

FORRESTER®

The Total Economic Impact™ Of Ailleron LiveBank

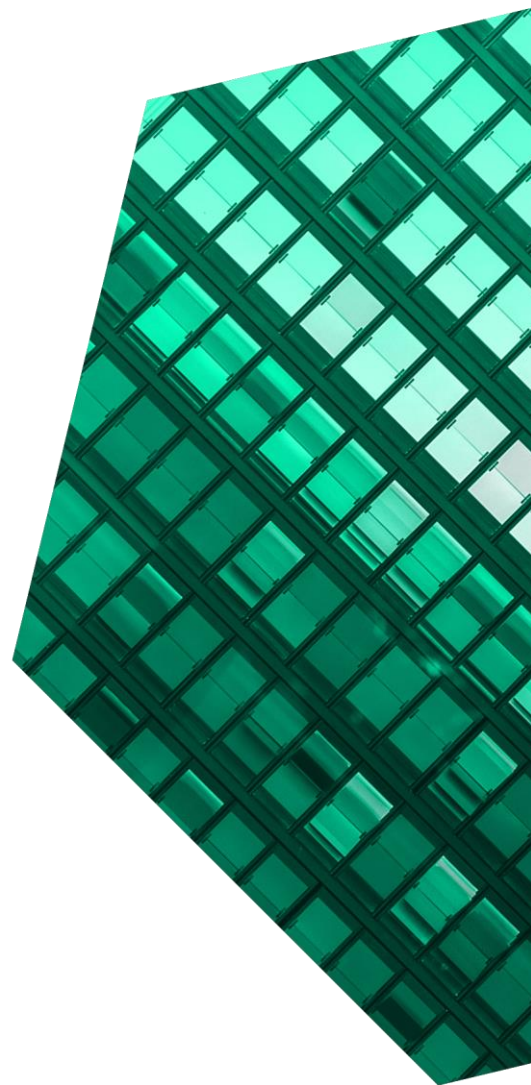
Cost Savings And Business Benefits
Enabled By LiveBank

FEBRUARY 2022

Table Of Contents

Consulting Team: Christian Fischer
Russell Pask

Executive Summary	1
The Ailleron LiveBank Customer Journey	6
Interviewee's Organization	6
Key Challenges	6
Use Case Description.....	7
Solution Requirements	7
Analysis Of Benefits	8
Reduction In Customer Acquisition Costs	8
Incremental Profit Growth Due To Increased Customer Base.....	9
Recaptured Customer Support Staff Productivity	10
Reduced Cost Of Processing Account Openings	12
Analysis Of Costs	14
Total License Fee	14
Total Cost For Maintenance, change, and Upgrades	15
Total Implementation Costs.....	16
Financial Summary	18
Appendix A: Total Economic Impact	19
Appendix B: Supplemental Material	20
Appendix C: Endnotes	20



ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. For more information, visit forrester.com/consulting.

© Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on the best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies.

Executive Summary

Over the past 15 years, adoption of online banking and mobile banking has grown gradually, while the use of older channels like ATMs, branches, and telephone banking has slowly declined. The COVID-19 pandemic has accelerated customers' migration to digital banking and caused a radical shift in both customer behaviors and expectations. Ailleron's LiveBank solution helps banks and other financial institutions build the collaboration layer that enables digital services needed to gain future customers.

The COVID-19 pandemic has induced a radical shift in consumer behaviors. As many bank branches remained closed across the globe, consumers have been forced to migrate online for banking products and services. Many consumers started using digital touchpoints to manage their finances for the first time during the pandemic. Meanwhile, customers who could no longer walk into a branch or were facing long waits to connect over the phone turned instead to digital touchpoints for customer service. These digital changes in behavior will persist in the post-pandemic era, and banks and other financial institutions have recognized that their application landscapes cannot deliver the seamless and convenient experiences their customers require.

Ailleron's [LiveBank](#) solution is a communication and collaboration solution that helps banks and other financial institutions enable their remote digital services and support via chat, video, and social media. This allows those institutions to acquire and retain future customers in a post-pandemic era.

Ailleron commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying LiveBank.¹ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of LiveBank on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed the decision-maker of an organization who has

KEY STATISTICS



Return on investment (ROI)

176%



Net present value (NPV)

€2,08M

experience using LiveBank. Forrester used this experience to project a three-year financial analysis.

Prior to using LiveBank, the interviewee noted how their organization did not have a digital channel solution for their customer service. However, prior attempts to create the omnichannel capabilities yielded limited success, leading the interviewee's organization to invest in Ailleron's LiveBank.

