

FORRESTER®

The Total Economic Impact™ Of Embedded Finance From Stripe

Revenue Acceleration And Business Benefits Enabled
By Stripe For Software Platforms

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ABOUT FORRESTER CONSULTING

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Executive Summary

With Stripe's Embedded Finance Solution, software platforms provide their customers an easy way to accept payments as well as offer them other financial services like loans and cards. Stripe enables software platforms to improve operational efficiency while growing revenue with increased embedded payments volume and reduced customer churn.

Stripe's Embedded Finance Solution allows software platforms to embed payments and other financial services, such as access to lending and cards, into their SaaS products, improving customer experiences and creating new revenue streams.¹ With this solution, software platforms enable their customers to accept payments and manage their finances directly within the same platform that they use to run other aspects of their businesses. Software platforms can generate additional revenue streams through payment transaction fees and revenue share.

The easy onboarding, advanced features, and global scale of Stripe allow software platforms to increase their embedded payments volume and corresponding revenue. Along with this, Stripe's reliability and customization reduces customer churn. Stripe enables software platforms to manage complex

“Stripe provides the best user experience. They have the most flexibility. They offer international expansion. There's a reason most software companies go with Stripe right out of the gate.”

VP of strategy, professional services

KEY STATISTICS



Return on investment (ROI)

316%



Net present value (NPV)

\$4.02M

payment flows and dedicate less employee time to risk and compliance as well as customer support.

Stripe commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) software platforms may realize by deploying Embedded Finance from Stripe.² The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Stripe's Embedded Finance Solution on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives who are using Stripe's Embedded Finance Solution. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a software platform with \$1.25 billion in annual payments volume and \$50 million in annual revenue.

Each of these interviewees noted that, prior to using Stripe's Embedded Finance Solution, their organization's legacy embedded payments solution was labor-intensive to implement, maintain, and support. Moreover, slow onboarding, limited payment methods, minimal features, and a lack of international reach made it challenging to drive adoption and resulted in lower revenue potential.

After investing in Stripe's Embedded Finance Solution, the interviewees' organizations were able to generate new revenue streams and save employee time dedicated to risk and compliance as well as customer support. Stripe led to incremental profit from increased payments volume, incremental profit from reduced customer churn, and improved operational efficiency.

KEY FINDINGS

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

- **Incremental profit from increased embedded payments volume, by 10%.** Stripe's easy onboarding, global payment methods, international reach, and improved features that drive automation and clarity all lead to expanded adoption and use of embedded payments among customers of the composite organization. This increases embedded payments volume to which

“Since implementing Stripe, embedded payments has moved from a pain point to something we are proud to actively promote. With Stripe, we can confidently say we have one of the best payment programs in the business.”

*Payment product manager,
healthcare*

the composite organization applies a fee and retains a portion. This new revenue stream leads to incremental profit that is worth \$2.1 million for the composite organization over three years.

- **Incremental profit from reduced customer churn, by 5%.** Stripe is a highly reliable embedded payments solution that also facilitates white labeling and tailored customer experiences. With the embedded payments needs of customers well met, the composite organization retains more customers and the attendant revenue they generate (due to both purchasing the organization's core SaaS offering as well as paying fees on any embedded payments volume). This retained revenue leads to incremental profit that is worth \$1.1 million for the composite organization over three years.
- **Improved operational efficiency, by 50% for some employee roles.** Stripe largely handles the risk and back-end compliance requirements for embedded payments. At the composite organization, risk and compliance employees, as well as various employee roles involved in supporting customers' adoption and continued use of embedded payments, save time. This

“Stripe is an awesome partner. They enable us to focus on our core product and what we do best. And then we benefit from their global payment expertise and the investment they've made in building a very impressive payment rail.”

VP of products, financial services

improved efficiency is worth \$2.1 million for the composite organization over three years.

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

- **Employee experience.** Employees at interviewees' organizations found the Stripe solution easy to work with and were happy with Stripe team support.
- **Data-driven insights into payments and customers.** The data through Stripe was robust and quickly accessible, allowing interviewees' organizations to better understand their customers and the use of payments.

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

- **Implementation costs.** Developers at the composite organization dedicate time to the initial implementation of Stripe. This is \$41,000 for the composite organization over three years.
- **Management and development costs.** Developers at the composite organization are responsible for the ongoing management and development of Stripe at the composite organization. This totals \$1.2 million for the composite organization over three years.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$5.29 million over three years versus costs of \$1.27 million, adding up to a net present value (NPV) of \$4.02 million and an ROI of 316%.

