

FORRESTER®

The Total Economic Impact™ Of Sezzle

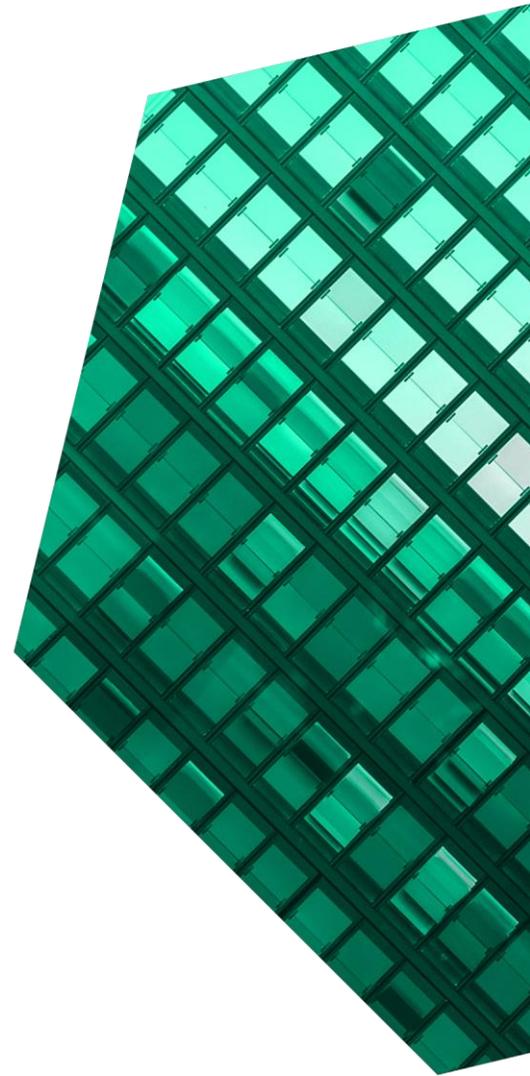
Cost Savings And Business Benefits
Enabled By Sezzle

FEBRUARY 2023

Table Of Contents

Consulting Team: *Chris Layton*
Tony Lam

- Executive Summary 1**
- The Sezzle Customer Journey 6**
 - Key Challenges 6
 - Solution Requirements/Investment Objectives 7
 - Composite Organization 7
- Analysis Of Benefits 8**
 - Increased Transaction Approval Rate 10
 - Larger Average Order Value 11
 - Unquantified Benefits 13
 - Flexibility 13
- Analysis Of Costs 15**
 - Transaction Costs 15
 - Labor Costs 16
- Financial Summary 18**
- Appendix A: Total Economic Impact 19**
- Appendix B: Supplemental Material 20**
- Appendix C: Endnotes 20**



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

“Buy now, pay later” (BNPL) services, and the number of merchants accepting them, have grown significantly in the past few years.¹ However, merchants are often faced with limited support and subpar transaction approval rates. Merchants partnering with Sezzle either as their first BNPL solution or as an additional solution found that they were able to grow their customer base, increase their average order value, improve transaction approval rates, and lessen the need to review for fraudulent activity.

Sezzle is a buy now, pay later service that allows customers to split a purchase into four interest-free payments over a six-week period. Merchants receive the full transaction payment immediately from Sezzle, which assumes the risk of fraud and nonpayment for those approved purchases. Merchants also gain access to Sezzle’s customer base and can be featured in Sezzle’s marketing activities.

Sezzle commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Sezzle.² The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Sezzle on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed six representatives from four organizations with experience using Sezzle. For the purposes of this study, Forrester aggregated the interviewees’

Increase in average order value for Sezzle customers

Up to 57%



KEY STATISTICS



Return on investment (ROI)

110%



Net present value (NPV)

\$19.54M

experiences and combined the results into a single composite organization that is a retail organization with 3 million customers and revenue of \$1 billion per year, primarily through e-commerce sales.

