

FORRESTER®

# The Total Economic Impact™ Of Onfido

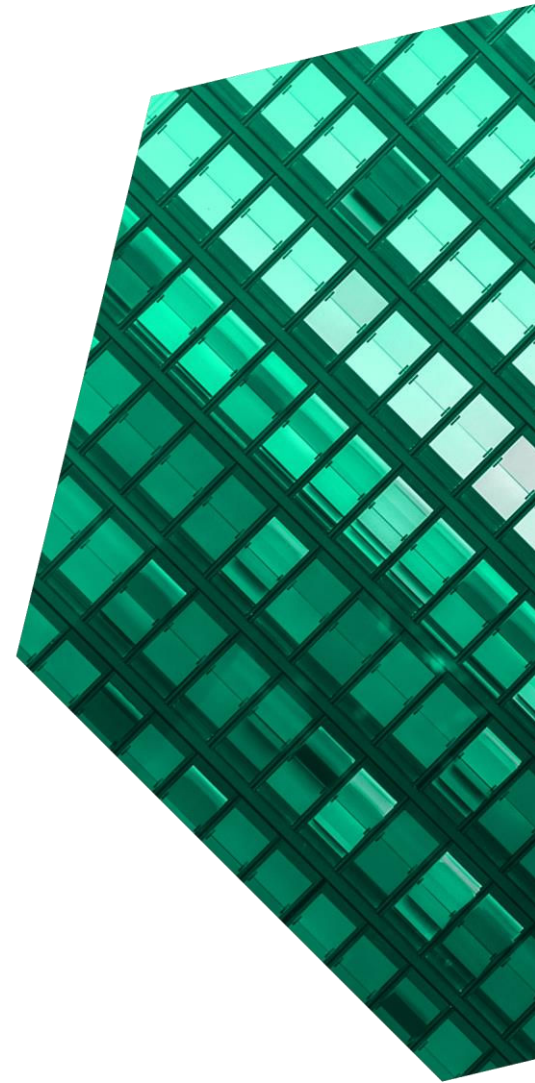
Cost Savings And Business Benefits  
Enabled By Onfido

SEPTEMBER 2021

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## Executive Summary

One of the key challenges any organization faces, especially in today's increasingly digital marketplace, is ensuring that it does business with people who are who they say they are. Onfido's approach to this problem — using AI and machine learning with human expertise — improves customer experience, increases onboarding productivity, enhances fraud protection, and helps organizations present a technologically modern appearance to current and prospective customers.

**Onfido** digitally verifies users' real identities using a hybrid of AI and human experts. Users scan their identity documents, snap a selfie, then Onfido determines if their identity documents are genuine and whether or not their facial biometrics match the photos on the IDs. This means a business can trust in the identities of its customers, which empowers it to better onboard and serve those customers through digital channels. Using Onfido involves less manual work for organizations, and it creates a fast, frictionless verification experience for their customers.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed six decision-makers at five organizations that partner with Onfido. For the purposes of this study, Forrester aggregated the experiences of the interviewees' organizations and combined the results into a single composite organization.

Prior to using Onfido, the organizations either verified applicants' identities manually (which usually required applicants to appear in person at a branch office) or used other online solutions. Those that used

electronic solutions found that their suppliers were unable to deliver on their service-level agreements (SLAs), which led to delays in approval times and lost prospects who were not willing to wait to open accounts online.

### KEY STATISTICS



Return on investment (ROI)  
**261%**



Net present value (NPV)  
**\$9.86M**

Those using manual verification lost business to competitors that made the account-opening process easier, especially during the COVID-19 pandemic. The need to incorporate new identity documents and local regulations into the verification process also impacted their abilities to grow their businesses into new markets.

After investing in Onfido, the organizations offered applicants faster and smoother online account-opening experiences while collecting the information they needed to meet local regulations and maintain their own security standards. Key results from the investment include increased revenues due to lower abandonment rates during the application process, lower risk of fraudulent account openings, and improved productivity for onboarding teams.