Glossary

- **Software platform:** companies that build and sell (typically cloud-based) software to business customers on a subscription basis (i.e., software-as-a-service [SaaS]).
- **Embedded finance:** the integration of financial solutions, including payments, financing, and banking services, into a business's products or infrastructure.
- **Embedded payments:** the facilitation of payment transactions between two parties through a platform.
- **Embedded financial services:** financial services beyond payments, including lending, cards, and banking-as-a-service, that are offered natively within a software platform.



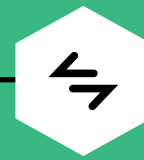
ROI
316%



BENEFITS PV
\$5.29M



NPV
\$4.02M



PAYBACK
<6 months

Benefits (Three-Year)

Incremental profit from increased embedded payments volume

\$2.1M

Incremental profit from less customer churn

\$1.1M

Improved operational efficiency

\$2.1M

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 Embedded Finance from Stripe.

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 Embedded Finance from Stripe can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Stripe 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 Embedded Finance from Stripe.

Stripe 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.

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



DUE DILIGENCE

Interviewed Stripe stakeholders and Forrester analysts to gather data relative to Embedded Finance from Stripe.



INTERVIEWS

Interviewed four representatives at organizations using Embedded Finance from Stripe to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

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



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.



CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Embedded Finance From Stripe Customer Journey

■ Drivers leading to the Embedded Finance from Stripe investment

Interviews				
Role	Industry	Headquartered	Total Revenue (USD)	Employees
VP of strategy	Professional services	United States	\$250-350 million	2,000
VP of products	Financial services	Australia	\$10-20 million	200
Payments product manager	Healthcare	Canada	\$40-50 million	300
VP of products	Food and beverage	Europe	\$75-100 million	300

KEY CHALLENGES

Before deploying Stripe, each interviewee's organization used a legacy embedded payments provider, and some needed to use multiple providers. Some of these prior solutions offered white labeling and customization, while others were purpose-built with little customization opportunity. Regardless of which type of solution they were using, interviewees described common challenges, including:

- **Manual onboarding.** Interviewees said their customers faced onboarding processes that were lengthy and frustrating. The application process itself was cumbersome, and it took several days before customers were approved and could begin taking payments.
- **Lack of international reach.** Interviewees' organizations had customers operating in countries their legacy solution did not support. For some interviewees, geographic limitations were an immediate problem, while others said it would become a problem in the future as they expanded.
- **Unreliable payment processing.** Interviewees said that their previous embedded payments solution was sometimes unreliable and simply didn't work. Although not common, outages happened more frequently than anticipated and

could be detrimental to the customer relationship. This hurt the overall brand of interviewees' organizations, and working to resolve the issue was time-consuming.

- **Inability to control the customer experience.** Interviewees explained that their previous solution lacked customization, preventing an optimal customer experience that fit in nicely with their platform. Moreover, some interviewees said that their previous solution was not well-integrated and felt like an obvious third party to their customers.

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 four interviewees and 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 software platform with \$1.25 billion in annual payments volume, \$50 million in annual

revenue, and 350 employees. It offers its software, payments, and financial services solutions to a global customer base. Additionally, the composite organization provides its customers with an embedded payments solution so that customers can collect payments in addition to using the core SaaS platform. Approximately 20% of the composite organization's total revenue is derived from processing payments.

Deployment characteristics. Stripe is the composite organization's sole embedded payments solution, replacing a legacy embedded payments provider. All embedded payment volume at the composite organization goes through Stripe. Three developers at the composite organization are dedicated to the management and development of the Stripe integration.