Prior to using Sezzle, these interviewees noted how their organizations struggled with low transaction approval rates and servicing customers with low to no credit. However, prior attempts to offer BNPL services yielded limited success, leaving them with lower sales among especially young demographics than hoped for. These limitations ultimately led to unrealized sales.

After the investment in Sezzle, the interviewees were able to grow their customer base among new demographics and improve average order values. Key results from the investment include additional customers, increased transaction approval rates, and profit from increased average order value.

KEY FINDINGS

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

- **Additional customers.** Sezzle provides the composite organization with access to new customers in two main ways. First, it allows customers with low or no credit to be approved for purchases which would have otherwise been declined. Second, Sezzle features the composite organization in marketing efforts and drives existing Sezzle customers to the composite organization's e-commerce site. Together, these benefits result in an additional \$13.4 million in profit for the composite organization over three years.

“Sezzle’s socials are really good compared to everyone else. How they market themselves is pretty important, because at the end of the day, this is about customer experience.”

Director of e-commerce and digital marketing, recreational goods

- **Increases transaction approval rate.** Transactions made through Sezzle are approved more often than other payment services. This allows the composite organization to gain even more revenue from customers using Sezzle. The profit from the higher transaction approval rate equals \$8.3 million over a three-year period.
- **Profit from increased average order value.** The composite organization benefits from order values being 45% higher when customers use

Sezzle rather than other payment methods. The incremental profit to the composite organization from higher order values over a three-year period

“I evaluated as many services as I literally could. I looked at the support provided, markets serviced, the user experience, and fees. Sezzle was just the better fit.”

Vice president of strategic partnerships, home goods

is \$15.6 million.

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

- **Avoided cost of fraud checks.** Because Sezzle assumes the fraud risk, the composite organization doesn't need to send purchases made with Sezzle to its traditional fraud detection solution. This reduces the overall cost to the composite organization since its fraud detection solution charges based on the number of transactions.
- **Reduced risk of non-payment.** The composite organization is paid for the full amount of a transaction as soon as it is completed through Sezzle. This removes potential loss to the composite organization in the event the customer does not pay the remaining balance.

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

- **Transaction costs.** The composite organization pays a flat rate and an additional percentage for each transaction completed through Sezzle. This also pays for all Sezzle support as well as marketing efforts. The composite organization pays Sezzle a total of \$17.6 million in transaction fees over three years.
- **Labor costs.** After Sezzle is integrated into the composite organization's e-commerce platform, four employees spend the equivalent of a week's time each year on ongoing support for Sezzle. The cost of this labor for the composite organization is \$210,000 over three years.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$37.36 million over three years versus costs of \$17.83 million, adding up to a net present value (NPV) of \$19.54 million and an ROI of 110%.



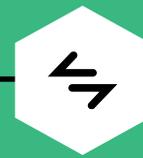
ROI
110%



BENEFITS PV
\$37.36M

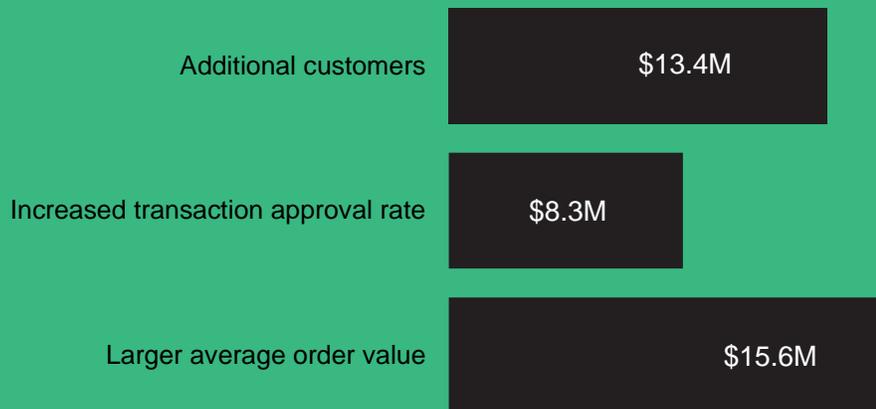


NPV
\$19.54M



PAYBACK
<6 months

Benefits (Three-Year)



“We have a strong contingency of stores telling us Sezzle really does make a big difference for their customers. Bigger ticket items sell better all year round because customers can break up payments.”

