

A Forrester Total Economic Impact™
Study Commissioned By Stripe
July 2018

The Total Economic Impact™ Of Stripe Connect

Cost Savings And Business Benefits
Enabled By Stripe Connect

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ABOUT FORRESTER CONSULTING

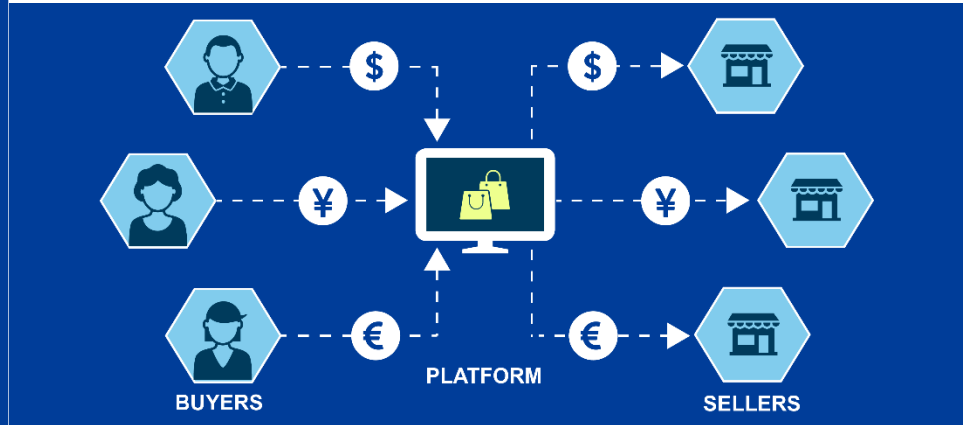
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Executive Summary

Stripe commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Stripe Connect, an offering that allows marketplaces and platforms to accept payments from and send payouts to third parties.

Marketplaces and platforms connect buyers to sellers by accepting payments from buyers (end customers purchasing goods or services), subtracting fees, and orchestrating disbursements to independent sellers (businesses or individuals providing goods or services).



Payments are essential to the success of marketplaces and platforms, where transactions are a critical component of the customer's satisfaction. Sellers increasingly seek fast and flexible payouts, while both sellers and buyers look for an integrated and seamless experience. With the complexity of a platform's multiparty transactions, these expectations are more difficult to meet.

The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Stripe Connect on their organizations. To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers with years of experience using Stripe Connect.

Prior to using Stripe Connect, the organizations we interviewed used various payment solutions that failed to address the unique challenges faced by platforms. These prior solutions: 1) lacked flexibility in payment routing; 2) required manual processes to fill gaps in functionality; and 3) increased the effort around international expansion. The solutions did not help these organizations manage the ever-changing global regulations around marketplaces, creating additional compliance risk. The disjointed seller experience lengthened seller onboarding; confused buyers often led to increased chargebacks and time spent on customer support. The organizations dedicated valuable resources to these inefficiencies that were better spent on supporting business growth.

With Stripe Connect, organizations can overcome these challenges by reducing the complexity they face in managing payment flows and increasing their focus on key business strategies. Stripe Connect is a full stack solution, with a payment engine at its core and additional services to aid platforms, sellers, and buyers. Interviewed organizations use Stripe Connect to easily manage complex payment flows, onboard new sellers

Key Benefits



Incremental volume driven to platform due to new features, by Year 3:
\$91 million



Reduction in average seller onboarding time with Stripe Connect:
Two weeks



Faster and more cost effective international expansion with Stripe Connect:
Four additional markets at 67% cost reduction



ROI
364%



Benefits PV
\$6.1 million



NPV
\$4.8 million



Payback
<3 months

“We felt like Stripe was moving at such a rapid pace of innovation that we weren’t just signing up for the toolsets that we’re currently getting today, but we were also signing up for the toolsets that we will get tomorrow, a year later, five years later. It really became a no brainer because you have these other companies that have been offering the same solution now for years on end.”

Former chief data officer, league management platform



quickly, and provide sellers and internal teams with required reporting. The organizations offload time-intensive compliance tasks to Stripe, alleviating their compliance burden and reducing their risk of noncompliance. Stripe Connect also facilitates expansion into 25 international markets. The development saved by these organizations using Stripe can be repurposed into developing and launching new features that drive growth.

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the companies interviewed:

- › **Up to \$3.6 million in annual incremental revenue from new platform volume driven by features enabled with Stripe Connect, an up to 10% revenue uplift on average.** By fixing the limitations of the previous payment solutions and delivering new features catered to their sellers’ experience, organizations attract new sellers to their platforms, increasing transaction volume by up to 10% by Year 3.
- › **An average two-week improvement in seller onboarding time, increasing the average annual revenue for new sellers.** Organizations saw up to a 10% increase in annual revenue for new sellers due to faster onboarding enabled with Stripe Connect.
- › **Just under \$1 million in annual time saved by replacing manual processes with Stripe Connect.** Organizations saw various savings for accounting, finance, developer, and customer support roles by eliminating or significantly reducing manual work associated with prior payment platforms.
- › **Up to 67% reduction in expansion costs due to ease of expansion with Stripe Connect.** Interviewed organizations can expand to international markets more cost effectively and at a faster pace than with previous platforms, entering an additional four international markets than previously planned, on average.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:

