FORRESTER®

The Total Economic Impact™ Of SheerID Identity Verification Platform

Cost Savings And Business Benefits Enabled By Community Verification For Gated Offers

SEPTEMBER 2023

A FORRESTER TOTAL ECONOMIC IMPACT™ STUDY COMMISSIONED BY SHEERID

Table Of Contents

Consultant: *Joseph Carangelo*

Executive Summary 1

The SheerID Community Verification Services Customer Journey 6

Key Challenges 6

Solution Requirements 7

Composite Organization 7

Analysis Of Benefits 9

Increased Subscription Profit 9

Enhanced Partnership Opportunities 11

Increased Retail Revenue 12

Fraud Mitigation 14

Avoided Manual Verification Costs 16

Unquantified Benefits 17

Flexibility 17

Analysis Of Costs 19

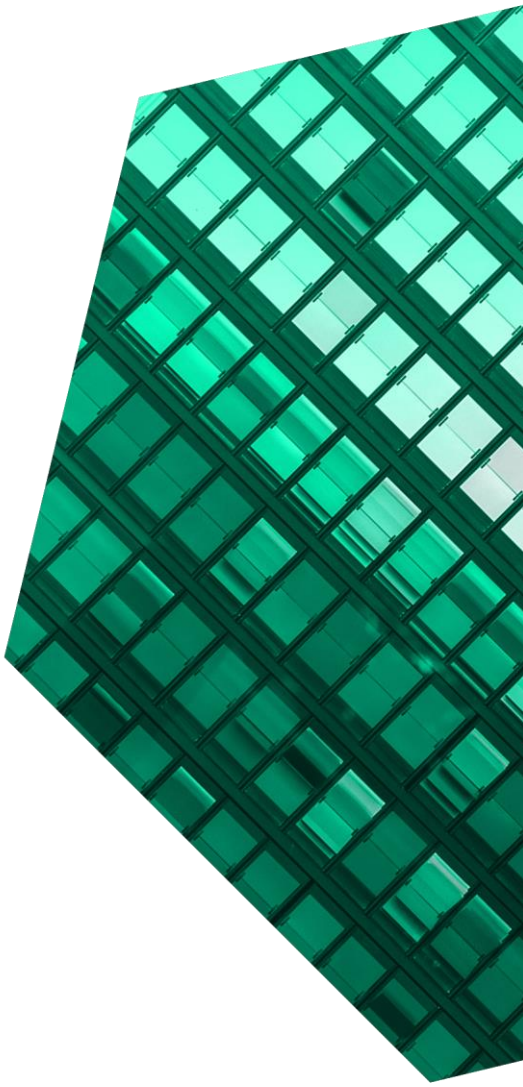
SheerID Subscription Verification Costs 19

Initial Implementation And Ongoing Management Costs 20

Financial Summary 21

Appendix A: Total Economic Impact 22

Appendix B: Endnotes 23



ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key transformation outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute on their priorities using a unique engagement model that tailors to diverse needs and ensures lasting impact. For more information, visit forrester.com/consulting.

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

Executive Summary

Marketing to specific customer communities, such as students, military, and first responders, with gated, exclusive offers designed for a specific audience is a proven and powerful tool to bolster subscriber growth rates, drive revenue, and build brand loyalty. SheerID enables global brands to strengthen their customer relationships with these communities through its verification solution that ensures eligible consumers can redeem the offer, increasing sales conversion rates and optimizing fraud risk mitigation.

SheerID provides community verification services, management, and timely analytics customized for specific brands. SheerID community verification services assist customer acquisition marketers in growing both subscription and retail revenue, as well as brand loyalty. It does so by providing a seamless way to verify whether an applicant is a member of a customer segment, such as student, military, and first responder, that a brand may be targeting with a special offer, discount, or product bundle. SheerID uses a consultative approach to the implementation process and brokers thought leadership in the broader community marketing space.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four executives with experience using SheerID's verification services. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a multinational, brand-focused company with over $1 billion in revenue attained in sum from both subscription and retail business lines.

KEY STATISTICS

Return on investment (ROI)
337%

Net present value (NPV)
$15.15M

Prior to using SheerID community verification services, these interviewees noted how their organizations provided verification through internal manual methods. In most instances, these solutions were labor-intensive, ineffective, and yielded limited success, leaving brands with little choice but to accept nearly all applicants claiming to belong to a certain segment. This ineffective, inefficient process increased the false verification risk and eroded the integrity of the marketing profile data collected.

With the investment in SheerID community verification services, the interviewees' organizations gained a seamless solution acceptable to their customer base, enhancing their customer acquisition efforts. In addition, the interviewees noted their organizations gained a trusted partner in the community verification eco-system that brokers the sharing of best practices within noncompetitive brands. Additionally, the SheerID implementation enabled interviewees' organizations to leverage the solution in their negotiations with potential

partnerships to create unique product bundles to further differentiate their offerings.

Key results from the SheerID investment included increased revenue for additional subscribers and product sales, fraud mitigation, and cost savings from employees who were previously tasked with manually verifying customers.

