088	$12,401,243
ROI						182%
Payback						<6 months

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."

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.

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.

APPENDIX B: SUPPLEMENTAL MATERIAL

Related Forrester Research

Predictions 2024: Payments, Forrester Research, Inc., October 30, 2023.

The Merchant Payments Providers Landscape, Q4 2023, Forrester Research, Inc., December 8, 2023

APPENDIX C: ENDNOTES

[1] Source: Optimize Card Payments To Grow Your Business, Forrester Research, Inc., September 13, 2023.

[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.

[3] Incremental profit generated during increased uptime can be calculated as follows: Multiply the difference between current and prior system availability with the total annual revenue generated by the affected parts of the business (e.g., region, line of business) and then apply an operating margin (Forrester assumes an 11% operating margin). The benefit may vary depending on the effort needed to improve payment systems uptime, as well as any other initiatives that take place in the organization to improve overall system stability.

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