## KEY FINDINGS

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

- **Decreased application abandonment drove incremental account openings worth \$5.6 million.** Each of the interviewed executives said one key issue their organization faced was potential users abandoning the account-opening or registration processes because they were frustrated they had to wait to verify their identities.

In some cases, this wait was relatively short, but it was still too long for many prospective customers. In other cases, the wait could be days or even weeks if prospects had to make appointments, gather documents, and appear in person to verify their identities. Either way, frustrated prospects would abandon the process and go to a competitor or they just gave up.

Onfido's solution makes this process smooth and fast, which led to higher rates of capture of these interested individuals, incremental account openings or business transactions, and significant revenue improvements for the interviewees' organizations.

- **Lowered exposure to fraud delivered \$4.2 million in cost reduction.** While most of the organizations that participated in this study already had robust fraud protection processes in place, investing in Onfido provided additional security. To the extent that previous processes relied on in-person ID verification at the branch level, the protection was only as strong as employees' skills at detecting fraudulent papers or spotting differences between the photos and the presenters of the IDs. With Onfido, the interviewees' organizations were able to significantly improve their ability to screen out

**“People were impatient. They were dropping out of the process, and we’d never see them again. After we deployed Onfido, waiting times improved and drop-off decreased.”**

*Financial crime prevention manager,  
banking*

fraudulent applications that could have caused commercial and reputational damage.

- **Improved onboarding productivity was worth \$3.3 million.** Onboarding new customers is a time- and labor-intensive process. Although there are many steps in most organizations' onboarding routines, automating the ID verification step sped up the entire process. As a result, onboarding experts could process more applications and bring on more customers or members than they could before. This provided a financial benefit for the interviewees' organizations, which are now able to grow significantly without increasing the size or overtime hours of their onboarding teams.

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

- **Modernized brand image.** Interviewed executives pointed to the innovative nature of Onfido's process and told Forrester that using it showed their customers the organizations are tech-savvy and modern. This was especially important for organizations in more traditional settings that are competing more and more with digital-native market entrants.
- **Facilitated new market entry.** Because Onfido's machines learn to recognize documents from all

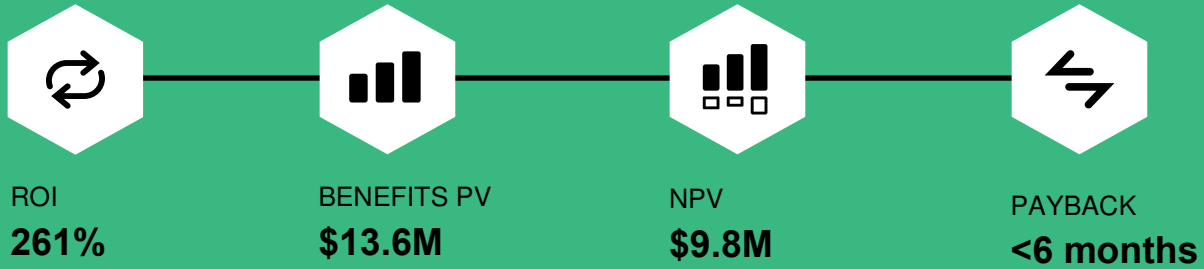
around the world, interviewed executives said their organizations are able to move into new markets (at least in terms of enrolling new members or clients) without having to buy, upload, and debug new software each time or having to train personnel to recognize and verify each new type of ID document. This made entering new markets more easily and quickly than before.

- **Easier compliance with authorities.** From surprise compliance audits to annual filings to everyday cooperation with police investigations, Onfido allowed the interviewees' organizations to access and compile specific information quickly to facilitate the necessary cooperation without interfering in the organization's everyday work.