— Director of partnerships, retail

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 Sezzle.

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 Sezzle can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Sezzle 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 Sezzle.

Sezzle 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.

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



DUE DILIGENCE

Interviewed Sezzle stakeholders and Forrester analysts to gather data relative to Sezzle.



INTERVIEWS

Interviewed six representatives from four organizations using Sezzle 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.

The Sezzle Customer Journey

■ Drivers leading to the Sezzle investment

Interviews			
Role	Industry	Region	Customers
Chief financial officer	Outdoor sports	North America	2,000,000
Senior site planning analyst	Outdoor sports	North America	2,000,000
Director of e-commerce and digital marketing	Recreational goods	North America	100,000
Vice president of strategic partnerships	Home goods	Global, North American HQ	3,000,000
Director of operations	Retail	North America	7,000 individual merchants
Director of partnerships	Retail	North America	7,000 individual merchants

KEY CHALLENGES

Prior to investment in Sezzle, interviewees used other BNPL services, but were challenged by common shortcomings:

- **Lack of access to customers with low to no credit.** Customers who either did not have a credit history or had a low credit score were often unable to complete BNPL transactions through traditional services. This meant that merchants lost revenue and customers continued having issues building credit.
- **Difficulty with e-commerce integration.** Some interviewees noted that their organizations struggled to integrate traditional BNPL solutions into their e-commerce website. This meant merchants could not offer BNPL to their customers.
- **Lack of engagement from alternative BNPL services.** Interviewees felt that some other BNPL services were not as engaged with them and were less flexible in meeting their needs. The vice president of strategic partnerships at a home goods e-commerce retailer said: “It’s harder to get on the radar of some of the bigger [buy now, pay later services]. Sure, they will do a sales call and tell us what they offer, but Sezzle is just more active in courting us and helping us with our integration.”
- **Lack of marketing value.** Traditional BNPL services did not provide the value from marketing activities that interviewees needed. This was because the vendors did not own their own

“The younger generation, those coming out of high school, college, and in their early 30s, they're just not as excited about the idea of credit cards.”

Director of partnerships, retail

consumer-facing marketing channels or their customer base was not engaged enough to provide value to merchants.

- **Low transaction approval ratings.** Interviewees struggled with low transaction approval rates from alternative BNPL solutions. Their organizations lost revenue each time a customer was denied for a purchase, and their customers had a negative experience.

“One of the challenges we had with [another BNPL service] was people not getting approved.”

Vice president of strategic partnerships, home goods

SOLUTION REQUIREMENTS/INVESTMENT OBJECTIVES

The interviewees’ organizations searched for a solution that could:

- Provide an option for customers who prefer a BNPL option but may not have a credit history that provides approval through other services.
- Grow their customer base through marketing opportunities and reach new segments.
- Integrate easily into the existing e-commerce environment without requiring significant labor.

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 six interviewees and their four organizations, and it is used to present the aggregate financial analysis in

the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a B2C merchant with most sales taking place on its e-commerce platform. It has an annual e-commerce revenue of \$100 million with 3 million customers. Approximately 10% of customers use an alternate BNPL vendor through the composite organization’s website. The composite organization decides to partner with Sezzle as an BNPL solution to help reach additional demographics and grow its customer base.