After the investment in LiveBank, the decision-maker's organization implemented the solution to its customer service and advisors mainly on the retail side. This included omnichannel support for customers via phone, chat, and video, but it also opened the possibility for an automated and digital version of the know-your-customer protocol (eKYC) that supported digital account opening and advanced self-service in their mobile and internet banking. Key results from the investment include an increased

customer base as well as and cost reductions and cost reductions.

“One of the main benefits is that customers can use the LiveBank-enabled processes remotely from home or wherever they are. So from the customer perspective, it was a huge gain.”

Project manager, European retail bank

KEY FINDINGS

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

- **Reduction in customer acquisition costs by doubling conversion rates.** The interviewee reported that the average conversion rate, which increased from 35% to 70%, was driven by the increased acceptance and satisfaction of digitally enabled prospects. Customers were actively looking for a bank that provided digital banking services and support, and this behavior made them more willing to finally open an account with the interviewee’s organization. This is estimated to be a three-year PV of €1.371.256.
- **Incremental profit growth by €809.899 due to increased customer base.** The digital enablement of customers via omnichannel capabilities increased the amount of remote branch interactions and account openings during the three-year period. Especially digital-native customers were increasingly attracted by how the interviewee’s organization interacted with and served them, which was more aligned with their behaviors and expectations. As a result, estimated digital account openings increased by

up to 125%. Over three years and with a cumulative total of 15.100 additionally acquired customers, the incremental profit growth is calculated to be worth a PV of €809.899.

- **Twenty percent recaptured customer support staff productivity.** The interviewee explained that the shift from phone to chat enabled customer support and decreased the time spent per request by about 20%. Customer support agents were able to work on up to three requests simultaneously via chat and especially smaller requests were handled faster. For the organization, this results in a three-year PV of €687.109.
- **Up to 95% reduced cost of processing eKYC supported digital account openings.** The automated eKYC feature included in the LiveBank solution helped the interviewee’s organization to enable a completely paperless account opening process, using video-assisted ID verification and electronic signatures, which regulators in many countries now accept. This reduced the effort to open an account by up to 95%, resulting in a three-year PV of €400.660.

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

- **Increased flow and employee productivity.** According to Forrester research, an increased employee experience (EX) is mainly driven by the concept of “flow,” which means employees are enabled to focus on their most important work and get things done in a productive way with purpose and autonomy². The interviewee reported a high engagement of employees with LiveBank, which led to completion of their tasks in a simpler, faster, and more productive way. This increased flow while improving EX and satisfaction.
- **Increased overall customer satisfaction.** The interviewee reported that their organization’s

customer satisfaction metrics increased after implementing and using LiveBank. A key reason for this is due to the increased effectiveness and ease customers had with the omnichannel experience and remote digital services enabled via LiveBank. Coupled with emotion, these are the key tenets of a great customer experience (CX). Forrester research correlates that CX improvements have a direct impact on customer retention, enrichment, and advocacy, all of which positively impact revenue.

- **High-class security.** A key strength of the LiveBank product is the degree of protection that the banking-grade security systems provide. Additionally, they are able to fulfill all requested banking security requirements and territory regulations.

Costs. Risk-adjusted PV costs include:

- **Total license fee of €121.468.** This consists of an average €75 fee per internal user for a firm that resembles the interviewee’s organization.
- **Total cost for maintenance, change, and upgrades of €691.058.** The total maintenance/professional services fees are comprised of the resource cost — in this case for internal staff effort — plus the fees paid to Ailleron for professional services support. Maintenance includes upgrades and typical change requests and involves four FTEs. Moreover, there is a fixed fee of 10% of the license fee that covers on-prem professional service support via the Ailleron team. The total costs for maintenance, change, and upgrades are estimated to be €691.058 over three years.
- **Implementation costs of €372.166.** Implementing LiveBank involves collaboration between the client organization and the LiveBank team to deploy and integrate the communication bus. It has to be stated that the interviewee’s organization has the LiveBank on-premises

solution implemented. Ailleron mentioned that future offerings will also include a cloud-based offering which will be more cost effective.

In the on-premises case, the interviewee reported implementation costs of €230.000 for deployment and integration fees as well as an internal effort for providing about 1.67 FTEs for the eight-month implementation period. Overall, this leads to a three-year PV of €372.166.

The interview and financial analysis found that the decision-maker’s organization experiences benefits of €3,27 million over three years versus costs of €1,18 million, adding up to a net present value (NPV) of €2,08 million and an ROI of 176%.

“We see that the customer satisfaction increased because they don’t have to go to the branch. Also it increased the experience for the customers who are abroad.”