**Costs.** Risk-adjusted present value (PV) costs include:

- **Fees paid to Onfido totaling \$3.8 million over three years.** Customers pay for Onfido's platform based on the volume of identity checks they perform each month. For an organization like the composite, those fees are approximately \$1.2 million to \$1.5 million annually. The fees increase along with the growth of the business and its customer acquisition rate.
- **Minimal developer time for API integration.** Interviewees said API integration only required a minimal amount of developer time. For the composite organization, this costs \$2,200 up front.

The interviews and financial analysis found that a composite organization experiences benefits of \$13.64 million over three years versus costs of \$3.77 million, adding up to a net present value (NPV) of \$9.87 million and an ROI of 261%.



### Benefits (Three-Year)



## TEI FRAMEWORK AND METHODOLOGY

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

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 Onfido can have on an organization.

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Onfido 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 Onfido.

Onfido 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.

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



### DUE DILIGENCE

Interviewed Onfido stakeholders and Forrester analysts to gather data relative to Onfido and the market space in which it operates.



### CUSTOMER INTERVIEWS

Interviewed six decision-makers at five organizations using Onfido 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 Onfido Customer Journey

■ Drivers leading to the Onfido investment

Interviewed Organizations			
Industry	Region	Interviewee	Annual Revenue
Banking	EMEA	Vice president	\$40 million
Banking	Global	Vice president	\$31 billion
Banking	EMEA	Financial crime prevention manager	\$42 million
Online trading	EMEA	Head of onboarding	\$42 million
Insurance and banking	Global	Business project manager Software engineer	\$9.1 billion

## KEY CHALLENGES

Before investing in Onfido, the interviewees' organizations tended to fall into one of two segments. Organizations in one group (which generally includes digital-native organizations) used other online ID verification tools. Their chief issues revolved around failure to meet promised SLAs, which damaged both customer experiences and company operations.

Organizations in another segment (which generally includes larger and more traditional institutions) relied heavily on human expertise and in-person interactions for identity verification. In addition to the risk of human error, this approach also inconvenienced potential customers and depressed growth — particularly during the COVID-19 pandemic, when digital channels were the only ways to engage new customers.

The interviewees' organizations struggled with common challenges, including:

- Providing suboptimal experiences to potential customers when identity verification was required, which depressed growth.
- Needing to maintain large onboarding staffs comprised of employees skilled in verifying

documents and assessing the match between people and their ID photos.

- Losing money from fraudulent account activity when authentication processes failed.
- Having difficulty expanding into new market regions because they needed to familiarize staff with new types of identity documents, train them on them, and comply with regional variations in regulations surrounding Know Your Customer Composite Organization

## 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

### Key assumptions

- **\$240M revenue**
- **12 million customers with an average balance of \$2,000 each**
- **Double-digit growth**

interviewees' companies, and it is used to present the aggregate financial analysis in the next section.

The composite organization is a global, digital-native bank with \$240 million in annual revenue. It has been in business for a little more than five years, and it has 12 million customers who maintain an average balance of \$2,000 in deposits. Due to growing interest in digital and mobile banking among millennials and other developments in the wake of the COVID-19 pandemic, the bank experiences double-digit growth, and decision-makers expect it to continue for at least several years.

# 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	Increased accounts captured	\$2,073,750	\$2,384,813	\$2,623,294	\$7,081,857	\$5,827,066
Btr	Lowered exposure to application fraud	\$1,620,000	\$1,863,000	\$2,049,300	\$5,532,300	\$4,552,066
Ctr	Improved onboarding productivity	\$1,196,535	\$1,312,200	\$1,443,420	\$3,952,155	\$3,256,685
	Total benefits (risk-adjusted)	\$4,890,285	\$5,560,013	\$6,116,014	\$16,566,312	\$13,635,817

## INCREASED ACCOUNTS CAPTURED

**Evidence and data.** Interviewees said their organizations improved the speed and accuracy of verification for most applicants, and this was true even for organizations that already used digital tools. They also said these improvements in convenience and speed were important to their customers and that the improvements drove incremental growth as more prospects completed the application processes and opened accounts.