Key assumptions

- **\$50 million annual revenue**
- **350 employees**
- **\$1.25 billion in embedded payments sales volume**
- **Approximately 20% of revenue derived from processing payments**

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	Incremental profit from increased embedded payments volume	\$843,750	\$843,750	\$843,750	\$2,531,250	\$2,098,281
Btr	Incremental profit from reduced customer churn	\$450,000	\$450,000	\$450,000	\$1,350,000	\$1,119,083
Ctr	Improved operational efficiency	\$832,500	\$832,500	\$832,500	\$2,497,500	\$2,070,304
	Total benefits (risk-adjusted)	\$2,126,250	\$2,126,250	\$2,126,250	\$6,378,750	\$5,287,668

INCREMENTAL PROFIT FROM INCREASED EMBEDDED PAYMENTS VOLUME

Evidence and data. Interviewees’ organizations saw an increase in embedded payments volume because of Stripe. Since a fee was applied to that volume and interviewees’ organizations retained a portion of that, this increase in embedded payments volume ultimately led to incremental revenue and profit for interviewees’ organizations. Stripe’s easy onboarding, many payment methods, international reach, and improved features all drove the increase in embedded payments volume.

- With Stripe, interviewees said customer onboarding was quick and straightforward. Almost always, the entire process was self-service, took only minutes, and saw the customer approved the same day. Moreover, the process was consistently simple across countries and business types. With their legacy embedded payments providers, the process was complicated, often required live customer support, and approval could easily take a week.
- The reduced barriers to onboarding with Stripe encouraged additional customers to begin accepting payments, growing the overall

embedded payments volume at interviewees’ organizations.

- Interviewees said that Stripe supported payment methods that their previous solution did not, such as certain credit cards, mobile payment systems, direct bank account transfers, as well as many highly localized payment methods. The VP of products in food and beverage said: “I think Stripe is the best in terms of the number of different payment methods that they support and are continuously bringing out. They are a leader in introducing more and more local market payment methods.”

“About 99% of customers who onboard to Stripe take maybe 5 or 10 minutes to complete the product onboarding application. Most of them are almost instantly verified and ready to start taking payments. It’s a seamless experience.”

VP of strategy, professional services

- All interviewees said that Stripe expanded the international reach of their embedded payments offering. Customers in countries that were not supported by legacy embedded payments providers became capable of accepting payments because of Stripe, increasing overall embedded payments volume at interviewees' organizations.
- The VP of strategy at a software platform in the professional services space explained: "That single integration with Stripe can pretty much get us in every country that we want to go into. There are some countries where we have always had customers of our SaaS offering, but we've never had embedded payments for those customers. With Stripe we were recently able to launch embedded payments in those countries."
- At other interviewees' organizations, the ability to offer embedded payments in additional countries was a benefit they planned to leverage in the future as their business grew. The payments product manager at a software company in healthcare said: "With our previous solution, offering embedded payments in certain countries simply wasn't possible. With Stripe, we feel very well prepared to do that. I feel like I can almost just click a button and enable it for a country in Europe."
- New features also drove embedded payment adoption, use, and volume at interviewees' organizations. For example, interviewees said Stripe functionality that made accepting payments easier, such as automatic electronic invoicing, encouraged customers to use embedded payments. Moreover, features that added transparency—such as clearly showing sales completed, fees taken, and reconciliations—made customers more satisfied and successful with embedded payments.
- The growth of embedded payments volume varied across interviewees' organizations. Some

interviewees said volume increased by orders of magnitude because of Stripe and overall revenue increased by as much as 20%, while others saw more modest increases. Interviewees felt that the amount of growth they experienced because of Stripe depended on how much embedded payments volume they already had and how much room they had to grow.

- Interviewees stressed the importance of having control over how payments are monetized, and said that with Stripe they had flexibility over the effective price customers pay for embedded payments. All interviewees set the fees high enough to cover fees to Stripe, as well as pass-through costs such as interchange and network fees, while still collecting a profit and remaining competitive.

"Stripe is the best bet for global coverage. Every country that we need to be in today is supported by Stripe. We haven't hit any barriers there."

VP of products, food and beverage

Modeling and assumptions. For the composite analysis, Forrester assumes that:

- Embedded payments volume before Stripe is \$1.25 billion.
- Embedded payments volume increases 10% due to Stripe.
- The composite organization charges its customers a 3% fee on transaction volume with a profit margin of 25% after deducting pass-through costs such as interchange and network fees, as well as Stripe's own fees. These metrics were the

same before Stripe, when the composite organization used its legacy solution.

Increase in embedded payments volume
10%



Risks. The benefit of incremental profit from increased embedded payments volume will vary based on:

- The maturity of the prior embedded payments solution and the amount of existing embedded payments volume.
- The prior embedded payments solution’s onboarding efficiency.

- The type and number of payment methods that the prior embedded payments solution accepted.
- The prior embedded payments solution’s geographic reach and the extent of the organization’s international expansion.
- The prioritization and development of feature enhancements.