KEY FINDINGS

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

- **Increased subscription profit.** The SheerID community verification services solution gives the composite organization's consumers a seamless in-brand verification experience that doesn't require them to leave the brand's website and create a separate account with a third party. The verification process is swift, removing friction and reducing consumer abandonment during the sales process. As a result, the incremental capture of customers attributable to the SheerID solution is significant for the composite organization. The total risk-adjusted operating profit increase due to increased subscription revenue is $3.6 million.
- **Enhanced partnership opportunities.** As the composite organization investigates product bundles with strategic partners, it uses its relationship with SheerID as a lever in recruiting the partner to participate in the customer offer. Because the potential partner is aware of the SheerID solution's reputation, it can benefit from SheerID's service virtually risk-free before engaging on its own. This accelerates partnerships for the composite organization and provides extra value to consumers through an enhanced product bundle custom-designed for the targeted segment, leading to a further improved conversion rate. The total risk-adjusted operating profit increase due to enhanced partnership opportunities is $1.6 million.
- **Increased retail revenue.** The composite organization has both a subscription business and a retail business. Due to the improved quality of the profiling data acquired through the identity verification enabled by SheerID, the composite organization can better design and promote retail product offers under the umbrella brand. Through this, the composite is able to collect higher-quality zero-party data, which is defined as the personal data that consumers willingly share with a brand because they believe there is a benefit to doing so.[2] An incremental increase in retail product sales for the composite organization is directly attributed to SheerID verification services enabling higher-quality zero-party data. Due to incremental retail revenue, the composite's three-year risk-adjusted profit increase totals $10.9 million.
- **Fraud mitigation.** SheerID promotes the accuracy of identifying people truly residing in the targeted customer segment. It also does a more effective job denying out-of-segment consumers than the composite organization's previous manual verification process. This benefit is quantified as the amount of revenue lost due to the previous error-prone verification processes. The composite organization's three-year risk-adjusted PV savings equal nearly $2.9 million.
- **Avoided manual verification costs.** The composite organization's internal verification solutions that SheerID replaced were manual and labor-intensive. By switching to SheerID, the composite organization can either recharter headcount dedicated to this effort to other initiatives or avoid the underlying costs. The three-year risk-adjusted value is quantified at $709,000.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified in this study include:

- **Thought leadership in community marketing.** SheerID brokers and facilitates the cross-fertilization of customer acquisition strategies using community marketing, often in the dedicated forums it organizes. Noncompetitive brand marketers highly value this benefit of the relationship with SheerID. For the composite organization, this is a key value proposition SheerID delivers.
- **Increased quality of customer insights**. By ensuring the identity integrity of targeted segments, the profiling information the composite organization collects is high quality. This leads to improved profile insights, more effective promotions, and the ability to acquire and retain selected customers, increasing recurring revenue in the subscription and retail businesses while decreasing the cost of customer acquisition.
- **Engendering customer loyalty**. Community marketing enhances the consumer experience when customers recognize that the brand has designed a custom product or promotion specifically for them. This allows the customers to feel welcome and valued. Knowing that they are verified for their specific segment evokes greater satisfaction toward the brand. This increases brand loyalty and the customer's long-term value to the brand.
- **Highly communicative and collaborative product planning**. After achieving success in acquiring customers from an initial segment, the composite organization can use its experiences to expand to other cohorts and geographies. For example, the experience targeting students can be transferred to teachers, and then to first responders and the military. SheerID has extensive experience with expanding to other cohorts, taking lessons learned from the initial implementation and combining them with best practices from other brands. This assists the composite organization in optimizing the expansion of its offerings and promotion programs.

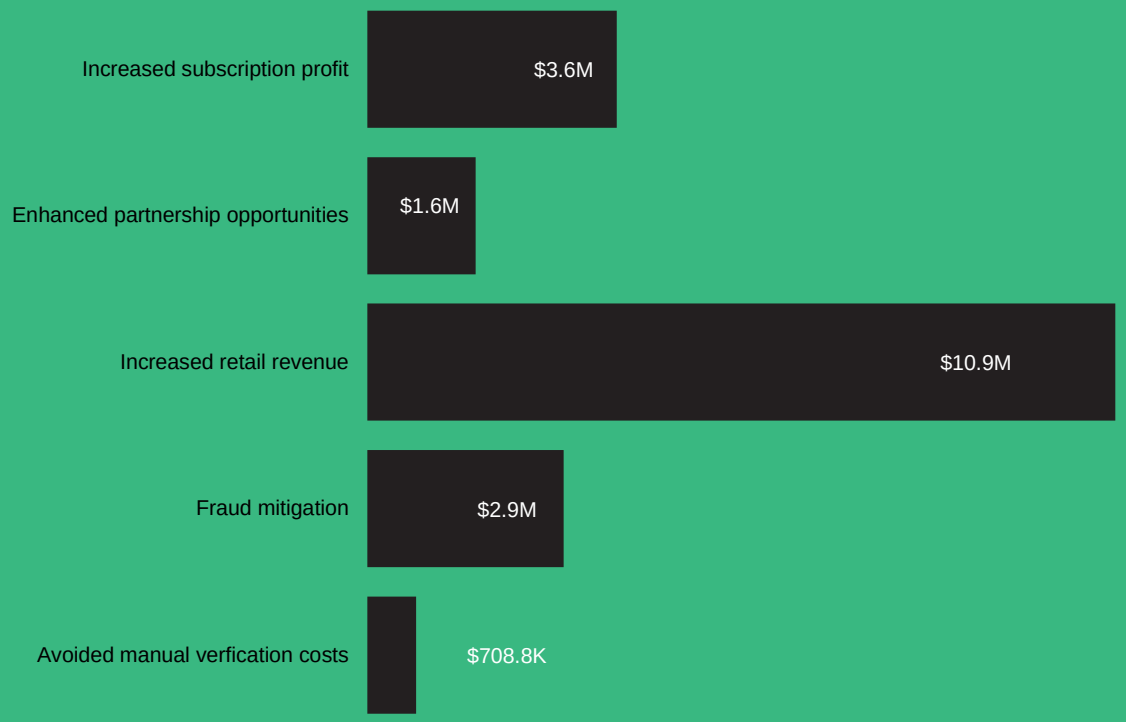
Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **SheerID subscription costs**. SheerID provides the composite organization with good-better-best package subscriptions that include bundles of verifications. The subscription service for 2 million consumers per year for the composite organization is $1.5 million. For the composite organization, which starts with 2 million new applicants and grows by 10% per year, the three-year risk-adjusted PV of this cost totals $4.3 million.
- **Internal implementation and support costs.** These costs were found to vary but were consistently modest. The conservative estimate used includes three internal software engineers for four months for a total of one FTE and a customer acquisition director dedicated to the community verification services effort. For the composite organization, which starts with 2 million users and grows organically by 10% per year, the three-year risk-adjusted PV of this cost equals $201,000.