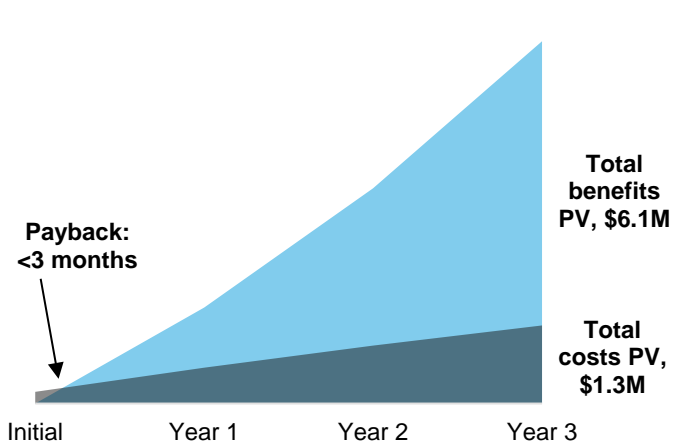
- › **Reduction in compliance risk.** In addition to reducing time spent on compliance processes, noted above, the organizations felt that their risk of noncompliance decreased with the Stripe investment.
- › **Reduction in chargeback rates.** By improving buyer experience through the Stripe Connect investment, some organizations noted an up to 25% decrease in their chargeback rates.
- › **Improvement in seller conversion rates.** Organizations saw an improvement in seller conversion driven by a faster onboarding process and an improved seller experience on their platform.

Costs. The interviewed organizations experienced the following risk-adjusted PV costs:

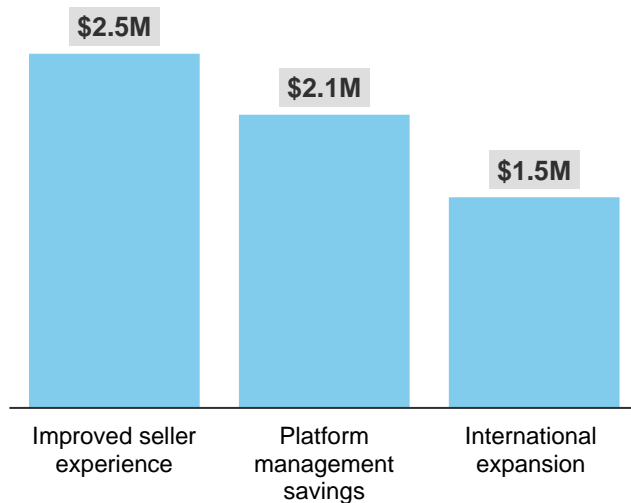
- › **Implementation and training costs.** Most organizations had implementation times ranging from three to six months. Some internal staff participated in a one-hour training session.
- › **Delivery of new features that improve seller experience.** In order to drive some of the incremental growth listed above, the organizations invested development time on the delivery of new features that improved seller experience.

Forrester's interviews with four existing Stripe clients and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of \$6.1 million over three years versus costs of \$1.3 million, adding up to a net present value (NPV) of \$4.8 million and an ROI of 364%.

Financial Summary



Benefits (Three-Year)



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 Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Stripe Connect.

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 Stripe Connect can have on an organization:



DUE DILIGENCE

Interviewed Stripe stakeholders and Forrester analysts to gather data relative to Stripe Connect.



CUSTOMER INTERVIEWS

Interviewed four organizations using Stripe Connect to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewed 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 interviewed organizations.



CASE STUDY

Employed four fundamental elements of TEI in modeling Stripe Connect's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses 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.

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 report to determine the appropriateness of an investment in Stripe Connect.

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.

The Stripe Connect Customer Journey

BEFORE AND AFTER THE STRIPE CONNECT INVESTMENT

Interviewed Organizations

For this study, Forrester conducted four interviews with Stripe Connect clients. Interviewed organizations include the following:

INDUSTRY	REGION	INTERVIEWEE	VOLUME ON STRIPE
League management platform	Headquartered in United States	Former chief data officer, head of business operations	\$275 million in transaction volume per year
Technology company	Headquartered in United States, in over 20 countries	SVP finance	\$600 million in transaction volume per year
Public affairs, strategy, and marketing company	Headquartered in United States	Managing director	Over \$50 million in transaction volume per year
Accounting software	Headquartered in New Zealand, in almost 200 countries	CTO	\$500 million in transaction volume per year

Key Challenges

Prior to their investment in Stripe Connect, the interviewed organizations experienced several challenges that include:

