The Total Economic Impact™ Of Chargebee

Cost Savings And Business Benefits Enabled By Chargebee

SEPTEMBER 2021
Table Of Contents

Executive Summary ........................................... 1

The Chargebee Customer Journey .................... 5
  Key Challenges ........................................... 5
  Solution Requirements/Investment Objectives .... 5
  Composite Organization ................................. 5

Analysis Of Benefits .................................... 7
  Improved Operational Efficiency ...................... 7
  Improved Conversions ................................ 9
  Improved Customer Retention ........................ 10
  Unquantified Benefits ................................ 12
  Flexibility ................................................ 13

Analysis Of Costs ........................................ 14
  Chargebee Subscription Cost ......................... 14
  Implementation And Training ......................... 15

Financial Summary ..................................... 17

Appendix A: Total Economic Impact ............... 18

Appendix B: Endnotes .................................. 19

ABOUT FORRESTER CONSULTING

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Executive Summary

Billing and revenue management is essential to driving sustainable growth, especially for subscription-based businesses. However, 89% of revenue management decision-makers admit that their billing tools are siloed from revenue-driving functions. As firms build and mature their approach to revenue management, leaders need to recognize the potential of revenue management technology to enable process improvements and transform recurring customer relationships.

Chargebee is a subscription management and recurring billing platform. It enables users to streamline revenue operations, manage subscription plans and pricing options, and automate recurring billing, and it provides insight into recurring customers and revenues.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four customers with experience using Chargebee. For the purposes of this study, Forrester aggregated the experiences of the interviewed customers and combined the results into a single composite organization, a $100 million company that offers subscription products.

Prior to using Chargebee, the customers had neither external subscription management nor recurring billing solutions. They struggled with managing a fast-growing volume of invoices and needed to simplify their subscription and billing processes. They also wanted a tool to efficiently manage and experiment with pricing options.

After deploying Chargebee, the customers automated the quote-to-cash process, yielding improvements in operational efficiency across functions. Streamlined processes, better collaboration, and improved customer insights increased revenue in the form of higher conversion and customer acquisition rates.

KEY FINDINGS

Quantified benefits. Risk-adjusted present value (PV) quantified benefits include:

- **Improved operational efficiency in finance, operations, and customer service teams.** Automation eliminated manual work in processes around subscription management, recurring billing and invoicing, dunning, tax, reporting and financial planning, and customer service.

- **Improved conversions from free-version to paid users by 25% to 30%.** By offering coupons and discount options, Chargebee customers
EXECUTIVE SUMMARY

significantly increased their lead-conversion rates.

- **Retained 6% to 9% more customers.** Streamlined dunning processes reduced churn rates. Improved use of customer data enabled Chargebee users to design customer engagement campaigns and prompted sales teams to discuss renewals with clients.

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

- **Improved customer experience.** Chargebee helped organizations streamline processes across functions and offered features such as a checkout page and self-service subscription management portal to improve the end-user experience.

- **Quicker product launches and pricing changes.** Out-of-the-box integration enabled customers to rapidly deploy new features. Flexible pricing configuration allowed users to quickly make updates to price plans.

“The key benefit of Chargebee is automation and scale. Chargebee really did help us think through and implement some of these best practices around billing automation.”

*Finance manager, logistics*

“Chargebee enabled us to be super-agile in our product growth. We were able to very quickly make updates to plans.”

*Director, support and operations,*

**Costs.** Risk-adjusted PV costs include:

- **Chargebee subscription costs of $1.5 million over three years for the composite organization.** This includes Chargebee’s core functionalities plus two add-ons. Subscription fees constitute the biggest component of total costs and vary based on an organization’s annual invoicing volume.

- **Implementation and training costs.** This included the internal project team collaborating with Chargebee to deploy the solution, as well as time spent by employees learning how to use Chargebee.