The representative interviews and financial analysis found that a composite organization experiences benefits of $19.65 million over three years versus costs of $4.50 million, adding up to a net present value (NPV) of $15.15 million and an ROI of 337%.

ROI	BENEFITS PV	NPV	PAYBACK
337%	**$19.65M**	**$15.15M**	**<6 months**

Benefits (Three-Year)



“SheerID overdelivered, making my team feel exceptionally supported. SheerID was able to pull best practices in community marketing from a multinational perspective that proved powerful to the implementation. The result was a significant increase in sales conversion.”

— Senior director, community marketing, multinational telecommunications

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 SheerID community verification services.

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 SheerID community verification services can have on an organization.

DUE DILIGENCE

Interviewed SheerID stakeholders and Forrester analysts to gather data relative to SheerID community verification services.

INTERVIEWS

Interviewed four representatives at organizations using SheerID community verification services to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION

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

FINANCIAL MODEL FRAMEWORK

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

CASE STUDY

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

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by SheerID 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 Community marketing verification services.

SheerID 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.

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

The SheerID Community Verification Services Customer Journey

Drivers leading to the SheerID investment

Interviews		
Role	**Industry**	**Region**
Director, product marketing	Streaming entertainment	Headquartered in the United States
Director, customer care	Sports apparel	Headquartered in the United States
Director, customer acquisition	International airline	Headquartered in Asia
Senior director, community marketing	Multinational telecommunications	Headquartered in the United States

KEY CHALLENGES

The interviewed decision-makers were mandated by their executive management to deliver a financial return on their organizations' customer acquisition spending. A powerful means to do this typically involved selecting a specific customer segment, such as students, and offering them products, exclusive promotions, or product bundles that would attract them and accelerate their conversion into customers. Ongoing promotions drove customer engagement and retention, thereby reducing churn and increasing their long-term value as a customer. One key component of the process was verifying an applicant as an eligible member of the targeted customer segment. This went beyond ensuring that the correct people were getting the designed offer — it also ensured that the admitted applicants who belonged to the targeted customer segment increased the quality of the pooled data toward future profiling purposes. This enhanced the ability of the interviewees' organizations to understand the community and how to best meet its needs through future product design, promotional offers, pricing, and product bundles.

The interviewees noted how their organizations struggled with common challenges, including:

- **Ineffective attempts at internal identity verification.** Interviewees noted that, when their brands attempted identity verification with internal resources, they often found their attempts manual, inefficient, and costly. Their internal efforts often did not match the brands' value propositions for the targeted segment, violating their commitment to data security, privacy, and customer protection.
- **Poor conversion rates.** With lengthy verification procedures, the interviewees noted their organizations realized lower than expected conversion rates as the process was too onerous for consumers and frequently appeared to transfer them to another website to perform the verification.
- **Inadequate fraud prevention**. According to interviewees, utilizing previous methods of identity verification exposed their companies to an uncomfortable level of discount fraud that decreased revenue and profit. Lacking reliable verification systems, the brand was often left to accept a consumer's word they were a member of the targeted segment.
- **A lack of personalized customer experiences**. Making a specific customer feel appreciated as a member of a special, highlighted customer segment was a key component at the heart of the interviewees' community verification process. Achieving this at the beginning of the relationship

was a challenge but would go a long way to optimizing future brand loyalty and reputation.

- **Unreliable quality of customer segment profiling data**. Interviewees' organizations had no trusted method of proving that an applicant truly belonged in the targeted segment, which was crucial as the design of future products and promotions relied on trusted data.
- **High internal security thresholds.** The interviewees' brands placed a significant emphasis on safeguarding their customers' personal data, and the trust threshold of the interconnected client infrastructure handling sensitive customer data was high. The decision-makers at interviewees' organizations needed to be convinced about the verification solution and its ability to maintain a high level of security and accuracy.