- › **Prior payment solutions did not provide full functionality, sometimes requiring multiple systems to manage payment flows (pay-ins and payouts).** Several interviewees used multiple payment solutions to stitch together the functionality they needed to support their businesses prior to Stripe Connect. One organization had seven different payment mechanisms which it consolidated with Stripe Connect. Another organization's initial solution could not pay out to sellers outside the United States, so the organization used different solutions within the United States and outside of the United States. Other interviewees mentioned limitations with a single system prior to Stripe Connect such as restrictions in fund flows and the inability to customize the seller and buyer experience.
- › **Organizations dedicated valuable employee time to managing the limitations of prior payment solutions.** One organization spent significant time on manual reconciliation, which also introduced a higher risk of errors. Another organization described the time needed by engineers and customer service to manage complex fund flows with its multiple prior solutions. Several organizations mentioned the effort required for compliance, admitting that the effort was so time- and cost-intensive that they ran the risk of noncompliance, especially with frequently changing regulations. Organizations also noted the time spent on customer support related to payment issues, specifically around managing chargebacks and on reconciliations.
- › **The limitations of the previous solutions, and the time and cost needed to address those, restricted business growth.** Interviewed organizations noted several areas where growth was limited by their challenges managing payments. Several organizations noted long onboarding processes that lowered seller conversion rates. Organizations also noted that lacking key functionality, like daily

“With [our previous platform], we had a lot of restrictions on how money moved around, which was killer. When we processed a donation, we could pay out the end clients, but we couldn't charge them for refunds and chargebacks, which, if you're doing an aggressive marketing campaign, you will have refunds and chargebacks.”

Managing director, public affairs, strategy, and marketing company



settlements or the ability to pay out vendors in real time, prevented sellers from joining their marketplaces. Expanding into new geographic markets also posed a challenge, with some organizations devoting additional resources and partnering with new payment solutions to expand slowly and other organizations forgoing that opportunity. One organization said, “When you go to do payment processing in Canada, the rules are all different, right? So, it wasn’t even a thought for us to figure it out until Stripe was like, ‘We can do it. All you have to do is plug us into the platform.’”

Key Results

The interviews revealed that key results from the Stripe Connect investment include:

- › **Stripe Connect reduced the time organizations spent on manual payment processes.** By moving to Stripe Connect, the interviewed organizations were able to save time for various roles, including among accounting and finance teams, developers and engineers, and customer support teams. Manual processes were significantly reduced or eliminated completely, and there was a decrease in customer support tickets. The interviewees also use Stripe Connect to manage compliance, reducing internal and external costs. These organizations described the many ways that they improved payment processes with Stripe Connect. One organization said, “Instead of us collecting money, each transaction that gets processed with Stripe is divided out three ways and settled at the end of the day. We don’t touch any of the settlement money which is a huge resource savings for us and is a huge de-risk to the business.” Another interviewee mentioned that Stripe Connect became the “authoritative source of financial data” through its granular reporting capabilities, which all of the interviewees leveraged for efficiency.
- › **By improving seller experience with Stripe Connect, the organizations saw incremental growth in platform volume.** Interviewed organizations focused on delivering new features to improve seller experience and drive growth. One organization noted the improvement in onboarding time, saying, “The onboarding process is extremely straightforward and all done online. In fact, our onboarding time went from two to three weeks, down to 5 minutes.” Organizations tie an improvement in the onboarding process to improvement in seller conversion rates. Another interviewee mentioned that prior solution costs were obscure and unpredictable, and that sellers liked the visibility and predictability of Stripe rates. In terms of managing chargebacks and refunds, one organization said, “Stripe has made our clients happier, because to be honest, our clients would rather pay a refund in real time than at the end of the month and get a bill for \$20,000 in refunds.” In addition, using Stripe Connect leads to fewer support calls and fewer chargebacks for several organizations. As one organization put it, “the fewer refunds and chargebacks we have, the better our clients do in fundraising which means we make more money.” Several interviewees were able to tie the introduction of improved functionality to an increase in sellers and volume on their platforms.
- › **Stripe Connect enabled faster expansion into new markets, creating opportunities for international growth.** One organization was able to expand into more markets due to the reduced time and

“The complexity was that all that money we collected came to us, and then we needed a way to feed it back to the leagues net of our fees. And that was just a grotesquely complex process that took [the head of business operations], four engineers, and eight customer service people all day, every week. I mean – it was bad.”

Former chief data officer, league management platform



“Stripe provided developers an experience that was very simple, very easy, integrated, and very flexible, powerful, and so it was very quick and easy for us to edit it. Additional features we’ve added have been very quick as well. But the work actually integrating with Stripe was very easy, their APIs very simple, it’s obvious.”

CTO, accounting software



“The onboarding process is extremely straightforward and all done online. In fact, our onboarding time went from two to three weeks, down to five minutes.”

Head of business operations, league management platform



cost with Stripe Connect. The interviewee mentioned that with Stripe, there was a 67% reduction in internal costs related to setting up payments in international markets. As a result of the ease of expansion offered by Stripe Connect, another interviewed organization was able to begin considering expansion into new markets after the investment.

› **Compliance was a major area of concern for all of the interviewees, and Stripe Connect reduced the time and cost associated with compliance while also reducing business risk.**

The interviewed organizations mentioned the risk that noncompliance created for their platforms, while also noting that managing compliance internally was not a strength and would be costly to build out. Interviewees described compliance with Stripe Connect as “seamless,” noting that, “we can ask Stripe for their compliance materials for our audits, they provide it, and that puts us in the clear.” Another interviewee said they were able to “shift almost all the PCI compliance from us completely on to Stripe.” One interviewee mentioned the switch to Stripe resolved a limitation in their prior solution that created a significant risk, saying, “it was millions in annual risk, granted with low probability, but if it happened it would be fairly catastrophic and 20% of our revenue would be wiped out instantly.”