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 \$2.1 million.

Incremental Profit From Increased Embedded Payments Volume

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Embedded payments volume before Stripe	Composite	\$1,250,000,000	\$1,250,000,000	\$1,250,000,000
A2	Increase in volume due to Stripe	Interviews	10%	10%	10%
A3	Incremental payment volume due to Stripe	A1*A2	\$125,000,000	\$125,000,000	\$125,000,000
A4	Fee applied to incremental volume (percentage)	Interviews	3%	3%	3%
A5	Total of incremental volume collected by fee	A3*A4	\$3,750,000	\$3,750,000	\$3,750,000
A6	Share of incremental volume collected by fee that is retained by composite organization	Interviews	25%	25%	25%
At	Incremental profit from increased embedded payments volume	A5*A6	\$937,500	\$937,500	\$937,500
	Risk adjustment	↓10%			
Atr	Incremental profit from increased embedded payments volume (risk-adjusted)		\$843,750	\$843,750	\$843,750
Three-year total: \$2,531,250			Three-year present value: \$2,098,281		

INCREMENTAL PROFIT FROM REDUCED CUSTOMER CHURN

Evidence and data. With Stripe, interviewees' organizations experienced reduced customer churn. Interviewees said that there were a variety of reasons why some customers were retained because of Stripe, including those same factors that drove increased volume: having an embedded payments solution with easy onboarding, improved features, wide geographic reach, and the ability to accept many payment methods. In addition to these factors, interviewees said Stripe was highly reliable and allowed for tailored customer experiences that drove loyalty and increased satisfaction. With reduced customer churn, interviewees' organizations saw incremental profit from retained customers who generated revenue by purchasing the core SaaS offering as well as delivering any embedded payment volume.

- Interviewees said that Stripe was reliable and provided a positive customer experience, in contrast with previous payment providers which sometimes contributed to their customers abandoning their platform altogether. The VP of products at a software platform in the food and beverage industry said: "With other payment processors we had reliability issues and that was a disaster for us. That quickly destroys credibility and customer trust. With Stripe, we have confidence that we have the right partner."
- With Stripe, interviewees explained that they had complete flexibility over their fees and could change them to suit their payment volume and the market. This allowed interviewees' organizations to stay competitive and retain customers.
- Flexibility over fees also allowed interviewees' organizations to tailor them for specific customer segments to further drive loyalty and retention. For example, some interviewees offered lower

fees to long-term customers as well as franchises.

- Stripe enabled interviewees' organizations to offer their customers additional benefits to help mitigate churn. The VP of strategy at a software platform in the professional services space explained: "There are interesting things we can do to help our larger or strategic accounts. We can help them collect royalty fees. We can do reciprocity payments between different connected accounts for them. This was not possible with our legacy solution."
- White labeling with Stripe allowed interviewees' organizations to better ensure a positive customer experience. The VP of strategy in professional services explained: "We have more control over the end-to-end customer experience. We don't so much risk putting our customers in the hands of a third party." The VP of products in food and beverage stated: "Stripe is the best in terms of user experience—it allows us to craft our own user experiences on top of the Stripe solution."

“Embedded payments with Stripe is both a new revenue stream of its own as well as a way to reduce churn with our existing customers.”

*Payments product manager,
healthcare*

Modeling and assumptions. For the composite analysis, Forrester assumes that:

- Total annual revenue prior to Stripe, from the core SaaS offering as well as embedded payments volume, is \$50 million.
- Stripe reduces customer churn by 5%, allowing the composite organization to continue to capture the revenue these customers generate, through the purchase of the core SaaS offering as well as embedded payments volume.
- This 5% of customers generates 5% of total revenue.
- Operating margin is 20%.

Risks. The benefit of incremental profit from less customer churn will vary based on:

- Existing customer churn.
- The reliability of the prior embedded payments solution.
- Processes in place to utilize Stripe features to mitigate customer churn.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1.1 million.