The customer interviews and financial analysis found that a composite organization experiences benefits of $4.83 million over three years versus costs of $1.57 million, adding up to a net present value (NPV) of $3.26 million and an ROI of 207%.
EXECUTIVE SUMMARY

THE TOTAL ECONOMIC IMPACT™ OF CHARGE

ROI 207%

BENEFITS PV $4.83M

NPV $3.26M

See appendix for glossary

Benefits (Three-Year)

- Improved operational efficiency: $357.4K
- Improved conversions: $1.1M
- Improved customer retention: $3.3M

Cash Flow Chart (Risk-Adjusted)

Initial Year 1 Year 2 Year 3

Total costs: $1.0 M $1.0 M $2.0 M $3.0 M

Total benefits: $3.3 M $3.3 M $3.3 M $3.3 M

Cumulative net benefits: $2.3 M $5.6 M $8.9 M $12.2 M

See appendix for glossary
EXECUTIVE SUMMARY

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 the Chargebee.

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 the Chargebee can have on an organization.

DISCLOSURES
Readers should be aware of the following:

This study is commissioned by Chargebee 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 Chargebee.

Chargebee 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.

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

DUE DILIGENCE
Interviewed Chargebee stakeholders and Forrester analysts to gather data relative to Chargebee.

CUSTOMER INTERVIEWS
Interviewed four decision-makers at organizations using Chargebee 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 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 Chargebee Customer Journey

Drivers leading to the Chargebee investment

Interviewed Organizations

<table>
<thead>
<tr>
<th>Industry</th>
<th>Revenue</th>
<th>Interviewee</th>
<th>Pricing model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast-moving consumer goods (FMCG)</td>
<td>$20 million</td>
<td>Director of finance</td>
<td>Flat rate subscription</td>
</tr>
<tr>
<td>Logistics</td>
<td>$100 million</td>
<td>Finance manager</td>
<td>Usage-based</td>
</tr>
<tr>
<td>SaaS</td>
<td>$300 million</td>
<td>CIO and CISO</td>
<td>Freemium, per user</td>
</tr>
<tr>
<td>Supply chain</td>
<td>$10 million</td>
<td>Director, support and operations</td>
<td>Freemium</td>
</tr>
</tbody>
</table>

KEY CHALLENGES

Prior to Chargebee, most interviewed customers had no external subscription management and recurring billing solutions and relied on manual processes and technology they built in-house. One customer used a commercial solution, but it did not integrate well with the organization’s existing tech stack.

The interviewed organizations struggled with common challenges, including:

- **Complex subscription and billing processes.** The customers’ revenue operations required a lot of manual effort, from updating price plans to generating invoices, collecting payments, and reporting. They needed to automate the process for efficiency.

- **Inflexible and cumbersome pricing management.** Customers needed a tool that enabled them to configure, test, and adjust price plans with ease.

SOLUTION REQUIREMENTS/INVESTMENT OBJECTIVES

The interviewed organizations searched for a solution that could:

- Be deployed swiftly to support product launches and drive recurring revenue.
- Offer an intuitive user interface and user experience for employees and customers.
- Integrate well with the existing tech stack, including solutions for tax, sales, customer relationship management, and customer service.
- Enable the organization to scale up operations to serve more subscribers and manage plans with ease.

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 companies that Forrester interviewed 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 company offering a freemium subscription product. Prior to deploying Chargebee, it generated $100 million in annual revenue and grew 15% year-over-year. It has 10,000 customers, each of which pays on average $10,000 per year, billed
annually. The organization recently started offering subscription products and has a customer retention rate of 60%, prior to adopting Chargebee.

**Deployment characteristics.** The organization had no commercial subscription management and recurring billing solution prior to Chargebee. It deploys Chargebee across its operations. Users include employees from finance, operations, and customer service teams. The organization uses the following Chargebee functions: subscription management, invoices and billing, payment collection, analytics, and integrations.