› **The interviewed organizations viewed the investment in Stripe Connect as a partnership and were pleased with Stripe’s innovation and openness to feedback.** Several interviewees were optimistic about Stripe’s road map, focusing on Stripe’s innovation and their attention to functionality that interviewees requested. Interviewees said the following about Stripe:

- “We felt like Stripe was moving at such a rapid pace of innovation that we weren’t just signing up for the toolsets that we’re currently getting today, but we were also signing up for the toolsets that we will get tomorrow, a year later, five years later. It really became a no brainer because you have these other companies that have been offering the same solution now for years on end.”
- “I’ll say that our Stripe representatives are very, very responsive and really helpful on a variety of things. I feel like we definitely get much, much, better service through Stripe than we did from [our previous platforms]. So, we probably are able to save a lot of time just through the proactiveness of the people who are on our account. I feel like the hours that they put in for us definitely saved hours on our end.”
- “We feel like we’ve been able to grow really well with Stripe, expand our business, fulfill our missions. We’re really happy with the team that we work with. We really feel like they feel invested in our business and our success, that’s great. And we’ve seen financial benefits from partnering with Stripe.”
- “Stripe is constantly pushing out new things and they’re open to feedback. With [our previous platform] we were constantly told, ‘Six months away, six months away.’ I don’t get that feeling from Stripe. They took our feedback seriously; they actually implemented a change, which never happened before. Hopefully that helped other people and it really made us happy. But it feels like we can give feedback and they’re open to it. When they rolled out the dashboard, they said, ‘What other things would you want to see?’ Maybe they already had

“In the past two years, the countries that we have been able to expand to have generated millions in additional revenue for us. I don’t think that we would be in all of them right now because of the cost and the time [without Stripe].”

SVP finance, technology company



“We didn’t want to take that compliance risk on. We totally want a partner, because obviously we could build out some of our own payment routing and get all the revenue benefits, but then of course you have to build out a massive organization to deal with that risk. That’s the point. We don’t want to take that on. We trust in what Stripe has built. We’re essentially outsourcing that risk to them as the payments provider, so that was key.”

CTO, accounting software



“We feel like we’ve been able to grow really well with Stripe, expand our business, fulfill our mission. We’re really happy with the team that we work with. We really feel that they are invested in our business and our success. And we’ve seen financial benefits from partnering with Stripe.”

SVP finance, technology company



[our recommendation] on the road map, I don't know. It wasn't on there when I saw it. But it was there three weeks later."

Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four companies that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization that Forrester synthesized from the customer interviews has the following characteristics:

Description of composite. The composite organization, based on the interviewees for the purposes of this report, is a large online marketplace, with \$475 million in transaction volume prior to its Stripe Connect investment. The organization charges a 4% fee for transactions, of which 40% is margin after costs. The organization is in four international markets and has double digit year-over-year growth. The organization is expanding to two international markets per year, on average, but wants to expand at a faster rate. Prior to using Stripe Connect, the organization has two payment solutions which require significant manual support. The organization is struggling to provide a better experience for sellers to maintain its rapid growth, and with increasing internal time spent on payments and compliance, the organization requires a new payment solution to streamline operations and provide improved functionality.

Deployment characteristics. The composite organization deploys Stripe Connect, completely replacing its two prior solutions. The organization provides updated features to sellers, increasing the volume of transactions by up to 10% in Year 3. The organization is also able to enter four additional international markets over the three-year analysis, compared to its previous pace of expansion, due to the ease of expansion with Stripe Connect. The organization enters a total of 10 new markets over the three-year analysis, for a total of 14 markets in Year 3. By the end of Year 3, the organization's annual transaction volume is \$996 million, and 19% of its volume is in international markets.



Key assumptions:

- \$996 million in volume by Year 3
- 19% of volume international by Year 3
- 8% to 10% volume uplift due to new features through Stripe Connect

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 improved features	\$648,883	\$899,493	\$1,231,964	\$2,780,340	\$2,258,869
Btr	Improved seller onboarding	\$95,063	\$88,202	\$109,853	\$293,118	\$241,849
Ctr	Platform management savings	\$658,715	\$885,298	\$984,130	\$2,528,143	\$2,069,874
Dtr	International expansion	\$364,568	\$537,368	\$946,890	\$1,848,825	\$1,486,943
	Total benefits (risk-adjusted)	\$1,767,229	\$2,410,361	\$3,272,837	\$7,450,426	\$6,057,535

Incremental Profit From Improved Features

The interviewed organizations quickly realized operational benefits from their investment in Stripe — these process improvements are quantified in the Platform Management Savings section below. However, interviewees focused on the strategic benefits that those operational improvements enabled. With a flexible payment platform in Stripe Connect, the organizations found more time to spend on business priorities and new ways to improve seller experience and drive incremental business growth.