SOLUTION REQUIREMENTS

The interviewees' organizations searched for a solution that could:

- Deliver an effective and efficient verification process that was a proven industry standard.
- Realize an increase in subscription conversion rate and incremental retail revenue that could be attributed to the solution's effectiveness.
- Provide the highest industry standards toward data security, privacy, and customer protection.
- Demonstrate the ability to mitigate fraud.
- Enable the personalization of customer experiences complementary to other efforts within the company.
- Optimize the collection of profiling data, allowing them to own the data relationship versus renting data from a third-party provider.
- Broker community marketing thought leadership across noncompetitive brands and industries in the broader customer acquisition space.

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four interviewees, and it is used to present the aggregate financial analysis in the next section.

Description of composite. The composite organization is a multinational company with over $1 billion in revenue attained in sum from both subscription and retail business lines. It views its customer acquisition team as a key strategic growth driver, focused on constantly improving conversion, the size of retail purchase, and the return on advertising spend.

The composite organization collects zero-party data through the customer acquisition process. Forrester defines zero-party data as the data that a customer intentionally and proactively shares with a brand.[3] It can include preference center data, purchase intentions, exclusive offers, personal context, and how the individuals desire to be recognized by the brand. For example, a consumer volunteering to be a trail runner instead of a road runner enables the brand to customize promotions specific to these needs.

The composite organization embraces a premium brand management philosophy that values the sharing of best practices and thought leadership across industries and categories. It verifies 1 million applicants per year for both the subscription and retail businesses for a total of 2 million verifications annually.

Deployment characteristics. Before SheerID, the composite performed verification services in-house, beginning with students and growing to teachers, military, and first responders. The composite organization is looking to expand geographically and to additional cohorts and reports a conversion rate of 3% to 4% of applicants for the subscription business before implementing SheerID.

The composite also determines an automated solution is necessary upon reaching two million applicants per year, growing at 10% each year.

Key Assumptions

- **Over $1 billion in revenue**
- **Collects zero-party data through its customer acquisition process**
- **Two million verifications annually**
- **3% to 4% conversion rates before SheerID**

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 subscription profit	$574,560	$1,417,248	$2,575,944	$4,567,752	$3,628,951
Btr	Enhanced partnership opportunities	$181,440	$580,608	$1,239,235	$2,001,283	$1,575,843
Ctr	Increased retail revenue	$3,990,000	$4,389,000	$4,827,900	$13,206,900	$10,881,818
Dtr	Fraud mitigation	$1,046,900	$1,151,590	$1,266,749	$3,465,239	$2,855,182
Etr	Avoided manual verification costs	$285,000	$285,000	$285,000	$855,000	$708,753
	Total benefits (risk-adjusted)	$6,077,900	$7,823,446	$10,194,828	$24,096,174	$19,650,547

INCREASED SUBSCRIPTION PROFIT

Evidence and data. Interviewees noted that SheerID's community verification services were served through a custom interface or API that didn't require the consumer to leave their brands' experience. The verification process was seamless and in real time, virtually negating any opportunity for the applicant to opt-out in the moment. As a result, the incremental capture of customers attributable to the SheerID solution was significant.

The interviewed executives reported that SheerID's community verification services helped their companies increase conversion rates, attributing an incremental effect of approximately three percentage points to begin, and that would grow given each year of SheerID implementation. For example, if the expected conversion rate before SheerID was 4%, the conversion rate after implementation was increased an incremental three percentage points to 7%, increasing every year.

The director of customer acquisition of an international airline stated, "Everything looked like it was part of the brand's website, giving the customer a lot of comfort that the data was resident within one company." The director of product marketing at a streaming entertainment company noted: "When verification was powered by SheerID, the brand image and design of our site being forefront was key to our internal customer acquisition team. Sales conversion was significantly enhanced by the consumer perception of not leaving the brand's website."

Interviewees noted that SheerID's community verification services provided:

- A seamless experience that the targeted customer segment, especially students, valued and appreciated.
- A frictionless user interface where the customer did not notice being redirected to an external third-party site.
- A verification answer realized in real time, allowing consumers to activate the promotion immediately if they qualified, reducing customer frustration.

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The increase in conversion rate attributable to the effectiveness of the SheerID solution is an incremental 3% in conversion rate in Year 1, growing to 4% in Year 2 and an incremental 5% in Year 3.
- The percentage of the targeted customer segment that is positively verified is 70%.
- The discounted cost of the subscription is $12 per month, which totals $144 per year.
- The operating profit for the composite organization is 20%.

Risks. This quantifiable benefit was found to be most sensitive to the following potential risks:

- The incremental conversion and the growth of that conversion rate. This can vary greatly dependent on the other dimensions of the company's community verification program. For example, if the company is beginning its first de novo community verification program, this result will likely be higher.
- The percentage of the targeted customer segment who are positively verified to be within that segment.
- The discounted cost per subscription.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV (discounted at 10%) of $3.6 million for the composite organization.