- A head of onboarding at an online trading organization said: “We used to require a whole set of documents, but we now can proceed with simply an ID document and a selfie. So, this really reduces the time of onboarding.”
- A financial crime prevention manager at a banking organization said, “Onfido is really good when it comes to assessing document security features on customer-captured images.”
- The same interviewee said, “Not only were Onfido’s promised SLAs better than we expected, but during the POC [proof of concept], we found [that Onfido was] even better than what it had promised to deliver.”

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

**“There are customers who want to urgently open an account. Sometimes people want to invest in something immediately. Back in the day, we sometimes missed opportunities. With Onfido, this is simply avoided.”**

*Head of onboarding, online trading*

- The average annual customer value is \$50. This is based on average deposits of \$2,000, net interest margin (NIM) of 2%, and \$10 yearly fees.
- The customer lifetime value is \$158. This is the present value (at a 10% discount rate) of \$50 over an average four-year lifespan.
- 1 million applications are started in Year 1, and this number grows 15% per year.
- The industry average application abandonment rate before deploying Onfido is 19%.
- The abandonment rate decreases to 14% after deploying Onfido.

**Risks.** Factors that could potentially impact the value of this benefit include:

- The average lifetime value of a customer.
- The number of new applications per year.
- Application abandonment rates, which may be affected by ID verification delays and other

technical and demographic differences between applicants.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 25%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$5.8 million.

Increased Accounts Captured					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Average annual customer value	Assumption	\$50	\$50	\$50
A2	Customer lifetime value	Assumption	\$158	\$158	\$158
A3	Mobile account opening starts	Interviews	1,000,000	1,150,000	1,265,000
A4	Abandonment rate before using Onfido	Industry sources	19%	19%	19%
A5	Abandonment rate with Onfido	Interviews	14.0%	14.0%	14.0%
A6	Reduction in abandonment	A4-A5	5.0%	5.0%	5.0%
A7	Incremental customer accounts opened due to Onfido	A3*A6	50,000	57,500	63,250
A8	Incremental revenue	A2*A7	\$7,900,000	\$9,085,000	\$9,993,500
A9	Industry average net margin	Industry sources	35%	35%	35%
At	Increased accounts captured	A8*A9	\$2,765,000	\$3,179,750	\$3,497,725
	Risk adjustment	↓25%			
Atr	Increased accounts captured (risk-adjusted)		\$2,073,750	\$2,384,813	\$2,623,294
<b>Three-year total: \$5,532,300</b>			<b>Three-year present value: \$4,552,066</b>		

**LOWERED EXPOSURE TO APPLICATION FRAUD**

**Evidence and data.** Interviewed executives said using the Onfido solution lowered their organizations’ risks of fraudulent account openings. The biometric aspect of Onfido’s solution (which matches an applicant’s photo ID to a selfie taken during onboarding) significantly reduced their organizations’ exposure to fraudulent accounts. They said the system was often more reliable than their own staff members when charged with the same task. In addition, Onfido was more likely to identify suspicious applicants than other tools they had used in the past

were. One interviewee told Forrester: “We needed to take into consideration the fact that the more manual labor involved in the verification process, the more mistakes that were made. This not only slowed down the whole procedure, but it also probably allowed more fraudulent accounts to be created.”

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

- The average financial loss per fraudulent account before deploying Onfido was \$900.

- Before deploying Onfido, the organization screened out approximately 75% of potentially fraudulent accounts using manual methods or other ID verification processes.

**Risks.** By nature, fraud losses are unpredictable, so the risk applied to this benefit is higher than those used for other benefits. Factors that could potentially impact the value of this benefit include:

- The inherently unpredictable nature of losses from fraudulent accounts and activity.
- The extent to which an organization is able to screen out fraudulent applications before and after investing in Onfido.
- The average loss an organization tends to experience due to fraudulent activity.
- The nature of an organization’s integration with Onfido, its risk tolerance, and its industry.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 25%, yielding a three-year, risk-adjusted total PV of \$4.6 million.