- One organization couldn't provide daily settlement with their prior payment solutions, and that limitation prevented sellers from joining their platform. The interviewee said: "We lost big clients that needed daily settlement. And we had a significant amount of bigger clients come back onto the platform because now we have daily settlements with Stripe. So, that's really where the savings are minimal compared to what we gain on the revenue side of Stripe. Forty million dollars of new volume was prevented from joining the platform before Stripe."
- Another organization was able to offer real-time payouts for vendors on its platform with Stripe, which led to big sellers joining the platform. Over six months, the organization "processed about half a million dollars that way. We expect that to increase to an extra \$3 million in processing over the next six months. We have a client, a digital vendor, who is using us because we have that feature. They told us that. So now we have two relatively high profile [fundraising efforts] that we only have because of this feature. And we're hoping we can go out and get more clients like that as we explain to other vendors the benefits of it."
- An interviewee described how the partnership with Stripe became a powerful new revenue source, saying: "The major benefit is the revenue share agreement we have with Stripe. Having the connectors, being able to partner with Stripe, they have become a very strong partner. We're able to share in the revenue they generate so we're obviously going to push more revenue then and they're going to drive more revenue to us. And so, it becomes very much a symbiotic relationship, and so that's been very powerful for us and it becomes very easy to build the business case around different features, different

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

"We lost big clients that needed daily settlement. And we had a significant amount of bigger clients come back onto the platform because now we have daily settlements with Stripe. So, that's really where the savings are minimal compared to what we gain on the revenue side of Stripe. Forty million dollars of new volume was prevented from joining the platform before Stripe."

*Head of business operations,
league management platform*



products. This year we're looking at around five million in incremental revenue and then possibly doubling it again next year."

Forrester made the following assumptions for the composite analysis:

- > At the start of Year 1, the organization had 475 million in annual volume on its platform. In addition to organic annual growth and international growth efforts, the organization experiences an 8% increase in volume due to new features enabled by Stripe Connect. By Year 3, the organization has a 10% uplift in volume due to new feature growth.
- > The organization charges a 4% fee to sellers, and the organization's average margin, net of Stripe fees, is 40%.
- > The organization dedicates developers to continue to introduce and enhance features that will improve seller experience and generate new areas of growth. This is included in the cost categories below.

Risks that could affect this benefit estimate include:

- > Growth opportunities will be dependent on the maturity of an organization's prior payment solution.
- > The rate of growth will be dependent on the prioritization of development efforts to introduce feature enhancements.
- > Interviewees described a range of revenue and gross margin figures of which Forrester took an average.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of over \$2.2 million.



Up to a 10% increase in transaction volume due to features enabled by Stripe Connect

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

Incremental Profit From Improved Features: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Incremental volume due to Stripe	Interviews	\$47,712,000	\$66,139,200	\$90,585,600
A2	Incremental revenue	4% fee	\$1,908,480	\$2,645,568	\$3,623,424
A3	Average margin	Interviews	40%	40%	40%
At	Incremental profit from improved features	A1*A2*A3	\$763,392	\$1,058,227	\$1,449,370
	Risk adjustment	↓15%			
Atr	Incremental profit from improved features (risk-adjusted)		\$648,883	\$899,493	\$1,231,964

Improved Seller Onboarding

In addition to attracting new sellers to their platforms through enhanced functionality, some organizations were also able to onboard sellers more quickly. This allowed the organizations to recognize several additional weeks of revenue for new sellers, increasing their average annual revenue per seller by up to 10%.

Forrester made the following assumptions for the composite analysis:

- > The average annual revenue per seller is approximately \$960 before Stripe Connect, increasing to \$1,000 with Stripe Connect due to a two-week reduction in new seller onboarding.

- > This benefit applies only to new sellers who join the platform after the onboarding process improvements have been made.

Risks that could affect this benefit estimate include:

- > This benefit will be dependent on an organization's prior payment solution and resulting onboarding inefficiency.
- > Average annual revenue per seller can vary dramatically.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of \$242,000.



Two weeks in additional revenue for new sellers with faster onboarding

Improved Seller Onboarding: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Average annual revenue per seller	Assumption	\$962	\$962	\$962
B2	Additional weeks of revenue due to faster onboarding with Stripe	Interviews	2	2	2
B3	Average annual increase in sellers	Assumption	6,764	6,276	7,817
B4	Average margin	Interviews	40%	40%	40%
Bt	Improved seller onboarding	$((B1/52 \text{ weeks}) * B2) * B3 * B4$	\$100,066	\$92,844	\$115,635
	Risk adjustment	↓5%			
Btr	Improved seller onboarding (risk-adjusted)		\$95,063	\$88,202	\$109,853

Platform Management Savings

One of the immediate benefits to switching to Stripe Connect from previous payment solutions is the automation and efficiency achieved with Stripe. Stripe Connect simplifies the complexity of payment flows for platforms, allowing employees to focus their time on strategic priorities.

- > Managing complex fund flows was a time-consuming process for some interviewees. One organization said, "It was a grotesquely complex process that took [us], four engineers, and eight customer service people all day, every week. I mean – it was bad. We saved \$200K in support labor and \$225K in engineer labor [per year] with Stripe Connect."
- > Some interviewees struggled with tax reporting, saying: "At the end of the year, we had to produce 1099-Ks for our sub merchants, and that process before Stripe was a complete nightmare where we had to figure out how many of our clients we had to produce and print the 1099-K forms for. Then 35 people have to stuff envelopes and get those mailed out. Stripe has a service where I push a button, they download all my account information and then from there I can select the accounts that I want to produce the 1099-K form for, and then they actually have a service that mails it out for you."
- > Several interviewees spent time on manual reconciliation prior to using Stripe Connect. One interviewee explained that they had spent: "easily in aggregate multiple hundreds of hours. It probably took one person a week's worth of time or more per month. We still have a reconciliation



Three developer FTEs saved with Stripe Connect

process, but once a month it takes one person about half a day to a day.” Another interviewee noticed a 50% reduction in customer support tickets related to reconciliations with Stripe Connect.