Increased Subscription Profit

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Volume of subscription applicants	Composite	1,000,000	1,100,000	1,210,000
A2	Increase in conversion rate due to SheerID solution effectiveness	Composite	3%	4%	5%
A3	Percent positively verified	Composite	70%	70%	70%
A4	Number of Incremental subscribers each year	A1*A2*A3	21,000	30,800	42,350
A5	Annual discounted subscription price	Composite	$144	$144	$144
A6	Incremental subscribers from Year 1	$A4_{Y1}$	21,000	21,000	21,000
A7	Incremental subscribers from Year 2	$A4_{Y2}$		30,800	30,800
A8	Incremental subscribers from Year 3	$A4_{Y3}$			42,350
A9	Cumulative incremental subscribers	A6+A7+A8	21,000	51,800	94,150
A10	Increase in subscription revenue	A5*A9	$3,024,000	$7,459,200	$13,557,600
A11	Operating profit margin	TEI standard	20%	20%	20%
At	Increased subscription profit	A10*A11	$604,800	$1,491,840	$2,711,520
	Risk adjustment	↓5%			
Atr	Increased subscription profit (risk-adjusted)		$574,560	$1,417,248	$2,575,944
	Three-year total: $4,567,752			**Three-year present value: $3,628,951**	

ENHANCED PARTNERSHIP OPPORTUNITIES

Evidence and data. Interviewees noted that, when their brands were investigating product bundles with strategic partners, they often used their relationship with SheerID as an additional factor in recruiting partners to participate in customer offers. Due to SheerID's growing reputation, the interviewees' organizations' potential partners were more likely to join brands associated with the solution, as these were low-risk, high-exposure opportunities. These opportunities led to increasingly powerful product bundle offers custom-designed for the targeted segment, resulting in an enhanced conversion rate.

The interviewed executives reported that SheerID's community verification services helped their companies increase conversion rates due to this enhanced product bundle effect and attributed an incremental improvement of approximately one percentage points to begin, and that would grow given each year of SheerID implementation. For example, if the expected conversion rate before the enhanced product bundle was 7%, the conversion rate after enhancing product bundles was increased an incremental one percentage point to 8%, increasing every year. It should be noted that this quantified benefit would be accretive to the effect of the previously detailed increase in subscription profit above.

The senior director of community marketing at a multinational telecommunications company reported: "Our category is extremely competitive, so any advantage in composing optimal product bundle promotions is welcome because it enables significant incremental sales conversions as a result. Mentioning verification by SheerID has a strong positive effect on the potential partner."

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

> **"SheerID has been a great partner, not only showing us what's possible through other customers' community marketing experiences, but also being exceptionally nimble with our internal engineering team."**
>
> *Director, customer care, sports apparel*

- The conversion rate increase attributable to the enhanced product bundles equals 1% in Year 1, growing to 3% in Year 3.
- The percentage of subscription applicants who are positively verified in the targeted customer segment is 70%.
- The discounted cost of the subscription is $12 per month, which totals $144 per year.
- The operating profit for the composite organization is 20%.

Risks. This quantifiable benefit was found to be most sensitive to the following potential risks:

- The incremental conversion rate increase and the continued growth of that conversion rate
- The percentage of customers positively verified.
- The discounted cost per subscription.

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 $1.6 million for the composite organization.

Enhanced Partnership Opportunities					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Volume of subscription applicants	Composite	1,000,000	1,100,000	1,210,000
B2	Enhanced conversion rate due to partnership bundle	Composite	1%	2%	3%
B3	Percent positively verified	Composite	70%	70%	70%
B4	Incremental subscribers due to bundle each year	B1*B2*B3	7,000	15,400	25,410
B5	Annual discounted subscription price	Composite	$144	$144	$144
B6	Incremental subscribers from Year 1	$B4_{Y1}$	7,000	7,000	7,000
B7	Incremental subscribers from Year 2	$B4_{Y2}$		15,400	15,400
B8	Incremental subscribers from Year 3	$B4_{Y3}$			25,410
B9	Cumulative incremental subscribers	B6+B7+B8	7,000	22,400	47,810
B10	Incremental subscription revenue due to enhanced product bundles	B5*B9	$1,008,000	$3,225,600	$6,884,640
B11	Operating profit margin	TEI standard	20%	20%	20%
Bt	Enhanced partnership opportunities	B10*B11	$201,600	$645,120	$1,376,928
	Risk adjustment	↓10%			
Btr	Enhanced partnership opportunities (risk-adjusted)		$181,440	$580,608	$1,239,235
Three-year total: $2,001,283			**Three-year present value: $1,575,843**		

INCREASED RETAIL REVENUE

Evidence and data. Due to the increased quality of consumer profiling data acquired through the enhanced accuracy of verifications, interviewees noted that a retail product offered under an umbrella brand was more likely to be better designed and promoted after deploying SheerID. Interviewees' organizations attributed the incremental increase in retail product sales directly to SheerID verification services.

SheerID community verification services allowed the organization to:

- Better trust in the integrity of the profiling data of the targeted customer segment, which led to the optimized design of customized offers and promotions.
- Increase the frequency of retail sales.
- Increase the value of retail sales.

The director of customer care at a sports apparel company commented: "Promoting special offers to military personnel went a long way toward making them feel special and an important part of the brand. Collecting zero-party data on this unique consumer segment must be done carefully but it was extremely necessary to meet their needs."

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The increase in conversion rate attributable to the effectiveness of the SheerID solution equals 15% for the retail business.
- The percentage of retail applicants positively verified in the targeted customer segment is 70%.
- The average retail transaction is $200.
- The operating profit for the composite organization is 20%.