Project manager, European retail bank



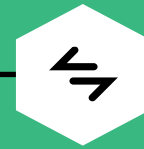
ROI
176%



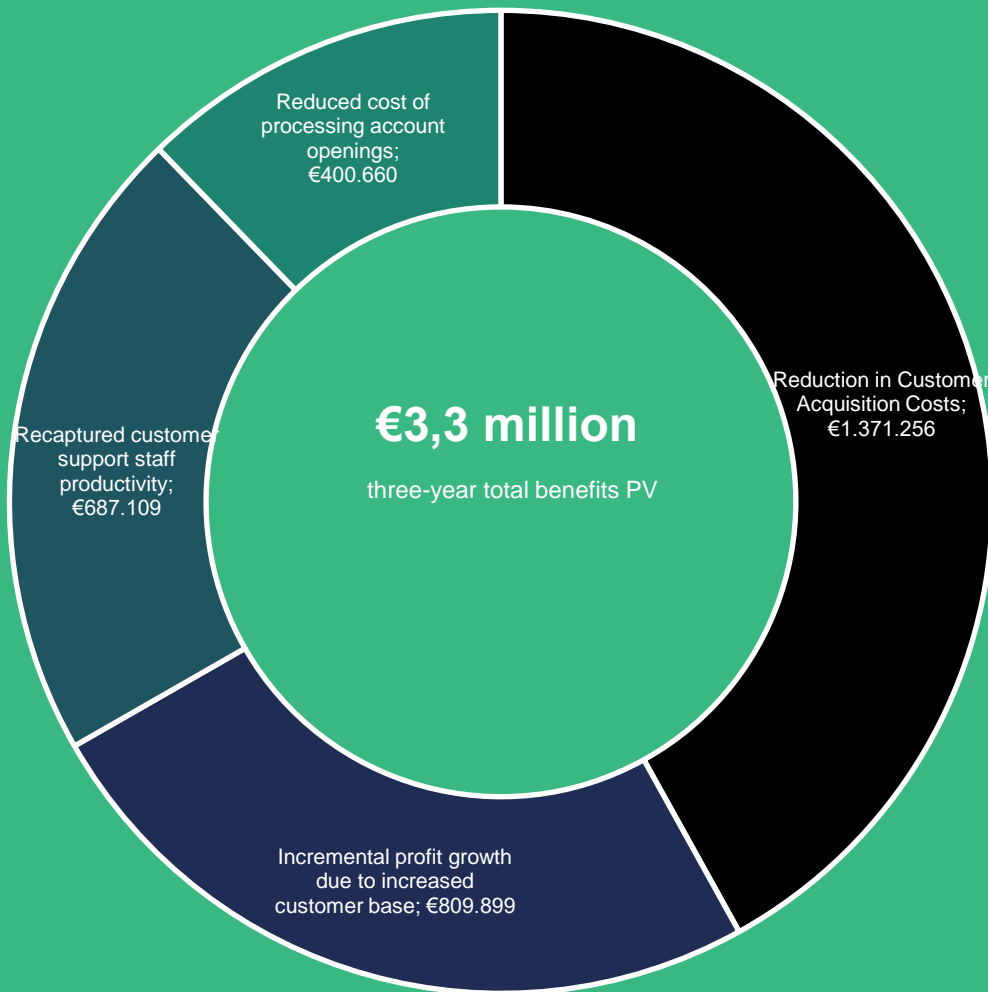
BENEFITS PV
€3,3M



NPV
€2,08M



PAYBACK
13 months



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interview, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in the LiveBank.

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 LiveBank can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Ailleron 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 the LiveBank.

Ailleron 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.

Ailleron provided the customer name for the interview but did not participate in the interview.



DUE DILIGENCE

Interviewed Ailleron stakeholders and Forrester analysts to gather data relative to the LiveBank.



DECISION-MAKER INTERVIEW

Interviewed the decision-maker of an organization using the LiveBank to obtain data with respect to costs, benefits, and risks.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the decision-maker.



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 Ailleron LiveBank Customer Journey

■ Drivers leading to the LiveBank investment

INTERVIEWEE'S ORGANIZATION

Forrester interviewed the project manager of a European retail bank that is using the Ailleron LiveBank solution. The bank has the following characteristics:

- European retail bank with over six million customers.
- Provides mobile and internet channel banking for its customers.
- Up to 500 users of LiveBank in its contact center.
- Over 200 advisors using LiveBank in its branches.