**Key assumptions**
- $100 million revenue, 15% YoY growth
- 10,000 customers
- 60% customer retention rate
IMPROVED OPERATIONAL EFFICIENCY

Evidence and data. Chargebee improved the operational efficiency of customers by automating quote-to-cash operations. It also offered robust integrations that streamlined processes across the organization and broke down silos. All interviewees agreed that Chargebee improved internal operational efficiency, particularly in these areas:

- **Subscription management.** Customers could create and adjust price plans in Chargebee, and changes would be automatically reflected in their product. The CIO and CISO of a software as a service (SaaS) provider explained: “Subscription management with Chargebee takes a few seconds to a couple of minutes. If we were to do it in a billing system and then go into the product system and enable, it would involve multiple people and would take up to 15 to 30 minutes per transaction.”

- **Recurring billing and invoicing.** Once the customer set up billing logic, invoice generation was automated. One customer, the finance manager at a logistics company, estimated that if they were to generate invoices manually, it would take “hundreds of hours.” The same customer added, “The ongoing time needed to manage account receivables is very, very low — low single-digit hours per week — just because, Chargebee substantially automated everything.”

- **Streamlined dunning processes.** Automatic email flows and payment retries eliminated manual work for the accounts receivable team following up for payments.

- **Tax.** A couple of customers integrated Chargebee with tax solutions to simplify the sales tax calculation and collection process. They no longer had to pay sales tax on behalf of customers upfront and avoided manual work collecting tax payments.

- **Reporting and financial planning.** The director of finance at an FMCG firm told Forrester: “I can just look at Domo, which integrates through Chargebee, and you can look at every report every day. I don’t need a full team building and analyzing budgets.”

- **Customer service.** With integration, customer service agents were able to look up customer information within one environment. This saved them between 5 and 10 minutes per ticket.

**Modeling and assumptions.** Forrester assumes the following for the composite organization:

---

### Total Benefits

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Benefit</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
<th>Present Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atr</td>
<td>Improved operational efficiency</td>
<td>$125,280</td>
<td>$144,072</td>
<td>$165,683</td>
<td>$435,035</td>
<td>$357,439</td>
</tr>
<tr>
<td>Btr</td>
<td>Improved conversions</td>
<td>$213,180</td>
<td>$461,282</td>
<td>$752,310</td>
<td>$1,426,772</td>
<td>$1,140,246</td>
</tr>
<tr>
<td>Ctr</td>
<td>Improved customer retention</td>
<td>$561,000</td>
<td>$1,422,135</td>
<td>$2,190,929</td>
<td>$4,174,064</td>
<td>$3,331,396</td>
</tr>
<tr>
<td></td>
<td>Total benefits (risk-adjusted)</td>
<td>$899,460</td>
<td>$2,027,489</td>
<td>$3,108,922</td>
<td>$6,035,871</td>
<td>$4,829,081</td>
</tr>
</tbody>
</table>
The composite saves 350 hours of manual work per month, equivalent to roughly two FTEs. The number of hours saved grows 15% each year, in line with revenue growth.

The composite processes 3,000 customer service tickets per month, which also grows 15% year-over-year.

Customer service agents save 5 minutes per ticket.

Half of the time saved is put back into productive work.

**Risks.** Operational efficiency savings may vary, depending on the following factors:

- Prior performance and level of manual work required.
- Systems and processes previously in place.

- The organization’s ability to incorporate Chargebee into its processes.
- Invoice and ticket volumes.

**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 $357,000.

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**Improved Operational Efficiency**