Key Assumptions

- **3 million customers**
- **\$100 million e-commerce revenue**
- **\$125 average order value**

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	Additional customers	\$3,825,000	\$5,100,000	\$7,650,000	\$16,575,000	\$13,439,707
Btr	Increased transaction approval rate	\$2,970,000	\$3,267,000	\$3,861,000	\$10,098,000	\$8,300,826
Ctr	Profit from increased average order value	\$5,589,000	\$6,147,900	\$7,265,700	\$19,002,600	\$15,620,646
	Total benefits (risk-adjusted)	\$12,384,000	\$14,514,900	\$18,776,700	\$45,675,600	\$37,361,179

NEW CUSTOMERS FROM SEZZLE MARKETING

Evidence and data. Interviewees using Sezzle found that it allowed them to reach new customers not accessible before.

- New customers tended to be those who did not have access to credit using traditional methods. Sezzle allowed these customers to make purchases with low to no credit, providing incremental sales to the e-commerce organizations.
- Some interviewees found that Sezzle’s marketing featuring their products brought in additional customers who had not visited their website before. These customers were considered 100% incremental and grew e-commerce revenue.

“Sezzle has a really specific offering for low credit scores. Other services don’t go that low. That and their marketing ability are the biggest two reasons I work with them.”

Director of e-commerce and digital marketing, recreational products

- The director of e-commerce and digital marketing of a recreational goods merchant reported that they had more customers on their site after Sezzle was integrated. When Sezzle was temporarily removed, the interviewee found that sales dropped by several thousand dollars per day. The interviewee estimated that this amount would have been much higher if they removed Sezzle during a peak shopping period.
- A home goods e-commerce merchant increased revenue by 8% to 10% after a Sezzle marketing campaign took place. These campaigns happened about seven times per year.

“Buy now, pay later helps us attract a younger demographic, which is good for us since traditionally our customers are older.”

Vice president of strategic partnerships, home goods

Modeling and assumptions. To reflect the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite organization has 3 million e-commerce customers before Sezzle.
- Integrating Sezzle allows the composite organization to attract additional customers in two ways. First, customers with low to no credit who were not able to purchase before are now able to use Sezzle. Second, Sezzle's marketing campaigns bring in new traffic from Sezzle's existing user base. These two factors provide the composite organization with an additional 6% in customer growth by the third year.
- The average customer makes two purchases per year with an average order value of \$125. The average order value of Sezzle customers tends to be higher than non-Sezzle customers, but this effect is captured separately in the [next section](#).

- The profit margin of the composite organization, before accounting for Sezzle's transaction fee, is 20%.

Risks. Forrester recognizes that these results may not be representative of all experiences, and the benefit will vary between organizations depending on the following factors:

- Interviewees noted that they did not see as much of a growth in new customers when they were not featured in Sezzle's marketing. While the 6% growth has been modeled to account for variance in customer growth, there is potential the figure could be smaller for some organizations.
- Some merchants may have more difficulty in attracting customers with low to no credit. That was generally observed by merchants with higher-priced items.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$13.4 million.

New Customers From Sezzle Marketing

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Customers (baseline)	Composite organization	3,000,000	3,000,000	3,000,000
A2	Customer growth due to Sezzle marketing	Interviews	3%	4%	6%
A3	New customers due to Sezzle marketing	A1*A2	90,000	120,000	180,000
A4	Average order value (baseline)	Composite organization	\$125	\$125	\$125
A5	Average number of purchases per customer per year	Composite organization	2	2	2
A6	Profit margin (excluding Sezzle transaction fees)	Composite organization	20%	20%	20%
At	New customers from Sezzle marketing	A3*A4*A5*A6	\$4,500,000	\$6,000,000	\$9,000,000
	Risk adjustment	↓15%			
Atr	Additional customers (risk-adjusted)		\$3,825,000	\$5,100,000	\$7,650,000
Three-year total: \$16,575,000			Three-year present value: \$13,439,707		

INCREASED TRANSACTION APPROVAL RATE

Evidence and data. In addition to reaching new customers and receiving a higher average order value from Sezzle customers, interviewees also found that Sezzle customers tended to have a higher approval rate than non-Sezzle customers making a credit purchase.