KEY CHALLENGES

New players — including fintech startups and nonfinancial digital brands branching into financial services — are responding to changing customer expectations with faster, better, and cheaper digital services, altering the competitive landscape and challenging the status quo of traditional retail banks. Therefore, banks have to react by enabling superior CX and offering a wide range of omnichannel-enabled digital services.

The interviewee reported how their organization struggled with common challenges, including:

- **Need to provide better customer experience at a lower cost.** Customers expect paperless banking services and support available on any device, at any time via chat, audio, and video. The bank was not able to develop a technically feasible communication and collaboration solution that could meet these customer expectations while at the same time increasing operational efficiencies. According to Forrester Research, customers report having the best

emotional experiences when a bank helps them reach employees who can empathize with them and solve their problems; so that is why the bank was searching for a hybrid solution that enabled human assistance with digitally enabled collaboration features.

- **Legacy technologies held back the customer-centric transformation.** Like many digital initiatives, the bank's digital transformation was held back by legacy technologies. Ancient core solutions need complex enhancements. A lack of skilled and knowledgeable staff causes uncertainty. And fear of failure prevents transformation initiatives from even starting. In line with these common challenges, the interviewed bank was searching for a communication and collaboration layer solution that could enable customized features and experiences while having limited integration effort.

“We wanted to be closer to the customer in mobile and internet banking, so they can contact us directly from the app or the internet banking.”

Project manager, European retail bank

USE CASE DESCRIPTION

Customers primarily called into the bank via phone to connect, however the bank realized that its customers preferred an omnichannel experience, which included chat and video, that allowed them to directly contact the bank within their mobile and internet banking apps.

Based on the discussions with the customer organization, Forrester defined several assumptions to conduct an ROI analysis that illustrates the areas financially affected.

Key assumptions

- **European bank with six million retail customers**
- **€500 annual revenue per customer**
- **2,000 digital account openings**
- **€100 average cost per lead**
- **15% average profit margin on retail customers**

SOLUTION REQUIREMENTS

After evaluating multiple vendors, the bank chooses LiveBank and begins the deployment of the on-premises solution using a phased approach.

- In Year 1, the bank rolls out the solution to 250 contact center users and 200 advisors.
- In Year 2, it increases the amount of its contact center users to 425.
- In Year 3, it increases the amount of its contact center users to 500.

For this use case, Forrester has modeled benefits and costs over three years.

	LiveBank users	Contact center	Advisors
Year 1	550	350	200
Year 2	625	425	200
Year 3	700	500	200

Analysis Of Benefits

■ Quantified benefit data

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Reduction in customer acquisition costs	€228.571	€514.286	€982.857	€1.725.714	€1.371.256
Btr	Incremental profit growth due to increased customer base	€135.000	€303.750	€580.500	€1.019.250	€809.899
Ctr	Recaptured customer support staff productivity	€207.480	€277.134	€358.644	€843.258	€687.109
Dtr	Reduced cost of processing account openings	€66.785	€150.266	€287.176	€504.227	€400.660
	Total benefits (risk-adjusted)	€637.836	€1.245.436	€2.209.176	€4.092.448	€3.268.924

REDUCTION IN CUSTOMER ACQUISITION COSTS

Evidence and data. The interviewee reported that the average conversion rate, which increased from 35% to 70%, was driven by the increased acceptance and satisfaction of digitally enabled prospects. Customers were actively looking for a bank that provided convenient digital banking services and support. This behavior made them more willing to be a customer of the bank and open an account.

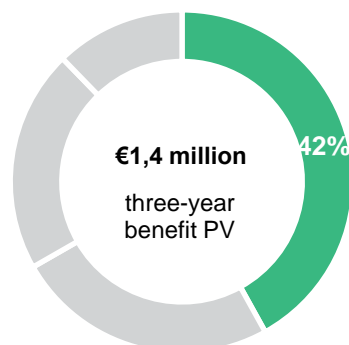
Modeling and assumptions. Based on the interview data, the following assumptions were made:

- Forrester assumes that the average lead cost for a new bank prospect is €100.
- Prior to LiveBank, the interviewee states that the conversion rate of potential new bank customers is 35%.
- With LiveBank, the interviewee states that the conversion rate of potential new bank customers is 70%.
- Based on the conversion rates, Forrester assumes that the number of leads needed for acquiring a new customer is reduced by 50%.

Risks. The reduction of customer acquisition costs will vary based on:

- Lead costs might be different across banks and regions.
- Conversion rates can differ depending on factors such as the target customer characteristics, regions, and adoption of online and mobile banking.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of €1.371.256.