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Metric</th>
<th>Source</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Avoided finance/operations team manual effort per month (hours)</td>
<td>Composite</td>
<td>350</td>
<td>403</td>
<td>463</td>
</tr>
<tr>
<td>A2</td>
<td>Finance/operations fully burdened hourly rate</td>
<td>Assumption: $80,000/year x 1.35 benefit modifier / 2,080 hours</td>
<td>$52</td>
<td>$52</td>
<td>$52</td>
</tr>
<tr>
<td>A3</td>
<td>Subscription and billing efficiency improvement</td>
<td>A1<em>A2</em>12</td>
<td>$218,400</td>
<td>$251,160</td>
<td>$288,834</td>
</tr>
<tr>
<td>A4</td>
<td>Customer service tickets</td>
<td>Composite</td>
<td>36,000</td>
<td>41,400</td>
<td>47,610</td>
</tr>
<tr>
<td>A5</td>
<td>Time saved per ticket (minutes)</td>
<td>Interviews</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>A6</td>
<td>Customer service agent fully burdened hourly rate</td>
<td>Assumption: $40,000/year x 1.35 benefit modifier / 2,080 hours</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>A7</td>
<td>Customer service efficiency improvement</td>
<td>A4<em>A5/60</em>A6</td>
<td>$60,000</td>
<td>$69,000</td>
<td>$79,350</td>
</tr>
<tr>
<td>A8</td>
<td>Productivity conversion</td>
<td>TEI standard</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>At</td>
<td>Improved operational efficiency</td>
<td>(A3+A7)*A8</td>
<td>$139,200</td>
<td>$160,080</td>
<td>$184,092</td>
</tr>
<tr>
<td></td>
<td>Risk adjustment</td>
<td>↓ 10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atr</td>
<td>Improved operational efficiency (risk-adjusted)</td>
<td></td>
<td>$125,280</td>
<td>$144,072</td>
<td>$165,683</td>
</tr>
</tbody>
</table>

**Three-year total: $435,035**

**Three-year present value: $357,439**

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“It’s reasonable to assume that if we didn't have Chargebee, we could be spending double on payroll.”

*Director of finance, FMCG*
IMPROVED CONVERSIONS

Evidence and data. Chargebee enabled users to A/B test pricing and offer coupons to improve customer acquisition. It also provided customer data to help users design targeted marketing and sales campaigns. Interviewees described how the solution helped their businesses improve conversion rates:

• **Offer discounts to encourage conversion.** “We allow customers to do a trial and then convert, and Chargebee is an enabler. I would say 30%, 40% of our customers take advantage of the discounted options during sign-up. Especially with small and medium businesses who are really cost-sensitive, that’s where we get a lot more conversions,” said the CIO and CISO of a SaaS company.

• **Leverage deeper customer insight to drive purchases.** For example, using the abandoned cart report, the supply chain organization found out which clients were interested in purchasing but did not complete the transaction, and ran a targeted sales campaign.

Modeling and assumptions. In the case of the composite, Forrester assumes the following:

• The composite has 133,000 free-version users in Year 1, which grows 15% year-on-year.

• Pre-Chargebee, the composite converts 3% of the free-version users.

• Offering coupons drives up conversions by 20% in Year 1. As the composite continues to leverage data collected by Chargebee, the conversion rate further improves to 25% in Year 2 and 30% in Year 3.

• Customers on average pay $10,000, and the discount amount is $500.

• Customers acquired in previous years are retained at the current year’s retention rate.

• Forrester attributes 30% of the improvement in conversions to Chargebee; this accounts for other contributing factors such as the discount amount, product and pricing strategy, and campaign efforts.

• Operating profit is 11% of revenue.

Risks. The value of improved conversions may vary depending on the following factors:

• The number of leads, pre-Chargebee conversion rate, and customer one-year value/average order value.

• The discount amount offered.

• The organization’s ability to interpret and act on customer insights to drive conversions.

“We A/B test pricing on Chargebee, like offering a free gift with purchase at checkout, and we’ll monitor the cost and benefit for the next few months.”

*Director of finance, FMCG*

“When we were acquired, the parent company wanted to immediately offer a special sales package. The only reason we were able to offer these things was because of the flexibility of the coupons in the billing system.”

*Director, support and operations, supply chain*
**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $1.1 million.