- › Another organization realized time savings for the accounting team, saying: “It was a very challenging system for our accounting team. By controlling payment flow with Stripe Connect, we saved at least one accounting day per month minimum.” Stripe Connect also helped the organization reduce customer support related to chargebacks by 25%.
- › Several organizations saved time related to compliance processes with Stripe Connect. One interviewee said: “It’s efficiency, we don’t have to do PCI compliance on our own. We did loosely look at doing it on our own versus moving over to Stripe, but it would have cost us sixty to a hundred thousand dollars to do so on our own.” Another organization saved one developer’s time by moving compliance processes to Stripe. Another said that the accounting team saved three weeks per year for two people by managing compliance through Stripe.

Forrester made the following assumptions for the composite analysis:

- › The organization initially saves two developer FTEs, eight customer support FTEs, and 64 accounting days per year with Stripe Connect, compared to prior processes.
- › As transaction volume expands over time, the savings compared to the prior payment solution grows to three developer FTEs, twelve customer support FTEs, and 85 accounting days saved.

Risks that could affect this benefit estimate include:

- › Organizations had differing areas of savings based on the prior payment solutions and resulting manual processes.
- › Some FTE savings were the result of improving features and functionality of the platform with Stripe Connect.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of over \$2 million.



12 customer support FTEs saved with Stripe Connect



85 accounting days saved with Stripe Connect

Platform Management Savings: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Developer FTEs saved with Stripe	Interviews	2	3	3
C2	Developer average fully loaded compensation	Assumption	\$135,000	\$135,000	\$135,000
C3	Customer support FTEs saved with Stripe	Interviews	8	10	12
C4	Customer support average fully loaded compensation	Assumption	\$50,000	\$50,000	\$50,000
C5	Finance/accounting days saved	Interviews	64	74	85
C6	Finance/accounting average fully loaded compensation	Assumption	\$95,000	\$95,000	\$95,000
Ct	Platform management savings	$(C1 * C2) + (C3 * C4) + (C5 * (C6 / 260 \text{ days}))$	\$693,385	\$931,892	\$1,035,926
	Risk adjustment	↓5%			
Ctr	Platform management savings (risk-adjusted)		\$658,715	\$885,298	\$984,130

International Expansion

Entering new markets can be challenging for platforms. Interviewed organizations struggled with the differing regulations and need for additional payment solutions for international markets. Partnering with Stripe, the interviewees felt that the overall effort to enter new markets was faster and easier.

- › One organization said: “We have Canadian customers, and we were never able to process Canadian money with our old processor and Stripe has a solution to do that. So, I would say for international, I think that’s another reason why we chose Stripe. We knew that if we were going to go international, it would be a fairly straightforward implementation with Stripe.”
- › Another organization said, “[I]t probably would have been maybe two to three times the cost and effort [without Stripe] just because we would need to add headcount outside of normal growth. In the past two years, the countries that we have been able to expand to have generated \$6 million in additional revenue for us.”

Forrester made the following assumptions for the composite analysis:

- › Prior to investing in Stripe Connect, the organization was entering two new markets per year, on average.
- › The costs associated with setting up payments in new markets before Stripe Connect was just over \$100,000. With Stripe Connect, those costs decrease to \$35,000.
- › Over the three-year analysis, the organization entered 10 new markets, four of which they would not have been able to enter in that timeframe without Stripe Connect.
- › On average, each new market generates \$12 million in average volume per year to the platform.

Risks that could affect this benefit estimate include:

- › Organizations differed in their pace of international expansion.
- › Stripe Connect is in 25 countries today. Some interviewees have expanded to all of those markets, posing a limitation on the magnitude of this benefit.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of almost \$1.5 million.



Four incremental markets
entered with Stripe
Connect

International Expansion: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
D1	Average new markets entered per year, before Stripe	Interviews	2	2	2
D2	Additional markets entered per year, with Stripe	Interviews	1	1	2
D3	Cost to enter market, before Stripe	Interviews	\$106,538	\$106,538	\$106,538
D4	Cost to enter market, with Stripe	Interviews	\$35,513	\$35,513	\$35,513
D5	Total cost savings, expansion	$(D1+D2)*(D3-D4)$	\$213,075	\$213,075	\$284,100
D6	Average volume per market	Interviews	\$12,000,000	\$12,000,000	\$12,000,000
D7	Average revenue per market	4% fee	\$480,000	\$480,000	\$480,000
D8	Average margin	Interviews	40%	40%	40%
D9	Cumulative incremental markets with Stripe	D2	1	2	4
D10	Incremental margin with Stripe	$D7*D8*D9$	\$192,000	\$384,000	\$768,000
Dt	International expansion	$D5+D10$	\$405,075	\$597,075	\$1,052,100
	Risk adjustment	↓10%			
Dtr	International expansion (risk-adjusted)		\$364,568	\$537,368	\$946,890