Reduction In Customer Acquisition Costs

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Average # of leads before LiveBank24	$C1*(1/D2)$	5.714	12.857	24.571
A2	Conversion rate before LiveBank24	Interview data	35%	35%	35%
A3	Average # of leads before LiveBank24	$C1*(1/D4)$	2.857	6.429	12.286
A4	Conversion rate with LiveBank24	Interview data	70%	70%	70%
A5	Average lead cost	Forrester assumption	€100,00	€100,00	€100,00
At	Reduction in customer acquisition costs	$(D1-D3)*D5$	€285.714	€642.857	€1.228.571
	Risk adjustment	↓20%			
Atr	Reduction in customer acquisition costs (risk-adjusted)		€228.571	€514.286	€982.857
Three-year total: €1.725.714			Three-year present value: €1.371.256		

INCREMENTAL PROFIT GROWTH DUE TO INCREASED CUSTOMER BASE

Evidence and data. The ability of customers to bank remotely via LiveBank’s omnichannel capabilities has widened the bank’s appeal. LiveBank has increased both the amount of remote branch interactions with customers and account openings during this three-year period. Introducing LiveBank made the bank more attractive to digital natives by aligning itself to the service expectations of this group. As a result, estimated digital account openings increased by up to 125% at the peak of the first pandemic wave, and the account opening rate continued to stay over 90% for the following year.

Modeling and assumptions. Based on the interview data, the following assumptions were made:

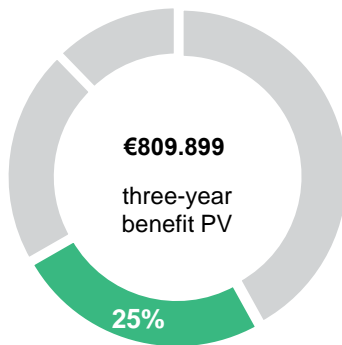
- Forrester assumes an average €500 of annual revenue per retail banking customer in EMEA.
- Interview data shows a +90% increase in digital customers in the previous two years.

- For the purpose of modeling, Forrester assumes a 15% profit margin for retail banking customers.

Risks. Incremental profit growth will vary based on:

- Annual revenue per retail banking customer can be different across banks and regions.
- Retail banks can have a different maturity stage when it comes to their digital offerings and services, which represent different growth rates in digital account openings.
- Profit margins on retail banking customers can be different across banks and regions.

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 €809.899.



Incremental Profit Growth Due To Increased Customer Base

Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Annual revenue per customer	Forrester assumption	€500	€500	€500
B2	Upward shift in customers due to digital enablement	Interview data	2.000	4.500	8.600
B3	Upward shift in customers due to digital enablement (%)	Interview data		125%	91%
B4	Incremental revenue from increased growth (cumulative)	A1*A2	€1.000.000	€2.250.000	€4.300.000
B5	Average profit margin	Forrester assumption	15%	15%	15%
Bt	Incremental profit growth due to increased customer base	A4*A5	€150.000	€337.500	€645.000
	Risk adjustment	↓10%			
Btr	Incremental profit growth due to increased customer base (risk-adjusted)		€135.000	€303.750	€580.500
Three-year total: €1.019.250			Three-year present value: €809.899		

RECAPTURED CUSTOMER SUPPORT STAFF PRODUCTIVITY

Evidence and data. The bank noticed that contact requests, especially smaller requests, were being handled at a faster rate. The bank advised that the channel shift from phone to chat enabled customer support to decrease the time spent per contact request by about 20%, on average. Overall, this led to over 68K recaptured labor hours over three years. Customer support agents can work on up to three requests simultaneously via chat and have more time for more complex queries.

- Moreover, the interviewee mentioned that some services originally only available in the branch were now available remotely, because of the LiveBank enabled functions. For example, the file sharing possibilities enabled customers to speed up interactions with their advisors by sending them specific documentation which they originally had to provide in branch or send via post. However, due to a lack of data points available regarding time savings on the advisor side, Forrester only focused on the customer support efficiency gains. Nevertheless, it is considered a strong benefit by the interviewed organization.

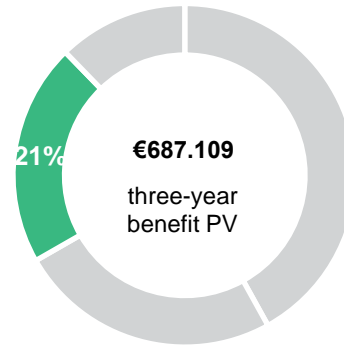
Modeling and assumptions. Based on the interview data, the following assumptions were made:

- The bank has expanded the number of staff using LiveBank from 350 in Year 1 to 500 in Year 3.
- Forrester assumed that: 1) the average phone contact with banking customers takes 6 minutes; a 20% transactional time savings with LiveBank, compared to a phone contact; 3) the average hourly rate for contact center staff is €26 per hour; and 4) a 50% productivity recapture rate.