Risks. This quantifiable benefit was found to be most sensitive to the following potential risks:

- The increase in conversion rate can vary depending on other dimensions of the community verification program. For example, if an organization is launching its first verification program, this result could be higher.
- The percentage of retail applicants verified.
- The retail cost of the purchased product.

"We simply did not have these discount programs digitally before SheerID. If you came into one of our physical stores and shared a student ID, you would get the discount automatically. But there was not an equivalent experience online on our digital store."

Director, customer care, sports apparel

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV (discounted at 10%) of $10.9 million for the composite organization.

Increased Retail Revenue

Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Volume of retail applicants	Composite	1,000,000	1,100,000	1,210,000
C2	Increase in conversion rate due to SheerID solution effectiveness	Composite	15%	15%	15%
C3	Percent positively verified	Composite	70%	70%	70%
C4	Average retail transaction	Composite	$200	$200	$200
C5	Increase in retail revenue	C1*C2*C3*C4	$21,000,000	$23,100,000	$25,410,000
C6	Operating profit margin	TEI standard	20%	20%	20%
Ct	Increased retail revenue	C5*C6	$4,200,000	$4,620,000	$5,082,000
	Risk adjustment	↓5%			
Ctr	Increased retail revenue (risk-adjusted)		$3,990,000	$4,389,000	$4,827,900
	Three-year total: $13,206,900		**Three-year present value: $10,881,818**		

FRAUD MITIGATION

Evidence and data. Interviewees reported that higher-quality verification processes confirmed that the applicants resided in the targeted community with greater accuracy. Therefore, SheerID denied verification to a greater percentage of applicants that did not belong in the targeted audience. This increase in accuracy over previous methods saved the interviewees' organizations from offering the product discount erroneously. Using SheerID's verification services, the interviewees' organizations reclaimed the amount of the discount previously lost due to the erroneous offering of the discount that should not have been applied.

SheerID's community verification services provided:

- Greater confidence that the brand was extending the discount correctly.
- Decreased loss of revenue and the loss of the underlying profit.

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The percentage of applicants previously verified by the internal manual process is 99%.
- The percentage of applicants verified by the SheerID process is 70%.
- The percentage of purchases, even if identity was found invalid, is 25%.
- The nondiscounted monthly subscription price is $15.
- The average retail transaction is $200.
- The percentage of the segment discount is 20% of the list price.
- The company's operating profit margin is 20%.

Risks. This quantifiable benefit is found to be most sensitive to the following potential risks:

- The percentage of applicants previously verified by the internal manual process.
- The percentage of applicants positively verified by SheerID.
- The percentage of applicants that would purchase, regardless of discount.
- The nondiscounted monthly subscription price.
- The average retail transaction.
- The percentage of the segment discount.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV (discounted at 10%) of $2.9 million for the composite organization.

Fraud Mitigation

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Number of subscription applicants	Composite	1,000,000	1,100,000	1,210,000
D2	Number of retail applicants	Composite	1,000,000	1,100,000	1,210,000
D3	Percentage applicants positively verified manually before implementing Sheer ID	Composite	99%	99%	99%
D4	Percentage truly positive	Composite	70%	70%	70%
D5	Percentage falsely verified positive before SheerID	D2-D3	29%	29%	29%
D6	Number of subscription applicants falsely verified positive before SheerID	D1*D5	290,000	319,000	350,900
D7	Number of retail applicants falsely verified positive before SheerID	D2*D5	290,000	319,000	350,900
D8	Potential margin loss from invalid purchases	Composite	25%	25%	25%
D9	Monthly subscription price	Composite	$15	$15	$15
D10	Percentage of subscription discount	Composite	20%	20%	20%
D11	Subtotal: Annual subscription revenue discounted erroneously	D6*D8*D9*D10*12	$2,610,000	$2,871,000	$3,158,100
D12	Average retail transaction	Composite	$200	$200	$200
D13	Percentage of retail discount	Composite	20%	20%	20%
D14	Subtotal: Annual retail revenue discounted erroneously	D7*D8*D12*D13	$2,900,000	$3,190,000	$3,509,000
D15	Total revenue discounted erroneously before SheerID	D11+D14	$5,510,000	$6,061,000	$6,667,100
D16	Operating profit margin	TEI standard	20%	20%	20%
Dt	Fraud mitigation	D15*D16	$1,102,000	$1,212,200	$1,333,420
	Risk adjustment	↓5%			
Dtr	Fraud mitigation (risk-adjusted)		$1,046,900	$1,151,590	$1,266,749
	Three-year total: $3,465,239			**Three-year present value: $2,855,182**	

AVOIDED MANUAL VERIFICATION COSTS

Evidence and data. The internal verification solutions before SheerID were manual and labor-intensive. By switching to SheerID, interviewees reported they could reassign employees previously dedicated to this effort to other initiatives, whereas the underlying costs could be avoided.

The director of product marketing at a streaming entertainment company shared, "If the brand were to create a verification process on its own, we would have to dedicate a significant number of development and design resources that really should be engaged on other initiatives such as enhancing the product itself."

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The number of call center FTEs dedicated to the manual internal verification process is five.
- The fully burdened annual cost per FTE is $60,000.