- The vice president of strategic partnerships at a home goods e-commerce organization found that the approval rate for Sezzle purchases was between 91% and 94%. This was considerably higher than the approval rate for non-Sezzle purchases, which averaged at about 70%.

Increase in transaction approval rate

70% to 94%



- Other interviewees reported that they had seen higher approval rates for Sezzle purchases, although they were not able to quantify the lift in approval.

Modeling and assumptions. To reflect the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite organization has a typical approval rate of 70% for credit purchases by non-

Sezzle customers. Sezzle customers have a higher average approval rate of 92%.

- The higher approval rate for Sezzle customers leads to additional transactions that would not have otherwise been possible.
- The average order value for these incremental purchases is calculated using the \$125 pre-Sezzle average order value so as to avoid double counting the benefit the Sezzle provides in overall higher average order value.

Risks. Forrester recognizes that these results may not be representative of all experiences, and the benefit will vary between organizations depending on the following factors:

- As noted, not all interviewees were able to quantify the lift in transaction approval rate for Sezzle customers. It is possible then that some customers may have seen less of an improvement from integrating Sezzle.
- Organizations who have a smaller portion of their existing sales through BNPL services may not see as much benefit from Sezzle's higher transaction approval rate, as there would be less revenue lost from declined BNPL transactions with current services.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$8.3 million.

Increased Transaction Approval Rate					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Customers using Sezzle	$(A1*7\%)+A3$	300,000	330,000	390,000
B2	Average number of purchases per customer per year	A5	2	2	2
B3	Total attempted Sezzle transactions per year	$B1*B2$	600,000	660,000	780,000
B4	Approval rate of customers using alternative buy-now-pay-later solutions	Interviews	70%	70%	70%
B5	Approval rate of customers using Sezzle	Interviews	92%	92%	92%
B6	Subtotal: Incremental transactions from Sezzle's higher approval rate	$B3*(B5-B4)$	132,000	145,200	171,600
B7	Average order value (baseline)	A4	\$125	\$125	\$125
B8	Profit margin (excluding Sezzle transaction fees)	A6	20%	20%	20%
Bt	Increased transaction approval rate	$B6*B7*B8$	\$3,300,000	\$3,630,000	\$4,290,000
	Risk adjustment	↓10%			
Btr	Increased transaction approval rate (risk-adjusted)	$(A1*7\%)+A3$	\$2,970,000	\$3,267,000	\$3,861,000
Three-year total: \$10,098,000			Three-year present value: \$8,300,826		

LARGER AVERAGE ORDER VALUE

Evidence and data. In addition to providing access to new market segments, interviewees also found that Sezzle customers tended to purchase a larger amount per order.

- The director of e-commerce and marketing at a recreational goods merchant reported that Sezzle customers had an averaged order value 57% higher than their average customer who did not use Sezzle.
- Similarly, the vice president of strategic partnerships at a home goods e-commerce organization said their average order value for Sezzle customers was 20% higher than non-Sezzle customers.

“Typically, customers purchasing through Sezzle purchase more, so the average order value is a lot higher.”

Vice president of strategic partnerships, home goods

Modeling and assumptions. To reflect the interviewees’ experiences, Forrester assumes the following about the composite organization:

- The average order value is \$125 for non-Sezzle customers at the composite organization.
- Sezzle customers have a 45% higher average order value.
- Sezzle customers tended to be those who did not have access to credit using traditional methods but were able to still purchase with Sezzle’s BNPL service.

Risks. The Forrester recognizes that these results may not be representative of all experiences, and the benefit will vary between organizations depending on the following factors:

- While all interviewees observed a higher average order value with Sezzle, the magnitude varied depending on the types of goods sold and how Sezzle was featured on the e-commerce site.
- Organizations who have a minimum order amount for purchases (including minimums for free shipping) may achieve less of an increase to their average order value as customers are already incentivized to have larger purchases.