Incremental Profit From Reduced Customer Churn					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Total revenue before Stripe	Composite	\$50,000,000	\$50,000,000	\$50,000,000
B2	Customers that remain because of Stripe	Interviews	5%	5%	5%
B3	Operating margin	Composite	20%	20%	20%
Bt	Incremental profit from reduced customer churn	B1*B2*B3	\$500,000	\$500,000	\$500,000
	Risk adjustment	↓10%			
Btr	Incremental profit from reduced customer churn (risk-adjusted)		\$450,000	\$450,000	\$450,000
Three-year total: \$1,350,000			Three-year present value: \$1,119,083		

IMPROVED OPERATIONAL EFFICIENCY

Evidence and data. Stripe improved operational efficiency at interviewees' organizations by reducing the need for internal headcount dedicated to risk and compliance as well as customer support. Some interviewees said this was the top benefit of switching to Stripe.

- With their previous embedded payments providers, employees at interviewees' organizations needed to engage in time-consuming regulatory reviews. By contrast, interviewees described Stripe as largely handling risk and compliance, which significantly reduced the time their employees spent on those tasks. The payments product manager in healthcare said: "There are so many payments regulations, and they're different in every country. We are able to largely rely on Stripe to look after and manage things from a compliance and regulatory standpoint."
- Interviewees also said that Stripe was easier to support and less buggy than their previous solutions. This saved time for various employees (such as account managers, salespeople, IT staff, and customer support agents) who assisted customers with embedded payments.
- Interviewees emphasized that onboarding in particular was streamlined with Stripe. The VP of strategy in professional services explained: "We don't have to have so much headcount involved in the onboarding process. With our previous solution, customers often needed to talk to somebody when onboarding."
- The payments product manager in healthcare elaborated on how Stripe onboarding saved employee time: "We leverage the Stripe hosted onboarding. There are just so many different configurations for onboarding depending on your country and your business type. We rely on Stripe for that. They keep it updated. They keep it simple for us."

- Stripe also streamlined basic processes at interviewees' organizations with features like automatic payouts and fee collection.
- Interviewees said that without Stripe they would likely need to pursue using multiple embedded payments providers, which would be more complicated and labor intensive. They said that, alternatively, building an embedded payments solution themselves was not realistic given the complexity.
- The VP of products in food and beverage explained: "The one-stop-shop aspect of Stripe is a huge consideration. They are constantly pushing themselves into new markets, which is a huge benefit for us. Having multiple payment processors to go into those markets is something we can't afford as a business. Doing it ourselves is simply not sustainable. It's not scalable."
- Interviewees noted that the improved operational efficiency provided their organization more time to focus on improving and innovating their core SaaS platform.

"By using Stripe, we have the strategic headspace to focus where we want to focus—on our SaaS offering. Trying to build our own payments would make no sense and be a massive strategic distraction for us. With Stripe, we are aligned with a scaled, smart partner."

VP of products, financial services

Modeling and assumptions. For the composite analysis, Forrester assumes that:

- There are four employees who spend 100% of their time on risk and compliance for embedded payments.
- Employees in various roles (e.g., account management, sales, IT, and customer support) spend time helping customers join and continue with embedded payments. The amount of time each employee dedicates to this varies, but across the organization it is the equivalent of six full-time employees spending 100% of their time.
- Due to Stripe, these employees save 50% of their time previously spent on these tasks.
- The average fully burdened annual salary for these employees is \$95,000.
- Three developers managed the prior embedded payments solution. With Stripe replacing that solution, the developers no longer dedicate time to that retired solution. These developers instead dedicate their time to Stripe; this is captured in the cost section below.
- The average fully burdened annual salary for these developers is \$150,000.

- The number of developers needed to manage the previous solution.
- The fully burdened annual salary of employees dedicated to these tasks.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$2.1 million.

Improved operational efficiency for some employee roles

50%



Risks. The benefit of improved operational efficiency will vary based on:

- The prior embedded payments solution and the amount of employee time it requires for risk and compliance as well as customer support.