Risks. Recaptured productivity rates for customer support staff will vary based on:

- Differences in wages can affect the level of recaptured productivity.
- Having dealt with the more straightforward issues more quickly, the contact time could increase with greater enquiry complexity.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of €687.109.



Recaptured Customer Support Staff Productivity					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Number of users in contact center for retail customers	Interview data	350	425	500
C2	Average time spent with customer on issue or problem via phone (in hours)	Forrester assumption	0,10	0,10	0,10
C3	Average number of customer support cases per customer support staff addressed via digital instead of traditional channel (annually)	Interview data	2.400	2.640	2.904
C4	Average customer support time saved with LiveBank chat (in %)	Interview data	20%	20%	20%
C5	Average recaptured labor (in hours)	$B1*B2*B3*B4$	16.800	22.440	29.040
C6	Average fully burdened annual salary for contact center staff (hourly)	Forrester assumption	€26	€26	€26
C7	Productivity recapture rate	Forrester assumption	50%	50%	50%
Ct	Recaptured customer support staff productivity	$B4*B5*B6$	€218.400	€291.720	€377.520
	Risk adjustment	↓5%			
Ctr	Recaptured customer support staff productivity (risk-adjusted)		€207.480	€277.134	€358.644
Three-year total: €843.258			Three-year present value: €687.109		

REDUCED COST OF PROCESSING ACCOUNT OPENINGS

Evidence and data. The automated eKYC feature included in the LiveBank solution enables a completely paperless account opening process using video-assisted ID verification and electronic signatures, which bank regulators in many countries now accept. By digitally streamlining these processes, and being able to complete the customer account onboarding in one sitting, a 95% reduction in the time is received when opening a new account. The demand for accounts via eKYC is growing significantly from 2.000 accounts in Year 1 to 8.600 by Year 3.

“The remote onboarding is saving time for us and the customer.”

Project manager, European retail bank

Modeling and assumptions. Based on the interview data, the following assumptions were made:

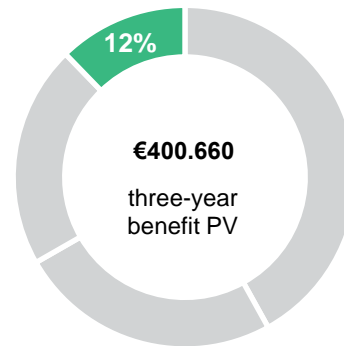
- The interviewee stated that on average a new account took 1 hour to open prior to LiveBank. Interview data substantiates this as a growth area with 2.000 accounts being opened in Year 1 to 8.600 by Year 3.
- Forrester assumes: 1) a 95% reduction in the time it takes to open a new bank account with LiveBank in comparison to the traditional account opening via the branch and 2) an average cost of €37 per hour for a branch advisor.

Risks. The reduction of costs for processing account opening will vary based on:

- The general trend in the marketplace is towards greater digitization. However, there is a very small chance that changes to regulatory

requirements in the future may mean that it is not possible to open an account digitally.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of €400.660.



Reduced Cost Of Processing Account Openings					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Number of eKYC Digital Account Openings (yearly)	Interview data	2.000	4.500	8.600
D2	Time involved by advisor before LiveBank24 (in hours)	Interview data	1	1	1
D3	Time reduction due to automated eKYC LiveBank24	Interview data	95%	95%	95%
D4	Average fully burdened annual salary for branch advisor (hourly)	Forrester assumption	€37	€37	€37
Dt	Reduced cost of processing account openings	C1*C2*C3*C4	€70.300	€158.175	€302.290
	Risk adjustment	↓5%			
Dtr	Reduced cost of processing account openings (risk-adjusted)		€66.785	€150.266	€287.176
Three-year total: €504.227			Three-year present value: €400.660		

UNQUANTIFIED BENEFITS

Additional benefits that the customer experienced but was not able to quantify include:

- Increased flow and employee productivity.** According to Forrester research, an improved employee experience (EX) is mainly driven by the concept of “flow,” which means employees are enabled to focus on their most important work and get things done in a productive way with purpose and autonomy. The interviewee reported high levels of engagement with LiveBank amongst employees which led to completion of their tasks in a simpler, faster, and more productive way. This increased flow improved EX and satisfaction.
- Increased overall customer satisfaction.** The interviewee reported that their organization’s customer satisfaction metrics increased after implementing and using LiveBank. A key reason for this is the increased effectiveness and ease customers had with the omnichannel experience and remote digital services enabled via LiveBank. Coupled with emotion, these are the key tenets of

a great CX. Forrester research correlates that CX improvements have a direct impact on customer retention, enrichment, and advocacy, all of which positively impact revenue.