“People definitely have larger cart sizes [with Sezzle].”

Director of e-commerce and digital marketing, recreational products

However, these same organizations may find more frequent orders through Sezzle as customers can more easily break up these larger purchases.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$15.6 million.

Larger average order value

Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Annual transactions completed through Sezzle	B3*B5	552,000	607,200	717,600
C2	Average order value (baseline)	Composite organization	\$125	\$125	\$125
C3	Lift in average order value for customers using Sezzle	Interviews	45%	45%	45%
C4	Incremental revenue from higher AOV with Sezzle	C1*C2*C3	\$31,050,000	\$34,155,000	\$40,365,000
C5	Profit margin (excluding Sezzle transaction fees)	A6	20%	20%	20%
Ct	Larger average order value	C4*C5	\$6,210,000	\$6,831,000	\$8,073,000
	Risk adjustment	↓10%			
Ctr	Larger average order value (risk-adjusted)	B3*B5	\$5,589,000	\$6,147,900	\$7,265,700
Three-year total: \$19,002,600			Three-year present value: \$15,620,646		

UNQUANTIFIED BENEFITS

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

- **Avoided cost of fraud checks.** Interviewees noted that their organizations no longer needed to run fraud checks for transactions conducted through Sezzle. Reducing the number of transactions that required fraud checks helped the interviewees' organizations avoid additional costs. The vice president of strategic partnerships at a home goods organization said: "We get paid the full amount of the order. The fraud check falls on [Sezzle]."
- **Reduced risk of nonpayment.** After a shopper made a purchase using Sezzle and paid the initial 25%, Sezzle sent the e-commerce retailer the full amount of the transaction. In doing so, Sezzle assumed the risk of nonpayment of the remainder of the balance.

product online but came into a store to physically evaluate it. Sezzle made it so they could make their purchase immediately in the store rather than needing to purchase online.

“Sezzle adding in-store payment was a huge thing. That was a very big deal for a lot of our stores and opened up the window for retailers to use it in a totally different way.”

Director of partnerships, retail

“All the risk is off the business, and that’s just genius. Sezzle carries the weight of it all. They’ve vetted the customer and given them an allowance, and they pay the business right away. That’s a beautiful thing for the business owner.”

Director of partnerships, retail

- **Improved omnichannel experience.** Interviewees found that Sezzle adding in-store payment options allowed for Sezzle customers to have more touchpoints with their products. For example, customers may have learned about the

FLEXIBILITY

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

- **Supportive partnership.** In addition to value driven from Sezzle's marketing channels, interviewees reported that Sezzle supported their organizations through creative planning and planned market expansion. These initiatives were organized through regular meetings between Sezzle and the interviewees' organizations' teams. This partnership with Sezzle allowed the interviewees' organizations to develop and take advantage of new initiatives that would not have otherwise been possible. The vice president of strategic partnerships at a home goods organization said: "[Sezzle] is a great company to work with. We have a weekly call that is creative to talk about new initiatives and brainstorming. They have some really good people there."

“Sezzle cares about stores no matter the size. ... Unlike other partners we’ve worked with, they make you feel like you’re an actual person instead of a number.”

Director of education, retail

- **Financial empowerment for customers.**
Interviewees consistently mentioned that Sezzle supported their customers to become more financially empowered through programs such as Sezzle Up that allowed customers to build credit and learn financial literacy. Interviewees expected that having a customer base with increased buying power would provide longer-term benefits and allow their organization to find new business opportunities in the future.

“By adding Sezzle, we’ve heard from our customers that it helps them because they’re not incurring interest, they’re able to purchase what they need, and it helps them budget. ... As they are becoming financially empowered, their whole buying power is changed as well.”