Improved Operational Efficiency					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	FTEs involved in risk and compliance for embedded payments before Stripe	Composite	4	4	4
C2	Percentage of risk and compliance time saved due to switching to Stripe	Interviews	50%	50%	50%
C3	Average fully burdened annual salary of risk and compliance FTEs	TEI standard	\$95,000	\$95,000	\$95,000
C4	Risk and compliance cost savings	C1*C2*C3	\$190,000	\$190,000	\$190,000
C5	FTE equivalents involved in helping customers join and continue with embedded payments	Composite	6	6	6
C6	Percentage of support time saved due to switching to Stripe	Interviews	50%	50%	50%
C7	Average fully burdened annual salary of embedded payments support FTEs	TEI standard	\$95,000	\$95,000	\$95,000
C8	Support cost savings	C5*C6*C7	\$285,000	\$285,000	\$285,000
C9	FTE developers who managed previous embedded payments solution	Interviews	3	3	3
C10	Average fully burdened annual salary of developer FTEs	TEI standard	\$150,000	\$150,000	\$150,000
C11	Development cost savings	C9*C10	\$450,000	\$450,000	\$450,000
Ct	Improved operational efficiency	C4+C8+C11	\$925,000	\$925,000	\$925,000
	Risk adjustment	↓10%			
Ctr	Improved operational efficiency (risk-adjusted)		\$832,500	\$832,500	\$832,500
Three-year total: \$2,497,500			Three-year present value: \$2,070,304		

UNQUANTIFIED BENEFITS

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

- Employee experience.** Interviewees expressed satisfaction with Stripe and explained that this was shared by their employees, who found the solution easy to work with. Beyond the solution itself, interviewees reported happiness with the support they received from the Stripe team. The payments product manager in healthcare shared: “The people at Stripe are great to work with, whether you are talking with account executives or one of their engineers. Stripe is professional

but easygoing—not a high-pressure sales environment like a lot of payment processors are.”

- Data-driven insights into payments and customers.** Interviewees said that data provided through Stripe was accessible, robust, and real-time, whereas their previous solution’s data lacked detail and was often delayed. Interviewees explained that with richer and more timely data from Stripe, they could better understand their customers and the use of payments. This allowed for more-informed

decision-making; for example, interviewees used the data to optimize costs as well as determine whether to offer a major customer better pricing.

- The VP of strategy in professional services said: “The Stripe reporting is so robust. I can get down to very, very granular detail. The data is all there for me.”

“The developers I work with love working with Stripe because everything is very well documented and easy to work with.”

*Payments product manager,
healthcare*

“We may offer additional embedded finance, like loans and cards, going forward. From a product and development perspective, there’s a benefit to staying in the Stripe ecosystem.”

VP of strategy, professional services

FLEXIBILITY

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

- **Additional embedded financial services.** Some interviewees planned to offer their customers additional embedded finance, such as access to lending and cards, which would be monetized similar to payments and provide additional revenue streams for their organization. Interviewees said that their existing use of Embedded Finance from Stripe for payments made these options more feasible, and that their implementation and ongoing management of them would likely be easier.

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	Implementation costs	\$41,250	\$0	\$0	\$0	\$41,250	\$41,250
Etr	Management and development costs	\$0	\$495,000	\$495,000	\$495,000	\$1,485,000	\$1,230,992
	Total costs (risk-adjusted)	\$41,250	\$495,000	\$495,000	\$495,000	\$1,526,250	\$1,272,242

IMPLEMENTATION COSTS

Evidence and data. At interviewees' organizations, a group of employees dedicated a few months to implementing Embedded Finance from Stripe.

Modeling and assumptions. For the composite organization, Forrester assumes that:

- Two developers spend 50% of their time for three months to implement the Embedded Finance from Stripe.
- The average fully burdened monthly salary of these developers is \$12,500.

Risks. The cost of implementation will vary based on:

- The complexity of the prior environment and the number of previous embedded finance solutions.
- The amount of customization.
- The skill set of the developers.
- The fully burdened monthly salary of the developers.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$41,000.

Implementation Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
D1	Number of internal developers involved in implementing Stripe	Interviews	2			
D2	Percentage of time spent on implementation	Interviews	50%			
D3	Months to implement	Interviews	3			
D4	Average fully burdened monthly salary of developers	TEI standard	\$12,500			
Dt	Implementation costs	$D1 * D2 * D3 * D4$	\$37,500	\$0	\$0	\$0
	Risk adjustment	↑10%				
Dtr	Implementation costs (risk-adjusted)		\$41,250	\$0	\$0	\$0
Three-year total: \$41,250			Three-year present value: \$41,250			

MANAGEMENT AND DEVELOPMENT COSTS

Evidence and data. At interviewees’ organizations, a group of developers was dedicated to managing Embedded Finance from Stripe. The number of developers averaged about three, although there was variance across interviewees’ organizations, depending on factors such as organization size and embedded payments volume.