> **"If we tried to run our own verification program and something went wrong, our customer care group would have to invest a significant amount of time resolving the situation."**
>
> *Director, product marketing, streaming entertainment*

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV (discounted at 10%) of $709,000 for the composite organization.

Avoided Manual Verification Costs

Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	Number of FTEs dedicated to previous process of manual verification	Composite	5	5	5
E2	Fully burdened annual cost per FTE dedicated to previous process of manual verification	Composite	$60,000	$60,000	$60,000
Et	Avoided manual verification costs	E1*E2	$300,000	$300,000	$300,000
	Risk adjustment	↓5%			
Etr	Avoided manual verification costs (risk-adjusted)		$285,000	$285,000	$285,000
	Three-year total: $855,000		**Three-year present value: $708,753**		

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Thought leadership in community marketing.** SheerID brokered and facilitated the cross-fertilization of customer acquisition strategies using community marketing, often in its organized dedicated forums. Nearly all interviewees valued this aspect of the total value proposition SheerID delivered.

  The director of customer care at a sports apparel company mentioned, "SheerID not only allowed us to continue to advance our priorities, but it also enabled us to learn and connect with others in different industries to share best practices and see what they are doing in community verification."

- **Increased quality of customer insights.** Interviewees noted that, by ensuring the identity integrity of targeted segments, the profiling information collected downstream with SheerID was of higher quality than in legacy environments. These higher-quality profile insights enabled more effective promotions and offers to acquire and retain selected customers, increasing recurring revenue in the subscription and retail businesses and decreasing the cost of customer acquisition.

  The senior director of community marketing for a multinational telecommunications company noted, "We were initially focused on students, but SheerID recognized the roadmap of what we were trying to do with the profiling data and became quickly aligned."

- **Engendering customer loyalty.** According to interviewees, community verification enhanced the consumer experience because they recognized that the interviewees' brands had designed a custom product or promotion specific to them. This allowed the consumer to feel welcomed and valued. Knowing that they had been verified to be in the targeted segment instilled greater satisfaction toward the interviewees' brands. This improved brand loyalty and the customer's long-term value to that brand.

  The director of customer acquisition at an international airline commented: "One of the many benefits of the SheerID program was the number of verification cohorts they offer. Community verification is a powerful way to grow not only our customer base but also their inherent brand loyalty. SheerID accelerated that."

- **Highly communicative and collaborative product planning.** Upon achieving verification success with an initial segment, interviewees noted that their brands often looked to expand to other cohorts and geographies. For example, for some interviewees, the experience targeting of students evolved to teachers, and then to first responders and the military. Utilizing SheerID's experience expanding to other cohorts, the interviewees' organizations took lessons learned from the initial segment and combined them with best practices from other brands to optimize offers and promotion programs.

  The director of product marketing for a streaming entertainment company shared: "SheerID brought to the table any sort of previous experience working with other companies. They helped us get over hurdles that we did not realize existed."

FLEXIBILITY

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

- **Enhanced revenue from being part of another brand's product bundle.** Interviewees noted

that this was the inverse to the advantage of recruiting the optimal brands to build a product bundle offer to their targeted customer segments. Being recognized as a brand that utilized SheerID enabled the interviewees' brands to participate in SheerID thought leadership forums and yielded the opportunity to engage with potential partners in search of co-promotion.

- **Improved geographical expansion.** The geographical reach of SheerID is global for the primary consumer segments of interest, serving many multinational brands.
- **Decreased expense in acquiring new customers to maintain growth expectations.** Increased customer retention reduced the interviewees' need to acquire new customers to achieve revenue expectations. This reduction significantly decreased customer acquisition expenses, enabling budget redirection to other branding initiatives.
- **Increased recognition as a thought leader in community verification.** Having successfully launched and grown a customer acquisition segment marketing program utilizing SheerID verification allowed the interviewees' organizations to share those best practices in the many thought leadership forums brokered by SheerID.
- **Increased expertise in collecting and owning zero-party data.** Forrester defines zero-party data as the data a customer intentionally and proactively shares with a brand.[4] It can include preference center data, purchase intentions, personal context, and information regarding how individuals want the brand to recognize them. For example, a consumer volunteering to be a competitive speed walker vs. one who takes casual walks enables the brand to customize promotions specific to their needs.

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
Ftr	SheerID subscription verification costs	$0	$1,575,000	$1,732,500	$1,905,750	$5,213,250	$4,295,455
Gtr	Initial implementation and ongoing management costs	$196,875	$1,575	$1,575	$1,575	$201,600	$200,792
	Total costs (risk-adjusted)	$196,875	$1,576,575	$1,734,075	$1,907,325	$5,414,850	$4,496,247

SHEERID SUBSCRIPTION VERIFICATION COSTS

Evidence and data. Interviewees noted the SheerID platform subscription was based on three-tier (good-better-best) packaging that provided an increased level of sophistication and marketing services, in addition to a verification bundle commitment with volume discounts. For the composite organization, the services included in a SheerID subscription would preside at the enterprise level. This would include access to all consumer communities, the ability to deploy globally, a customizable fraud rules engine, conversion optimization tools, and enhanced customer support and management.