- High-class security.** A key strength of the LiveBank product is the degree of protection that the banking-grade security systems provide. Additionally, they are able to fulfill all requested banking security requirements and territory regulations.

Analysis Of Costs

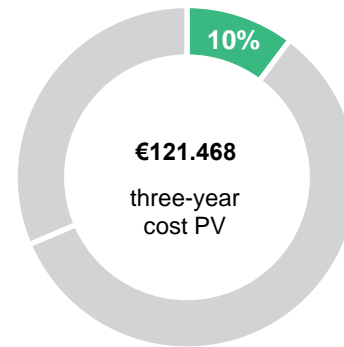
■ Quantified cost data

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Etr	Total license fee	€0	€43.313	€49.219	€55.125	€147.656	€121.468
Ftr	Total cost for maintenance, change, and upgrades	€0	€277.331	€277.922	€278.513	€833.766	€691.058
Gtr	Total implementation costs	€372.166	€0	€0	€0	€372.166	€372.166
	Total costs (risk-adjusted)	€372.166	€320.644	€327.141	€333.638	€1.353.589	€1.184.692

TOTAL LICENSE FEE

Evidence and data. Ailleron's annual license fee per LiveBank user is €75 on average for a firm that resembles the interviewee's organization.

Risks and results. As each customer setup varies in scale and complexity, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of €121.468.



Total License Fee						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Software license fees (yearly)	Interview data		€41.250	€46.875	€52.500
Et	Total license fee		€0	€41.250	€46.875	€52.500
	Risk adjustment	↑5%				
Etr	Total license fee (risk-adjusted)		€0	€43.313	€49.219	€55.125
Three-year total: €147.656				Three-year present value: €121.468		

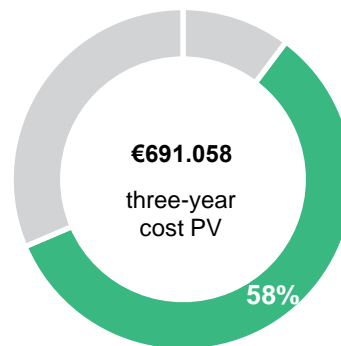
TOTAL COST FOR MAINTENANCE, CHANGE, AND UPGRADES

Evidence and data. The total services fees for maintenance, change and upgrades are comprised of the resource cost — in this case for internal staff effort — plus the fees paid to Ailleron for professional services support. Maintenance includes upgrades and typical change requests and involves four FTEs.

Modeling and assumptions. Based on the interview data, the following assumptions were made:

- There is an on-prem fixed license fee of 10% that covers professional service support via the Ailleron team for standard change requests and upgrades. It is worth stating that this 10% license fee does not apply to the software-as-a-service (SaaS) version of LiveBank.
- Costs related to internal development effort are estimated to be four FTEs.
- Forrester assumes a fully burdened IT salary of €65,000.

Risk and results. To account for the differences in salaries and different requirements regarding the amount and magnitude of change requests, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of €691,058.



Total Cost For Maintenance, Change, And Upgrades						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Professional services for maintenance and upgrades	Interview data 10% of license fee		€4.125	€4.688	€5.250
F2	Costs related to internal development effort	Interview data for four FTEs		€260.000	€260.000	€260.000
F3	Fully burdened IT salary	Forrester assumption		€65.000	€65.000	€65.000
Ft	Total cost for maintenance, change, and upgrades		€0	€264.125	€264.688	€265.250
	Risk adjustment	↑5%				
Ftr	Total cost for maintenance, change, and upgrades (risk-adjusted)		€0	€277.331	€277.922	€278.513
Three-year total: €833.766			Three-year present value: €691.058			

TOTAL IMPLEMENTATION COSTS

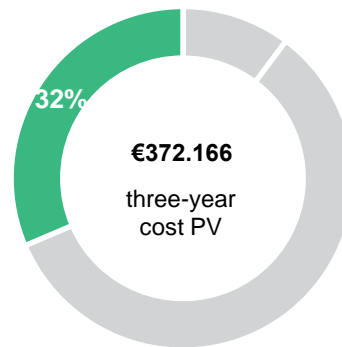
Evidence and data. Implementing LiveBank involves collaboration between the client organization and the LiveBank team to deploy and integrate the communication bus. It has to be stated that the interviewee's organization has the LiveBank on-premises solution implemented. Ailleron mentioned that future offerings will also include a cloud-based offering which will be more cost effective.