<table>
<thead>
<tr>
<th>Improved Conversions</th>
<th>Ref.</th>
<th>Metric</th>
<th>Source</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B1</td>
<td>Number of free-version users</td>
<td>Composite</td>
<td>133,300</td>
<td>153,300</td>
<td>176,300</td>
</tr>
<tr>
<td></td>
<td>B2</td>
<td>Freemium conversion rate pre-Chargebee</td>
<td>Composite</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>B3</td>
<td>Improvement in conversion rate with Chargebee</td>
<td>Interviews</td>
<td>20%</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>B4</td>
<td>Additional converted leads</td>
<td>B1<em>B2</em>B3</td>
<td>800</td>
<td>1,150</td>
<td>1,587</td>
</tr>
<tr>
<td></td>
<td>B5</td>
<td>Average order value/customer conversion value</td>
<td>Composite</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td></td>
<td>B6</td>
<td>Value of discount offered per conversion</td>
<td>Composite</td>
<td>$500</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td></td>
<td>B7</td>
<td>Value of additional conversions</td>
<td>B4*(B5-B6)</td>
<td>$7,600,000</td>
<td>$10,925,000</td>
<td>$15,076,500</td>
</tr>
<tr>
<td></td>
<td>B8</td>
<td>Value of additional conversions in previous years</td>
<td>(B4*B5+B8)*PY * (C2+C3)*CY</td>
<td>$0</td>
<td>$5,520,000</td>
<td>$11,743,800</td>
</tr>
<tr>
<td></td>
<td>B9</td>
<td>Attribution to Chargebee</td>
<td>Assumption</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>B10</td>
<td>Operating profit</td>
<td>Assumption</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td>Bt</td>
<td>Improved conversions</td>
<td>(B7+B8)<em>B9</em>B10</td>
<td>$250,800</td>
<td>$542,685</td>
<td>$885,070</td>
</tr>
<tr>
<td></td>
<td>Btr</td>
<td>Improved conversions (risk-adjusted)</td>
<td>↓15%</td>
<td>$213,180</td>
<td>$461,282</td>
<td>$752,310</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Three-year total: $1,426,772</td>
<td></td>
<td>Three-year present value: $1,140,246</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**IMPROVED CUSTOMER RETENTION**

**Evidence and data.** Chargebee helped customers improve customer retention with its dunning function and by providing deeper customer insight to drive engagement and renewal rates.

- **Improved dunning processes.** Integration with CRMs and email flows raised the efficiency and effectiveness of the interviewed organization’s dunning processes. Sales and operations teams were able to track which clients were in dunning, which prompted the account managers to reach out and follow up with customers. They were also able to send out automatic reminder emails prior to renewals or payments to allow sufficient time for clients to update the card information as necessary.

- **Reduce unpaid invoices with customizable and smart dunning.** Once customers set up the dunning messages and frequency depending on client relationships, Chargebee would automatically execute the communications and payment retries. A finance manager for a logistics firm faced up to 10% of revenue in delinquent invoices. He described how Chargebee had...
helped: “Part of that is our team’s effort in configuring the settings, and part of it is the benefit of smart dunning. Now we have very few cases of nonpayment where the nonpayment is unintentional.”

- **Leverage deeper customer insight to drive renewals.** Customers tracked key metrics such as churn rates and monthly recurring revenue to optimize business strategy and inform client engagement campaigns. The director of finance at a FMCG company said, “Before we started analyzing Chargebee data to optimize customer retention, churn was around 40%, and now it’s down to 31%.”

**Modeling and assumptions.** Forrester assumes the following for the composite organization:

- The composite has 10,000 customers at the beginning of Year 1. The number of customers grows in line with the organization’s baseline 15% growth, plus the additional converted customers as calculated in the previous benefit.
- Pre-Chargebee customer retention rate is 60%.
- Customer retention rate improves by 10% in Year 1, rising further to a 15% improvement in Years 2 and 3.
- Customers acquired in previous year(s) are retained at the current year’s retention rate.
- Operating profit is 11% of revenue.