**“We monitored it very closely in the beginning. We found that when Onfido said the ID card was okay and the same person was in the live video, we never saw a case where it turned out to be fraudulent. No false positives. So now we feel quite comfortable relying on Onfido’s judgement.”**

*Business project manager, banking*

<b>Lowered Exposure To Application Fraud</b>					
<b>Ref.</b>	<b>Metric</b>	<b>Source</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
B1	Accounts opened per year	A3*60%	600,000	690,000	759,000
B2	Fraudulent application rate	Industry sources	12,000	13,800	15,180
B3	Fraudulent accounts detected before Onfido	Assumption	9,000	10,350	11,385
B4	Fraudulent accounts detected after Onfido	Assumption	11,400	13,110	14,421
B5	Incremental fraudulent accounts screened out	B4-B3	2,400	2,760	3,036
B6	Average financial loss from each fraudulent account	Industry sources	\$900	\$900	\$900
Bt	Lowered exposure to application fraud	B5*B6	\$2,160,000	\$2,484,000	\$2,732,400
	Risk adjustment	↓25%			
Btr	Lowered exposure to application fraud (risk-adjusted)		\$1,620,000	\$1,863,000	\$2,049,300
<b>Three-year total: \$5,532,300</b>			<b>Three-year present value: \$4,552,066</b>		

## IMPROVED ONBOARDING PRODUCTIVITY

**Evidence and data.** Interviewed executives said that in addition to growing revenue, the solution also improved productivity related to verifying and onboarding accounts. This led to significant savings for their organizations. With onboarding teams freed of the time-consuming task of ensuring that applicants are who they say they are and are legally entitled to do business with the organization, the teams finalized significantly more applications and create more accounts each day. Thus, each employee on the team created more revenue, and their organizations can handle more growth without expanding the size of the onboarding team.

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

- 60% of online applications that reach the ID verification stage become new accounts.
- Each onboarding analyst previously processed 35 accounts per day before the Onfido deployment.
- Onfido ID verification decreases the time to process an application by 30%.
- The organization recaptures 90% of the time saved and redeploys its onboarding team to handle the increase in new applications.
- The average fully burdened annual salary of an onboarding analyst is \$67,500.

**Risks.** Factors that could potentially impact the value of this benefit include:

- The volume and complexity of new account applications an organization receives.
- The productivity of the onboarding team before deploying Onfido.
- The salaries of the onboarding team members.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$3.3 million.

**“In the past, people would have to book appointments at branch offices, and we would need to have the colleagues there serve them. During our rollout of Onfido, we also streamlined other processes related to onboarding, and this has resulted in additional reduced human costs for the bank.”**

*Vice president, banking*

Improved Onboarding Productivity					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	New accounts opened per year	A3*60%	600,000	690,000	759,000
C2	Onboarding team members required	C1/47 weeks*5 days per week*35 accounts per day	73	80	88
C3	Onboarding analyst annual salary	\$50,000+35% benefits	\$67,500	\$67,500	\$67,500
C4	Total cost of onboarding	C2*C3	\$4,924,012	\$5,400,000	\$5,940,000
C5	Decrease in time spent onboarding	Interviews	30%	30%	30%
C6	Onboarding team time redeployed	C4*C5	\$1,477,204	\$1,620,000	\$1,782,000
C7	Percent captured	Assumption	90%	90%	90%
Ct	Improved onboarding productivity	C6*C7	\$1,329,484	\$1,458,000	\$1,603,800
	Risk adjustment	↓10%			
Ctr	Improved onboarding productivity (risk-adjusted)		\$1,196,535	\$1,312,200	\$1,443,420
<b>Three-year total: \$3,952,155</b>			<b>Three-year present value: \$3,256,685</b>		

**UNQUANTIFIED BENEFITS**

Interviewees said their organizations experienced additional benefits that they were not able to quantify, including:

- Elevated brand image.** Each of the interviewed executives said using a technology like Onfido’s for ID verification helped their organizations portray the image of a digitally sophisticated provider. This was especially important for online-only financial institutions because potential customers had a higher expectation that they would use cutting-edge approaches to their business processes. For more traditional institutions, using a digital ID verification tool signaled to younger customers that the organizations were up to speed on the latest technology.

