

Increasing Customer Retention and Extending Customer Lifetime Value

Forrester Study | The Total Economic Impact™ of Vindicia Select

Executive
Summary





“We’re collecting \$400K to \$500K a month that we wouldn’t otherwise collect. The way our process works, we have tried all our tricks by the time transactions are sent to Vindicia Select. They’ve gone through our recycle process, and we weren’t successful.”

- Director of Global Payments
B2C and light commercial software solutions

“Even customers who said they had sophisticated transaction recovery protocols consistently recovered 10% to 15% of terminally failed transactions with Vindicia Select.”

- Forrester Consulting
The Total Economic Impact of Vindicia Select

“In most cases, we’re keeping customers recovered by Vindicia Select for an additional year. We’re confident that without Select we wouldn’t recover those payments.”

- Manager of Global Payments
B2C and light commercial software solutions

Introduction

Subscription-based businesses make significant investments in acquiring new customers. When successful, organizations will typically recoup these expenses over the total lifetime of the customer relationship. However, even when customers are satisfied with the subscription product or service, unexpected payment failures can result in interruptions to the recurring relationship. This involuntary churn can make it difficult to grow or even sustain a business.

Credit or debit card transactions can fail for a number of reasons, ranging from insufficient funds, to issuing of new cards, to suspicion of fraud. Most subscription service providers have procedures in place to deal with failed payments. Typically, billing and payments operations teams, which are tasked with optimizing payment success rates, employ a combination of retry algorithms alongside customer outreach to recover billing relationships after a payment failure occurs. However, even with sophisticated procedures in place, companies lose revenues and customers to failed transactions.

The Forrester Study

Vindicia® Select™ is a cloud-based recurring-payments solution that leverages artificial intelligence, sophisticated retry algorithms, and large data sets to reduce involuntary churn. In 2018, Vindicia commissioned Forrester Consulting to conduct a study entitled **The Total Economic Impact™ of Vindicia Select** that examined the potential return on investment that enterprises may realize by deploying Vindicia Select. The purpose of the study was to provide readers with a framework to evaluate the potential financial impact of using Vindicia Select on their organizations.

Forrester interviewed payments executives at five companies that use Vindicia Select to manage their involuntary churn. The interviewed companies spanned multiple industries, including services, media, and physical goods.

The Forrester study then analyzed a composite \$1 billion organization. They determined that over a three-year period, the composite company would experience the following results:

- Vindicia Select recovers **18%** of terminally failed transactions*
- Revenue from recovered payment transactions totals **\$6,249,477**
- Select adds **6.2 months** to the average customer lifetime value (ACLV), generating **\$70,412,965** additional revenue
- Total benefits are **\$76,662,442** over three years

**Terminally failed transactions are transactions that still failed after the company had exhausted all retry attempts.*

The Interviewed Companies

Forrester interviewed payments executives at five companies that use Vindicia Select to manage their involuntary churn:

- All of the companies employ subscription-based business models
- Three sell digital services, one provides digital and print media products, and the other retails physical goods
- Three of the companies also use Vindicia's CashBox® billing platform, while the others use billing systems that they developed in-house
- Two of the companies have extensive international operations, though all companies transact globally.

Prior to deploying Vindicia Select, each organization had in place a variety of practices designed to limit failed payments. To reduce the likelihood of failed transactions, they leveraged account updater services as well as customer outreach via various channels. Once transactions did fail, they employed retry algorithms to recover billing relationships. Still, they were left with a significant number of terminally failed transactions.

Table 1 at right provides a snapshot of the five companies.

Challenges and Results

The following challenges served as key drivers in the companies' decisions to invest in Vindicia Select:

- Preventing involuntary customer churn
- Finding new ways to prevent payment failures
- Retaining customers who find value in subscription products and services
- Ensuring continuity of service for customers

The interviews revealed that the key results from their Select investment include:

- Recovery of a significant number of billing relationships
- Less pressure on billing teams
- Little to no impact from chargebacks
- Little to no negative impact on the customer experience
- Greater visibility into payments metrics

The companies reported that Vindicia Select recovered a significant number of terminally failed transactions each month, allowing them to capture revenue that would otherwise be lost.