**Risks.** This benefit may vary depending on the following factors:

- Previous performance and systems in place
- Customers’ ability to segment customers and develop dunning strategies for each segment

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $3.3 million.

“We have set up the specific configurations so we’re able to collect on unpaid invoices and set the cases up when we attempt payment. It saves us a lot of time when Chargebee automatically handles the timing of it, and it automatically sends out communication if payment doesn’t go through.”

*Finance manager, logistics*
### Improved Customer Retention

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Metric</th>
<th>Source</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Number of customers at start of year</td>
<td>Composite: 15% growth + B4</td>
<td>10,000</td>
<td>12,300</td>
<td>14,375</td>
</tr>
<tr>
<td>C2</td>
<td>Customer retention rate pre-Chargebee</td>
<td>Interviews</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>C3</td>
<td>Improvement in customer retention attributed to Chargebee</td>
<td>Interviews</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>C4</td>
<td>Customer retention rate with Chargebee</td>
<td>C2*(1+C3)</td>
<td>66%</td>
<td>69%</td>
<td>69%</td>
</tr>
<tr>
<td>C5</td>
<td>Average invoice amount</td>
<td>Composite</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>C6</td>
<td>Value of additional retained customers in current year</td>
<td>C1<em>C2</em>C3*C5</td>
<td>$6,000,000</td>
<td>$11,070,000</td>
<td>$12,937,500</td>
</tr>
<tr>
<td>C7</td>
<td>Value of retained customers in previous year(s)</td>
<td>(C6+C7)*PY * (C4)CY</td>
<td>$4,140,000</td>
<td>$10,494,900</td>
<td></td>
</tr>
<tr>
<td>C8</td>
<td>Operating margin</td>
<td>Assumption</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Ct</td>
<td>Improved customer retention</td>
<td>(C6+C7)*C8</td>
<td>$660,000</td>
<td>$1,673,100</td>
<td>$2,577,564</td>
</tr>
<tr>
<td></td>
<td>Risk adjustment</td>
<td>↓15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ctr</td>
<td>Improved customer retention (risk-adjusted)</td>
<td></td>
<td>$561,000</td>
<td>$1,422,135</td>
<td>$2,190,929</td>
</tr>
</tbody>
</table>

**Three-year total: $4,174,064**

**Three-year present value: $3,331,396**

### UNQUANTIFIED BENEFITS

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

- **Improved customer experience.** Chargebee not only streamlined internal processes and broke down silos between departments but it also offered features that directly improved customer experience. These ranged from user-friendly checkout pages and purchase confirmations to self-service subscription management. A CIO and CISO at a SaaS provider commented: “As a customer, if you paid for it, you want to see it immediately; you expect to see your features and functions available. Instant gratification is priceless — it is loyalty, it is simplicity from an end-user perspective”

- **Quicker product launches and pricing changes.** Customers were able to launch products more quickly and create and adjust price plans faster. The CIO and CISO of a SaaS provider said: “Chargebee’s robust API set enabled us to do what we want to do in terms of product talking to Chargebee. It enabled us to rapidly deploy product features and rapidly deploy product-related enhancements.”

“We grew our business tremendously in 2020 during COVID while using Chargebee. I haven’t seen that seen much, or any, additional time needed to maintain Chargebee just because of the built-in automation”

*Finance manager, logistics*
FLEXIBILITY

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

Scale up business with minimal development effort. Customers described Chargebee as “built to scale.” The director of finance at a FMCG firm said: “Chargebee is central to our growth plans. It is processing about $20 million for us, and I think we could easily scale up to a hundred-plus million without doing any real changes in Chargebee.”

- **Build or buy?** One customer said that organizations should consider the cost-effectiveness of dedicating internal resources to the development and maintenance of a billing platform against the time-to-value and scalability if they adopt a vendor solution.

- **Follow revenue operations best practices with help from Chargebee customer service team.** Multiple customers praised Chargebee’s customer service team, saying that they were easy to work with and a great partner for growth. Following the team’s recommendations and best practices, one customer implemented further automation and saved 2 to 3 person-hours per week in their operations.