- At interviewees’ organizations, the developers no longer managing retired legacy embedded finance solutions now dedicated their time to managing and developing Stripe.
- Although the job title and required expertise remained the same, some interviewees said that with Stripe the developers were able to spend significantly more time on innovation, since Stripe required less maintenance than legacy providers.
- As the payments product manager in healthcare explained: “Now that we have Stripe, what our developers who look after payments do with their time is vastly different than before. With our previous solution, most developer time was spent on maintenance. With Stripe, I’d say 80% of their

time is spent on actual innovation, feature development, and growth activities rather than just maintenance.”

- The interviewees said that the cost of Embedded Finance from Stripe was similar to their prior solutions. In addition to labor costs, both Stripe and previous solutions included processing costs. Those costs are reflected in the calculation of incremental profit from increased embedded payments volume, and that benefit is calculated net of processing costs.

Modeling and assumptions. For the composite organization, Forrester assumes that:

- Three developers are dedicated to managing and developing Embedded Finance from Stripe.
- The average fully burdened monthly salary of these developers is \$12,500.

Risks. The cost of management and development will vary based on:

- The amount of internal effort dedicated to improving embedded payments functionality by developing new features or enhancing existing ones.
- The skill set of the developers.
- The fully burdened monthly salary of the developers.

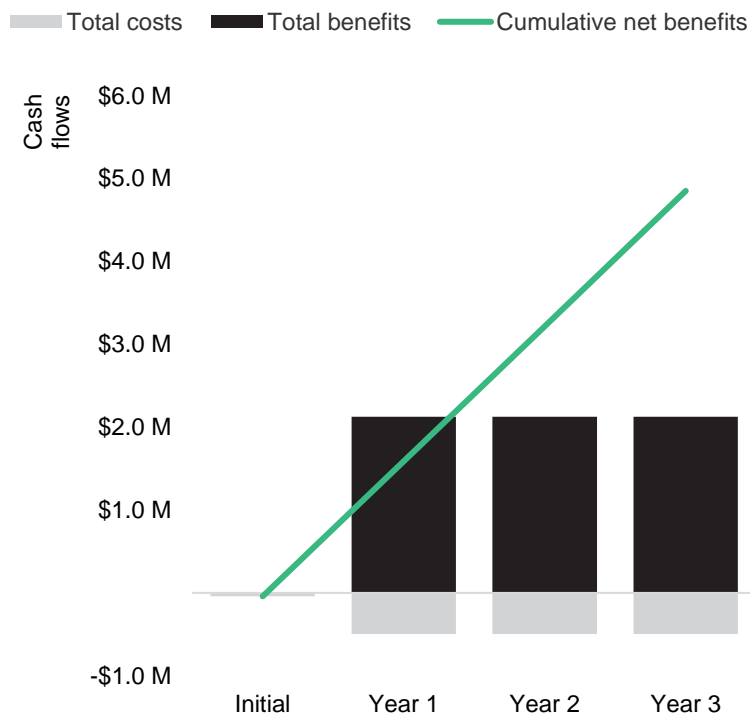
Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$1.2 million.

Management And Development Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Number of internal developers dedicated to managing and developing embedded payments with Stripe	Interviews		3	3	3
E2	Average fully burdened annual salary of developers	TEI standard		\$150,000	\$150,000	\$150,000
Et	Management and development costs	E1*E2	\$0	\$450,000	\$450,000	\$450,000
	Risk adjustment	↑10%				
Etr	Management and development costs (risk-adjusted)		\$0	\$495,000	\$495,000	\$495,000
Three-year total: \$1,485,000			Three-year present value: \$1,230,992			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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

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

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$41,250)	(\$495,000)	(\$495,000)	(\$495,000)	(\$1,526,250)	(\$1,272,242)
Total benefits	\$0	\$2,126,250	\$2,126,250	\$2,126,250	\$6,378,750	\$5,287,668
Net benefits	(\$41,250)	\$1,631,250	\$1,631,250	\$1,631,250	\$4,852,500	\$4,015,426
ROI						316%
Payback period						<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."

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



PRESENT VALUE (PV)

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



NET PRESENT VALUE (NPV)

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



RETURN ON INVESTMENT (ROI)

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



DISCOUNT RATE

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



PAYBACK PERIOD

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

Appendix B: Endnotes

¹ This Total Economic Impact study is about Embedded Finance from Stripe, which is interchangeably referred to by that name, Stripe's Embedded Finance Solution, and Stripe throughout.

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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