Unquantified Benefits

Interviewees mentioned additional areas of benefit that they were not able to quantify, but they still felt that these benefits were significant, including:

- › **The risk and impact of noncompliance on the organization's business.** The interviewed organizations recognized their growing compliance risk as regulations changed and internal and external compliance processes became too expensive to keep up. One organization mentioned that 20% of its revenue was at risk with its prior payment solution based on one compliance factor, and that the switch to Stripe eliminated that risk. Another organization depended on an engineer to manage compliance, and they felt much more confident in Stripe's breadth of knowledge and expertise in managing their risk. Several organizations would have needed to make a significant investment in additional headcount to match the compliance delivered through Stripe. Whether it is the ability to avoid a significant investment, loss of revenue, or fines, all of the interviewees agreed this was a benefit of Stripe Connect.
- › **A reduction in the chargeback rate.** Some interviewees found that there was a reduction in chargebacks and refunds driven by the improved functionality of Stripe Connect. Not only did this improve seller satisfaction, it also improved seller performance on the platform, increasing the organization's revenue. One organization attributed some of this reduction to something as simple as the dynamic credit



- Stripe Connect reduces compliance risk.
- Stripe Connect lead to an estimated 25% reduction in chargeback rates.

card descriptors offered with Stripe. The organization estimated that chargeback rates were reduced by 25% with Stripe Connect.

- › **An improvement in seller conversion rates.** Changes in conversion rates can be difficult to attribute to any one factor, but several interviewees felt seller conversion rates increased as a result of improved onboarding experiences with Stripe Connect. One interviewee said, “There’s enough correlation that suggests that Stripe Connect does increase conversion on our side.”

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
Etr	Implementation cost	\$194,602	\$0	\$0	\$0	\$194,602	\$194,602
Ftr	Management and development time	\$0	\$446,806	\$446,806	\$446,806	\$1,340,419	\$1,111,141
	Total costs (risk-adjusted)	\$194,602	\$446,806	\$446,806	\$446,806	\$1,535,020	\$1,305,743

Implementation Cost

Depending on how much an organization wants to customize buyer and seller experience, implementation times can vary:

- > Most of the interviewees chose a high degree of customization, so implementation periods lasted three to six months, depending on each interviewee's prior environment, and were typically completed by a mix of internal staff and Stripe's onboarding team. One organization did not have any internal engineers, so they contracted a development firm to help with the implementation. Over the implementation period, most interviewees did a phased launch, either migrating by prior payment solution or by market.
- > One interviewee chose a minimal level of customization, using Stripe's dashboard and onboarding flows. The interviewee spent two days on the implementation.
- > Once the implementation was complete, most of the interviewees had customer support and accounting staff participate in a brief training session to go over new functionality and how to use the dashboard.
- > The interviewees all felt that the cost of Stripe Connect was roughly equivalent to their prior payment system costs, so there is no net incremental cost to use Stripe Connect. However, in the incremental revenue benefits above, benefits are calculated net of processing costs, so incremental costs associated with Stripe-driven volume have been included in those calculations.

Forrester made the following assumptions for the composite analysis:

- > The composite chose a highly customized Stripe Connect implementation that allowed the organization to customize onboarding, payout timing, complex money flows, and integrated reporting.
- > The implementation period lasted five months and included creating the onboarding experience, connecting it to Stripe, and setting up credit card processing and reporting. The organization completely migrated off of its prior payment solutions during this period.
- > Three developer FTEs worked with Stripe on the implementation.
- > Finance, accounting, and customer support staff participated in a one-hour training session.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of \$1.3 million.



Five months
Total implementation
and deployment time

Risks that could affect this cost estimate include:

- > The complexity of the organization's prior environment, including the number of prior payment solutions and market presence.
- > The degree of customization desired.
- > The ability to use internal resources for the implementation versus using external services.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year risk-adjusted total PV of \$195,000.

Implementation Cost: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
E1	Implementation time, months	Interviews	5			
E2	Developer FTEs for implementation	Interviews	3			
E3	Developer average fully loaded monthly compensation	135,000/12	\$11,250			
E4	Finance/accounting staff trained	Interviews	5			
E5	Customer support staff trained	Interviews	10			
E6	Length of training session, hours	Interviews	1			
E7	Finance/accounting average fully loaded hourly compensation	95,000/2,080	\$46			
E8	Customer support average fully loaded hourly compensation	50,000/2,080	\$24			
Et	Implementation cost	$(E1 * E2 * E3) + (E4 * E6 * E7) + (E5 * E6 * E8)$	\$169,219	\$0	\$0	\$0
	Risk adjustment	↑15%				
Etr	Implementation cost (risk-adjusted)		\$194,602	\$0	\$0	\$0

Management And Development Time

Overall, as seen in the Platform Management Savings benefit above, the organizations experienced a net time savings related to managing payments for developers, finance and accounting, and customer support. This was due to a reduction in manual workarounds with previous solutions. However, there were two areas where interviewees spent incremental time due to Stripe:

- > Most of the interviewees had weekly touchpoints, over phone or email, with their Stripe account team. The interviewees contrasted the frequency of their conversations with Stripe to the sometimes-poor customer service of their prior solutions.
- > Prior to the investment, interviewed organizations needed developers to focus on payments-related engineering to manage around the limitations of the previous payment solutions. With Stripe Connect, organizations can instead have developers focus on user-facing



Three FTEs
 spend their time
 on ongoing feature
 enhancement

engineering, enhancing the functionality of the platform. As one organization said, “The team is constantly working, but they’re not really doing day-to-day specific management. They’re building new features every day.”