Vice president of strategic partnerships, home goods

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	Transaction costs	\$0	\$6,303,150	\$6,933,465	\$8,194,095	\$21,430,710	\$17,616,618
Etr	Labor costs	\$18,894	\$76,648	\$76,648	\$76,648	\$248,838	\$209,506
	Total costs (risk-adjusted)	\$18,894	\$6,379,798	\$7,010,113	\$8,270,743	\$21,679,548	\$17,826,124

TRANSACTION COSTS

Evidence and data. Sezzle charged a transaction fee for each approved transaction. These fees were an incremental cost to the interviewee's organizations.

- Merchants paid both a flat transaction fee as well as a variable cost based on the size of each purchase.
- Interviewees noted that total transaction costs tended to be less than 6% per purchase.

Modeling and assumptions. To reflect the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite organization has 300,000 customers making an average of two purchases

in the first year through Sezzle. The number of customers grows to about 390,000 by Year 3.

- The average order value of each purchase is \$175 per purchase (40% higher than the \$125 average transaction for non-Sezzle customers).

Risks. Forrester recognizes that these results may not be representative of all experiences, and the benefit will vary between organizations. Sezzle's transaction fees varied across interviewee's organizations depending on many factors like industry, transaction volume, and features enabled.

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 \$17.6 million.

Transaction Costs							
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3	
D1	Sezzle list transaction cost	Interviews	\$0	\$6,003,000	\$6,603,300	\$7,803,900	
Dt	Transaction costs	D1	\$0	\$6,003,000	\$6,603,300	\$7,803,900	
	Risk adjustment	↑5%					
Dtr	Transaction costs (risk-adjusted)		\$0	\$6,303,150	\$6,933,465	\$8,194,095	
Three-year total: \$21,430,710				Three-year present value: \$17,616,618			

“Sezzle is out of the box. They’ve got it all where we pull in the right API calls, show the branding, and show the amount. It’s all pretty much turnkey.”

Vice president of strategic partnerships, home goods

LABOR COSTS

Evidence and data. Leaders and teams of merchants integrating Sezzle were required to spend some time on initial Sezzle integration and ongoing support.

- Partnership directors from interviewees’ organizations generally spent a few days to a few weeks up front beginning and developing their relationship with Sezzle. A few additional labor days were spent each year on education and ongoing support.
- Directors of e-commerce from interviewees’ organizations spent a few hours to up to a day on initial Sezzle integration. Most of this time was spent on testing and coordination as the technical integration was very fast.
- Interviewees’ organizations’ marketing leaders and groups spent the equivalent of a few weeks each year on coordinating marketing campaigns and new initiatives involving Sezzle. This effort was necessary to reach new customers.

Modeling and assumptions. To reflect the interviewees’ experiences, Forrester assumes the following about the composite organization:

- The composite organization has a partnership director that spends 320 labor hours on initial

Sezzle onboarding and coordination. After this, 80 labor hours and spent each year on ongoing support and efforts.

- The e-commerce director spends 8 labor hours on the initial Sezzle integration, testing, and coordination process. No additional time is required after this initial integration.
- The director of marketing spends half of their time on marketing activities involving Sezzle.

“From the business owner standpoint, [Sezzle] integrates with any platform that they’re on. It’s plug and play, and it’s that easy.”

Director partnerships, retail

Risks. Forrester recognizes that these results may not be representative of all experiences, and the benefit will vary between organizations.

Interviewees noted that risks in terms of labor costs were very low for Sezzle as the integration was plug and play and Sezzle was proactive in addressing questions. One area of potential risk could be marketing activities becoming more complex, requiring additional time for the merchant.