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The volume of applicants is 2 million in Year 1 and grows 10% per year.
- The total cost of the SheerID subscription is projected to be $1.5 million in Year 1, growing to slightly greater than $1.8 million in Year 3. This price is determined based on volume, package, and term.

Risks. This quantifiable cost was found to be most sensitive to the number of actual applicants per year during the contract period.

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 just under $4.3 million.

SheerID Subscription Verification Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	SheerID subscription verification costs	Interviews		$1,500,000	$1,650,000	$1,815,000
Ft	SheerID subscription verification costs	F1		$1,500,000	$1,650,000	$1,815,000
	Risk adjustment	↑5%				
Ftr	SheerID subscription verification costs (risk-adjusted)			$1,575,000	$1,732,500	$1,905,750
	Three-year total: $5,213,250		**Three-year present value: $4,295,455**			

INITIAL IMPLEMENTATION AND ONGOING MANAGEMENT COSTS

Evidence and data. Most interviewees reported that their internal implementation and support costs were relatively modest to implement the SheerID solution.

Internal technology implementation costs varied but were found to involve two to three software engineers for three to four months, which was conservatively quantified to one FTE (three headcount for four months equating to 12 person-months or one FTE).

In addition, the time and effort of the internal champion — usually that of a senior director of customer acquisition — was necessary. Consensus proved this effect was minimal, equaling approximately 25% of one FTE for the early stages of planning and implementation. Maintaining the relationship proved to take minimal effort going forward.

Modeling and assumptions. For the composite organization, Forrester makes the following assumptions:

- The composite organization dedicates the equivalent of one software engineer FTE during the initial implementation period.
- The fully burdened annual cost of one internal software engineer is $150,000.
- A director of customer acquisition dedicates the equivalent of 25% of an FTE's time during initial implementation and 1% of an FTE's time after that.
- The fully burdened annual cost of one director of customer acquisition is $150,000.

Risks. This quantifiable cost was found to be most sensitive to the following potential risks:

- The number of internal software engineers needed. This can vary greatly depending on the other dimensions of the company's community verification program. One example is if the company is beginning its first de novo community verification program.
- The time of the director of customer acquisition needed.
- The fully burdened annual cost of FTEs dependent on the skill set and the geographical location.

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 $201,000.

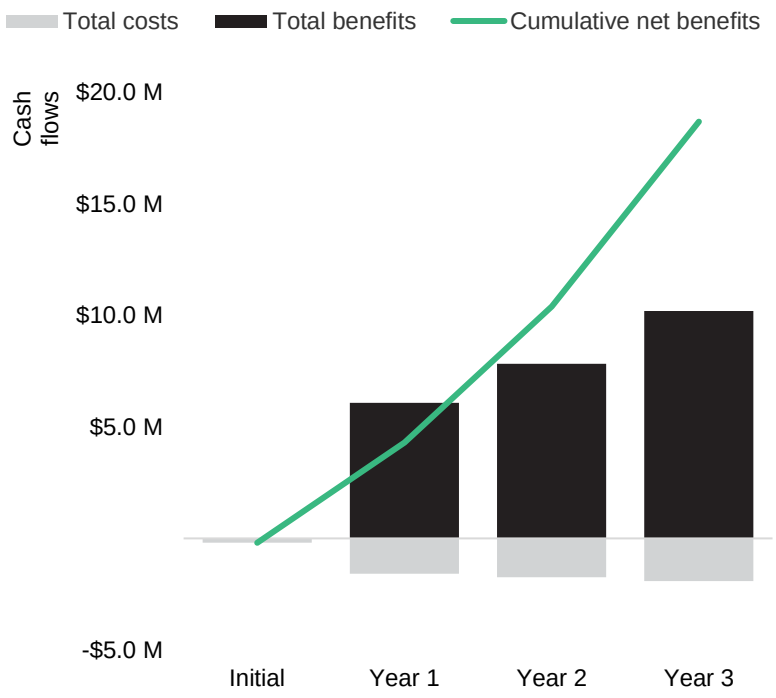
Initial Implementation And Ongoing Management Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Software engineer FTEs	Interviews	1.00			
G2	Fully burdened annual cost of a software engineer	TEI standard	$150,000			
G3	Customer acquisition director to manage program FTEs	Interviews	0.25	0.01	0.01	0.01
G4	Fully burdened annual cost of a customer acquisition director	TEI standard	$150,000	$150,000	$150,000	$150,000
Gt	Initial implementation and ongoing management costs	G1*G2+G3*G4	$187,500	$1,500	$1,500	$1,500
	Risk adjustment	↑5%				
Gtr	Initial implementation and ongoing management costs (risk-adjusted)		$196,875	$1,575	$1,575	$1,575
	Three-year total: $201,600			**Three-year present value: $200,792**		

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	($196,875)	($1,576,575)	($1,734,075)	($1,907,325)	($5,414,850)	($4,496,247)
Total benefits	$0	$6,077,900	$7,823,446	$10,194,828	$24,096,174	$19,650,547
Net benefits	($196,875)	$4,501,325	$6,089,371	$8,287,503	$18,681,324	$15,154,300
ROI						337%
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.

Appendix B: 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] Source: "A Data Primer For Consumer Personalization," Forrester Research, Inc., November 10, 2022.

[3] Ibid.

[4] Ibid.

FORRESTER®