Forrester made the following assumptions for the composite analysis:

- › One representative at the composite organization maintains the Stripe relationship and spends on average 30 minutes per week talking to Stripe about day-to-day account management.
- › Three developer FTEs spend time developing new features or enhancing existing features with Stripe in order to improve seller satisfaction and drive incremental volume to the platform.

Risks that could affect this cost estimate include:

- › One organization spent incremental developer time resolving unexpected bugs with the Stripe platform.
- › Organizations may differ in how much internal effort to devote to improving payment functionality.

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

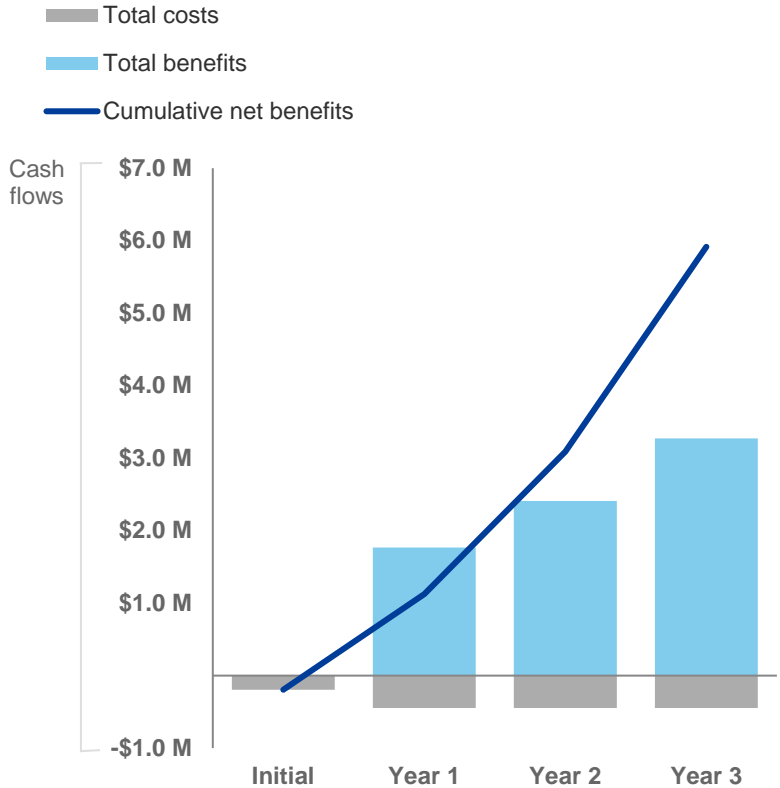
Management And Development Time: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	Account management time, hours	30 minutes/week		26	26	26
F2	Account management average fully loaded hourly compensation	95,000/2,080		\$46	\$46	\$46
F3	Developer FTEs to build new features	Interviews		3	3	3
F4	Developer average fully loaded compensation	Assumption		\$135,000	\$135,000	\$135,000
Ft	Management and development time	$(F1 \cdot F2) + (F3 \cdot F4)$	\$0	\$406,188	\$406,188	\$406,188
	Risk adjustment	↑10%				
Ftr	Management and development time (risk-adjusted)		\$0	\$446,806	\$446,806	\$446,806

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 Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$194,602)	(\$446,806)	(\$446,806)	(\$446,806)	(\$1,535,020)	(\$1,305,743)
Total benefits	\$0	\$1,767,229	\$2,410,361	\$3,272,837	\$7,450,426	\$6,057,535
Net benefits	(\$194,602)	\$1,320,423	\$1,963,554	\$2,826,031	\$5,915,406	\$4,751,792
ROI						364%
Payback period						< 3 months

Stripe Connect: Overview

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

Stripe is a technology company that builds economic infrastructure for the internet. Businesses of every size — from new startups to public companies like Salesforce, Shopify, and Microsoft — use Stripe’s software to accept payments and manage their businesses online.

As a major driver of economic growth over the next decade, platforms and multisided marketplaces (businesses that connect networks of “buyers” and “sellers”) face a unique set of challenges starting and scaling their businesses.

With Stripe Connect, the first product of its kind, Stripe helps marketplaces and platforms manage the complex flow of accepting payments from anywhere in the world and paying out to third parties. In addition, Stripe Connect verifies the identity and bank account information of the sellers who are ultimately receiving money — ensures each seller gets paid the right amount and on the right schedule — and helps with regulatory and tax reporting requirements. Stripe Connect also allows marketplaces and platforms to grow and operate internationally with ease. For example, even if a marketplace is headquartered in Singapore, a “buyer” paying could be in Cairo and a “seller” getting paid could be in Toronto.

By powering businesses that would have been hard, if not impossible, a decade ago, Stripe Connect is the catalyst for the new economy.

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.