**“[Onfido takes] a more innovative approach to identity, [which is] fitting with an innovative trading company [like ours]. We also believe that it looks much more professional to go through such a process instead of making people fill out and submit paper documents.”**

*Head of onboarding, online trading*

- Facilitated new market entry.** Interviewed executives told Forrester that working with Onfido made entry into new markets easier because the software already recognizes identity cards,

passports, driver's licenses, and other forms of ID used in countries around the world. The financial crime prevention manager in the banking industry said: "Based on the EU passporting license, we are able to notify local regulators that we wish to enter a market. Basically, we are just allowing the citizens of certain countries to become our members because Onfido lets us approve passports or local ID cards issued by each state."

- **Easier compliance with local regulations/law enforcement.** Police and regulatory authorities frequently ask organizations to assist with investigations. But preparing and delivering the requested information can be time-consuming and can interrupt the organization's workflow. Onfido provides easy visibility into data about the ID verification process, and it makes it easier to

**"The project the Onfido solution was included in was about allowing a prospect to become a customer in less than 6 minutes. Beyond deploying Onfido, we completely redesigned the onboarding process to make it as fast and frictionless as possible."**

*Business project manager, banking*

quickly and completely comply with these requests from authorities. One interviewed banking executive said: "The police often ask us to provide a report showing when, from which location, [from what] IP address or [with] what kind of document [did we onboard] certain individuals. Onfido supports us very well because we have access to its panel, and we can easily extract the report from each onboarding attempt for each verification [Onfido] did for us."

## FLEXIBILITY

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

- **Optimizing processes to elevate customer experience.** Interviewed executives often said working with Onfido to improve their ID verification processes exposed other issues with their organizations' overall onboarding experiences. These issues often led to (or were at least associated with) other process engineering projects to improve the overall customer experiences for the organizations. The initial work often led management to reexamine other processes and assumptions and to undertake a more comprehensive customer experience review.

The financial crime prevention manager in the banking industry said: "We do weekly calls with [Onfido] that are very helpful because we are not only reviewing performance, but we are also in this constant mode of development. We are adding new business flow and creating new products. This is all part of optimizing the customer experience."

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

# Analysis Of Costs

■ Quantified cost data as applied to the composite

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Dtr	Onfido fees	\$0	\$1,342,000	\$1,543,300	\$1,697,630	\$4,582,930	\$3,770,909
Etr	API integration	\$2,205	\$0	\$0	\$0	\$2,205	\$2,205
	Total costs (risk-adjusted)	\$2,205	\$1,342,000	\$1,543,300	\$1,697,630	\$4,585,135	\$3,773,114

## ONFIDO FEES

**Evidence and data.** Interviewees told Forrester that Onfido's fees are based on the number of identity checks the organization performs. The price per verification check primarily depends on product configuration and the number of checks processed each year.

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

- The cost of a check is \$1.22. This is based on the volumes the composite organization processes.
- Each check comprises document and biometric analysis.

- The annual identity check volume is equal to the number of applications projected.

**Risks.** Factors that could potentially impact the fees paid to Onfido include:

- Potential increases in the cost per check.
- A change in the way fees are charged (e.g., fees based on revenue, number of employees, etc.).
- Differences in the volume of identity checks that an organization requires.