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

“Chargebee offers a great customer success team and [is] there during times when we’re trying to troubleshoot or get an idea on how to best use the product. One of their key strengths — especially for us small startups — is having a dedicated account manager and technical account manager available to troubleshoot certain things or help provide best practices.”

*Director, support and operations, supply chain*
Analysis Of Costs

Quantified cost data as applied to the composite

Total Costs

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Cost</th>
<th>Initial</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
<th>Present Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dtr</td>
<td>Chargebee subscription cost</td>
<td>$0</td>
<td>$501,900</td>
<td>$641,550</td>
<td>$696,150</td>
<td>$1,839,600</td>
<td>$1,509,507</td>
</tr>
<tr>
<td>Etr</td>
<td>Implementation and training</td>
<td>$60,861</td>
<td>$352</td>
<td>$352</td>
<td>$352</td>
<td>$61,917</td>
<td>$61,736</td>
</tr>
<tr>
<td></td>
<td>Total costs (risk-adjusted)</td>
<td>$60,861</td>
<td>$502,252</td>
<td>$641,902</td>
<td>$696,502</td>
<td>$1,901,517</td>
<td>$1,571,243</td>
</tr>
</tbody>
</table>

CHARGEBEE SUBSCRIPTION COST

Evidence and data. Chargebee subscription cost made up the biggest cost component. It was priced based on the composite organization’s expected annual invoicing volume and the number of add-ons it adopted. Chargebee offers volume-based discounts, so unit rate would be lower for an organization processing a higher volume of business through Chargebee.

Modeling and assumptions. The composite organization pays $454,000 in Year 1, increasing to $581,000 in Year 2 in proportion to revenue growth, and to $628,000 in Year 3. It pays an additional $24,000 for two premium add-ons: revenue story premium, and CRM integration.

Risks. This cost may vary depending on an organization’s annual invoicing volume, as well as any additional revenue if the organization overperforms.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1.5 million.

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Metric</th>
<th>Source</th>
<th>Initial</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1</td>
<td>Subscription cost</td>
<td>Composite</td>
<td>$454,000</td>
<td>$587,000</td>
<td>$639,000</td>
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<tr>
<td>D2</td>
<td>Add-ons</td>
<td>Composite</td>
<td>$24,000</td>
<td>$24,000</td>
<td>$24,000</td>
<td></td>
</tr>
<tr>
<td>D1*D2</td>
<td>Chargebee subscription cost</td>
<td>D1*D2</td>
<td>$0</td>
<td>$478,000</td>
<td>$611,000</td>
<td>$663,000</td>
</tr>
<tr>
<td></td>
<td>Risk adjustment</td>
<td></td>
<td>↑5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dtr</td>
<td>Chargebee subscription cost (risk-adjusted)</td>
<td></td>
<td>$0</td>
<td>$501,900</td>
<td>$641,550</td>
<td>$696,150</td>
</tr>
</tbody>
</table>

Three-year total: $1,839,600
Three-year present value: $1,509,507
IMPLEMENTATION AND TRAINING

Evidence and data. The implementation of Chargebee is a collaboration between the customer and Chargebee. Stakeholders from the customer’s finance team and a software engineer work with the Chargebee implementation and program management team to configure the Chargebee environment and integrate it with the customer’s tech stack. Customers reported spending about 50 person-hours on the project over a period of two weeks to a month.

Basic training took about a day. After watching training videos covering the core functionalities and spending a few more hours shadowing colleagues, users are able to start using Chargebee. A couple of interviewees in charge of reporting and financial planning admitted that there was a learning curve to fully master the platform’s breadth of functions, and it took them two to three months to incorporate Chargebee into their routine and analysis work.