In the on-premises case, the interviewee reported implementation costs of €230,000 for deployment and integration fees as well as an internal effort for providing about 1.67 FTEs for the eight-month implementation period.

Modeling and assumptions. Based on the interview data, the following assumptions were made:

- The implementation cost for the organization is comprised of internal effort and a professional service fee paid to Ailleron for standard deployment and integration support.
- Forrester assumes: 1) the professional service fee paid to Ailleron for the implementation is €230.000 and 2) a fully burdened IT salary of €65.000.
- Costs related to internal development effort are estimated to be 1,67 FTEs, which consist of 0,5 FTEs related to planning and coordination for eight months as well as 2 FTEs regarding analytics and testing for eight months.

Risks and results. As each implementation varies with the scale and complexity, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of €372.166.

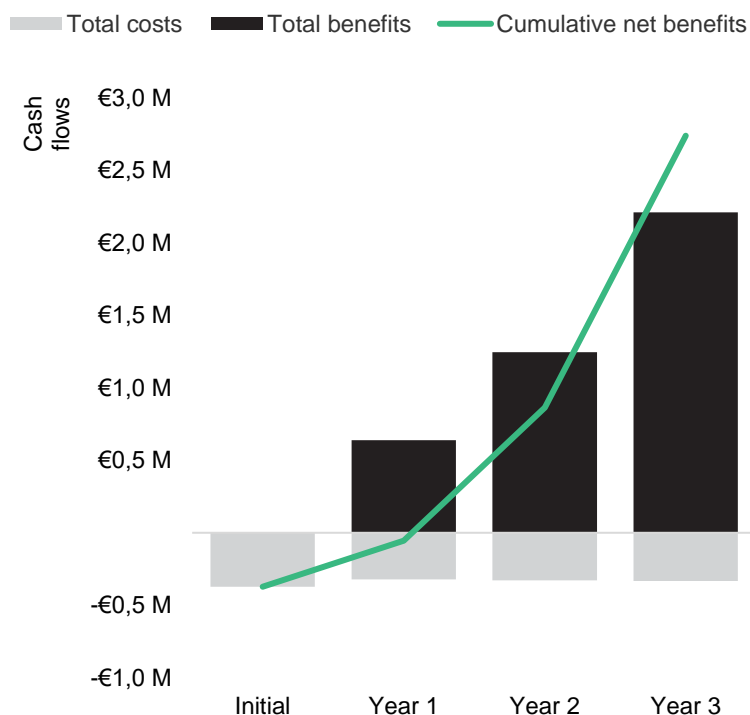


Total Implementation Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	External deployment and integration Fee	Interview data	230.000,00			
G2	Internal planning and coordination effort	Interview data 0,5 FTE for 8 months	0,33			
G3	Internal analytics and testing effort	Interview data 2 FTE for 8 months	1,33			
G4	Total FTEs for implementation	G2+G3	1,67			
G5	Fully burdened IT salary	Assumption	€65.000			
Gt	Total implementation costs	$G1+G2+(G5 \cdot G6)$	€338.333	€0	€0	€0
	Risk adjustment	↑10%				
Gtr	Total implementation costs (risk-adjusted)		€372.166	€0	€0	€0
Three-year total: €372.166			Three-year present value: €372.166			

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 organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

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

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(€372.166)	(€320.644)	(€327.141)	(€333.638)	(€1.353.589)	(€1.184.692)
Total benefits	€0	€637.836	€1.245.436	€2.209.176	€4.092.448	€3.268.924
Net benefits	(€372.166)	€317.192	€918.295	€1.875.539	€2.738.860	€2.084.232
ROI						176%
Payback period						13 months

Appendix A: Total Economic Impact

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

TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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

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



PRESENT VALUE (PV)

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



NET PRESENT VALUE (NPV)

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



RETURN ON INVESTMENT (ROI)

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



DISCOUNT RATE

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



PAYBACK PERIOD

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

Appendix B: Supplemental Material

Related Forrester Research

“The State Of Digital Banking,” Forrester Research, Inc., January 29, 2021

“Eight Ways To Grow Deposits,” Forrester Research, Inc., October 23, 2019

“Design For Work: Boost Productivity And Satisfaction By Transforming Enterprise UX,” Forrester Research, Inc., October 7, 2020

Appendix C: Endnotes

¹ 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.

² “Design For Work: Boost Productivity And Satisfaction By Transforming Enterprise UX,” Forrester Research, Inc., October 7, 2020

FORRESTER®