**Results.** To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$3.8 million.

Onfido Fees							
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3	
D1	Fees for ID checks	Interviews		\$1.22	\$1.22	\$1.22	
D2	Number of checks per year	A2		1,000,000	1,150,000	1,265,000	
Dt	Onfido fees	D1*D2	\$0	\$1,220,000	\$1,403,000	\$1,543,300	
	Risk adjustment	↑10%					
Dtr	Onfido fees (risk-adjusted)		\$0	\$1,342,000	\$1,543,300	\$1,697,630	
<b>Three-year total: \$4,582,930</b>				<b>Three-year present value: \$3,770,909</b>			

### API INTEGRATION

**Evidence and data.** Each of the interviewed executives said Onfido requires very little input from developers, IT support staff, or system administrators. Because the product runs within each organization’s own app, the onboarding team requires no training. Internal costs are limited to a relatively straightforward API integration or installation of Onfido’s out-of-the-box software development kits (SDKs) for iOS, Android, and web.

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

- Integration costs are for a minimal 20 hours of work before launching Onfido.

- The average fully burdened hourly salary of a developer is \$105 per hour.

**Risks.** The risks of fluctuation in this cost are relatively low. Factors that could potentially impact the fees paid to Onfido include:

- The salaries of an organization’s developers.
- Whether or not an organization experiences more complexity in its API integration process.

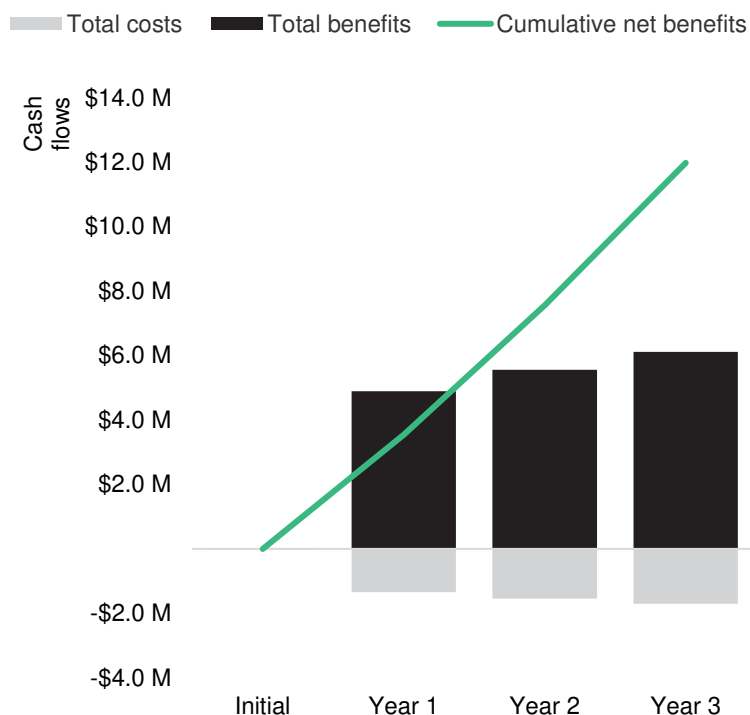
**Results.** To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$2,200.

API Integration						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Developer hours required to integrate API	Interviews	20			
E2	Developer fully burdened hourly salary	Industry sources	\$105			
Et	API integration	E1*E2	\$2,100	\$0	\$0	\$0
	Risk adjustment	↑10%				
Etr	API Integration (risk-adjusted)		\$2,205	\$0	\$0	\$0
<b>Three-year total: \$2,205</b>			<b>Three-year present value: \$2,205</b>			

# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

### Cash Flow Chart (Risk-Adjusted)



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

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

### Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$2,205)	(\$1,342,000)	(\$1,543,300)	(\$1,697,630)	(\$4,585,135)	(\$3,773,114)
Total benefits	\$0	\$4,890,285	\$5,560,013	\$6,116,014	\$16,566,311	\$13,635,817
Net benefits	(\$2,205)	\$3,548,285	\$4,016,713	\$4,418,384	\$11,981,176	\$9,862,703
ROI						261%
Payback						<6 months

## Appendix A: Total Economic Impact

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

### TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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

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.

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