Transaction failure rates varied from company to company, as did the success rate for recovering failed transactions via customer outreach and retry logic developed in-house. However, across the board, the companies described significant improvements in their ability to recover terminally failed transactions, owing to Vindicia Select.

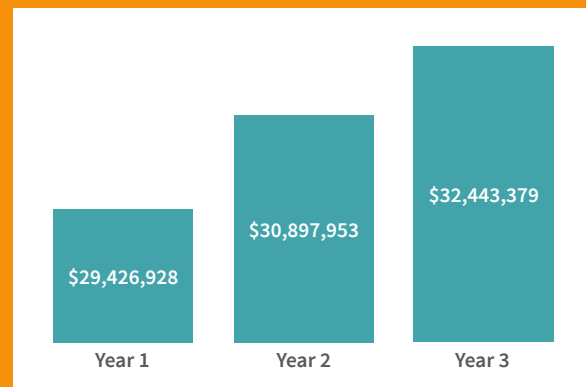
Table 1. The Five Interviewed Companies at a Glance

| Industry | Annual Revenue | Title | Monthly Recurring Transactions |
|--|-----------------|----------------------------------|--------------------------------|
| B2C and light commercial software | \$4 billion | Manager of global payments | 3 million |
| Media and publishing | \$3 billion | Sr. director of engineering | 2.5 million |
| B2C and light commercial web solutions | \$1 billion | Director of global payments | 3.5 million |
| B2C and light commercial software | > \$100 million | Director of financial operations | 150,000 |
| Consumer goods | < \$100 million | Chief technology officer | 30,000 |

Table 2. The Quantified Benefits of Using Vindicia Select

| | Revenue from Recovered Payment Transactions (Annual) | Revenue from Extended Customer Lifetime (Annual) | Total Benefits (Risk-Adjusted) |
|----------------------|--|--|--------------------------------|
| Year 1 | \$2,398,896 | \$27,028,032 | \$29,426,928 |
| Year 2 | \$2,518,817 | \$28,379,136 | \$30,897,953 |
| Year 3 | \$2,644,691 | \$29,798,688 | \$32,443,379 |
| Total | \$7,562,404 | \$85,205,856 | \$92,768,260 |
| Present Value | \$6,249,477 | \$70,412,965 | \$76,662,442 |

Figure 1. Total Benefits per Year over Three Years



The Composite Organization

The composite organization is representative of the five companies that Forrester interviewed and is used to present the aggregate analysis. The composite organization that Forrester synthesized from the customer interviews has the following characteristics:

- \$1 billion in annual revenue
- 75% of total revenue comes from subscription business
- More than 2.5 million customers

Benefit Analysis

Table 2 and Figure 1 on page 3 show the quantified benefits of Vindicia Select as applied to the composite organization. According to the companies that Forrester interviewed, the greatest benefit of Vindicia Select is not in the initial recovery of a terminally failed payment transaction, but in capturing the subscription-based revenue over the customer lifetime that would otherwise be lost.

Benefit Summary

- **Transaction recovery.** The interviewed companies reported that Vindicia Select consistently recovered a significant portion of terminally failed payments
- **No impact on customer experience.** Contrary to expectations, Vindicia Select did not increase call volumes or web traffic to customer support
- **Negligible impact on chargebacks.** The companies' daily monitoring of chargebacks proved that chargeback rates were only marginally affected

Get the Full Study

To learn more, [download](#) the full Forrester study: **The Total Economic Impact™ of Vindicia Select.**



The Subscription People

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ABOUT VINDICIA

Vindicia, an Amdocs company, offers comprehensive subscription management solutions that help businesses acquire and retain more customers. Providing much more than just a billing and payments system, the company's SaaS-based subscription management platform combines big data analysis, strategic consulting and proprietary retention technology. Vindicia provides its clients with more recurring revenue, more customer data, better insights, and greater value throughout the entire subscriber lifecycle. That's why they call us the Subscription People. To learn more visit www.vindicia.com.

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