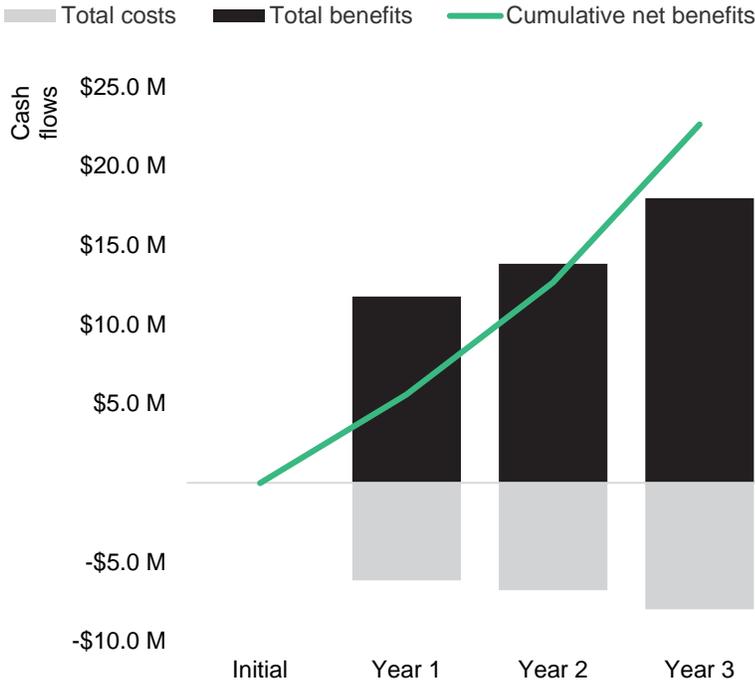
Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$210,000

Labor Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Labor hours to launch and manage Sezzle partnership	Interviews	320	80	80	80
E2	Partnership director hourly salary (fully burdened)	TEI standard	\$52	\$52	\$52	\$52
E3	Subtotal: Cost to launch and manage Sezzle partnership	E1*E2	\$16,640	\$4,160	\$4,160	\$4,160
E4	Labor hours to integrate Sezzle into e-commerce platform	Interviews	8	0	0	0
E5	Director of e-commerce hourly salary (fully burdened)	TEI standard	\$67	\$67	\$67	\$67
E6	Subtotal: Cost to integrate Sezzle into e-commerce platform	E4*E5	\$536	\$0	\$0	\$0
E7	Labor hours to coordinate Sezzle marketing campaigns	Interviews	0	1,040	1,040	1,040
E8	Director of marketing hourly salary (fully burdened)	TEI standard	\$63	\$63	\$63	\$63
E9	Subtotal: Cost to coordinate Sezzle marketing campaigns	E7*E8	\$0	\$65,520	\$65,520	\$65,520
Et	Labor costs	E3+E6+E9	\$17,176	\$69,680	\$69,680	\$69,680
	Risk adjustment	↑10%				
Etr	Labor costs (risk-adjusted)		\$18,894	\$76,648	\$76,648	\$76,648
Three-year total: \$248,838			Three-year present value: \$209,506			

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	(\$18,894)	(\$6,379,798)	(\$7,010,113)	(\$8,270,743)	(\$21,679,548)	(\$17,826,124)
Total benefits	\$0	\$12,384,000	\$14,514,900	\$18,776,700	\$45,675,600	\$37,361,179
Net benefits	(\$18,894)	\$6,004,202	\$7,504,787	\$10,505,957	\$23,996,052	\$19,535,055
ROI						110%
Payback period (months)						<6

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 Top Reason For Consumers Using Buy Now, Pay Later (BNPL) Is To Help Them Watch Their Budget,” Forrester Research, Inc., April 29, 2022.

“The Majority Of ‘Buy Now, Pay Later’ (BNPL) Users Are Millennials And Gen Z Consumers,” Forrester Research, Inc., April 29, 2022.

Appendix C: Endnotes

¹ Source: “Forrester Infographic: The State Of Buy Now, Pay Later Adoption In The US,” Forrester Research, Inc., January 28, 2022.

² 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.

FORRESTER®