Modeling and assumptions. Forrester assumes the following for the composite organization:

- The composite pays Chargebee $50,000 for the implementation.
- Three users from finance and eight customer service agents were trained initially.
  - The number of finance employees using Chargebee remains the same during the three years, as much of the manual work is automated.
  - The composite organization trains up two new customer service agents due to team growth and attrition.

Risks. The implementation and ongoing management cost may vary, depending on the following factors:
- The complexity of the organization’s IT environment and the number of modules being implemented.
- The number of employees involved in implementation and training, as well as their seniority.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $62,000.

“[Chargebee’s] implementation team worked alongside my team, and they were very easy to work with. Having worked with multiple implementation partners, I would say their responsiveness is fantastic.”

CIO and CISO, SaaS
### Implementation And Training

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Metric</th>
<th>Source</th>
<th>Initial</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>E1</td>
<td>Implementation cost</td>
<td>Chargebee provided</td>
<td>$50,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E2</td>
<td>Internal implementation effort (hours)</td>
<td>Interviews</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>E3</td>
<td>Average project team fully burdened salary</td>
<td>Assumption: $87,000/year x 1.35 benefit modifier / 2,080 hours</td>
<td>$56</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>E4</td>
<td>Finance/operations employees to be trained</td>
<td>Composite</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>E5</td>
<td>Customer service agents to be trained</td>
<td>Composite</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>E6</td>
<td>Finance/operations employee fully burdened hourly rate</td>
<td>A2</td>
<td>$52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E7</td>
<td>Customer service agent fully burdened hourly rate</td>
<td>A6</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>E8</td>
<td>Training hours per employee</td>
<td>Composite</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>E9</td>
<td>Training cost</td>
<td>(E4<em>E6+E5</em>E7)*E8</td>
<td>$2,528</td>
<td>$320</td>
<td>$320</td>
<td>$320</td>
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<tr>
<td>E10</td>
<td>Implementation and training</td>
<td>E1<em>E2</em>E3*E9</td>
<td>$55,328</td>
<td>$320</td>
<td>$320</td>
<td>$320</td>
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<tr>
<td></td>
<td>Risk adjustment</td>
<td></td>
<td>↑10%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E10r</td>
<td>Implementation and training (risk-adjusted)</td>
<td></td>
<td>$60,861</td>
<td>$352</td>
<td>$352</td>
<td>$352</td>
</tr>
</tbody>
</table>

**Three-year total: $61,917**

**Three-year present value: $61,736**
Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)

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

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

Cash Flow Analysis (Risk-Adjusted Estimates)

<table>
<thead>
<tr>
<th></th>
<th>Initial</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
<th>Present Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total costs</td>
<td>($60,861)</td>
<td>($502,252)</td>
<td>($641,902)</td>
<td>($696,502)</td>
<td>($1,901,517)</td>
<td>($1,571,243)</td>
</tr>
<tr>
<td>Total benefits</td>
<td>0</td>
<td>$899,460</td>
<td>$2,027,489</td>
<td>$3,108,922</td>
<td>$6,035,871</td>
<td>$4,829,081</td>
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<tr>
<td>Net benefits</td>
<td>($60,861)</td>
<td>$397,208</td>
<td>$1,385,587</td>
<td>$2,412,420</td>
<td>$4,134,354</td>
<td>$3,257,838</td>
</tr>
<tr>
<td>ROI</td>
<td>207%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company’s technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on “triangular distribution.”

PRESENT VALUE (PV)

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

NET PRESENT VALUE (NPV)

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

RETURN ON INVESTMENT (ROI)

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

DISCOUNT RATE

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

PAYBACK PERIOD

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

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

1 Source: “Revenue Management In Subscription-Based Organizations: The Move Toward RevOps,” a commissioned study conducted Forrester Consulting on behalf of Chargebee, March 2020.

2 Revenue operations (RevOps) is all operations associated with revenue. It requires the cross-functional alignment of sales, marketing, customer success, and, increasingly, the finance organization. The operations associated with revenue include, but aren’t limited to, discovering opportunities, mitigating risks, and streamlining operations.

3 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.