A Forrester Total Economic Impact™ Study
Commissioned By Prevalent

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The Total Economic Impact™ Of Prevalent's 3rd Party Risk Management Solutions

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Table Of Contents

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Executive Summary

Forrester Consulting was commissioned to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Prevalent's 3rd Party Risk Management solutions. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the 3rd Party Risk Management solutions on their organizations, to leverage risk assessment automation tools to reduce, mitigate, and de-lever the risks associated with 3rd and 4th party vendors.

Prevalent's 3rd Party Risk Management solutions can reduce costs and improve efficiency to minimize vendor risk.

The costs and benefits for the interviewed company, as summarized in this study, are:

- **Total costs: $347,128.**
- **Total cost savings and value creation: $1,601,035.**
- **Net benefit: $1,253,907.**

To better understand the benefits, costs, and risks associated with a Prevalent implementation, Forrester interviewed an existing customer with multiple years of experience using this solution. In a world where 3rd and 4th party vendors are common sources of enterprise risk, Prevalent's suite of information security and data supply chain risk management solutions consisting of Vendor Risk Management (VRM), Vendor Threat Monitor (VTM), and Vendor Assess (VA), offers a clear level of visibility and dramatically improves efficiency in screening that risk. Companies using Prevalent can simplify and automate the vendor risk assessment process, dramatically improving compliance and security risk exposure.

Prior to implementing Prevalent's solution, the customer interviewed had utilized spreadsheets and document files to manage the vendor risk process. However, these prior attempts were cumbersome and yielded limited success, leaving the customer with an inefficient, labor-intensive method of accepting and tracking hundreds of IT vendor relationships. These limitations led to an unsatisfactory number of completed assessments and presented a multitude of risks with implications for the company's reputation, regulatory compliance, and data security. With Prevalent's 3rd Party Risk Management solutions, the customer was able to streamline and automate processes to perform higher-quality assessments at scale, enabling them to better meet business objectives and reduce overall vendor risk. According to the Chief Information Security Office (CISO) of the interviewed organization, "Prevalent has been one of the best decisions we have made. It really gives us assurance and insight as to what's happening in the background with our data in the cloud."

PREVALENT HELPS YOU SHIELD YOUR ENTERPRISE FROM RISK, AT SCALE

Our interviews with an existing customer and subsequent financial analysis found that the interviewed organization experienced the risk-adjusted ROI benefits and costs shown in Figure 1.[1] .

The analysis points to benefits ranging from $460k to $867k per year versus costs ranging from $120k to $162k, adding up to a net present value (NPV) of $1.2 million over three years and an ROI of 361%.The largest area of benefit belongs to a faster time-to-benefit in being able to transact safely with vendors, with the amount totaling $881,131 over three years.

FIGURE 1
Financial Summary Showing Three-Year Risk-Adjusted Results

ROI: 361%	**Assessment completions: ▲ 78%**	**Assessment response time before & now: 60 ▶ 7 days**	**Reduction in vendor monitoring: ▼ 6,588 hours**

Source: Forrester Research, Inc.

Benefits. The interviewed organization experienced the following risk-adjusted benefits:

- **A reduction in effort to produce and complete assessments through vendor assessment automation by an average of 8 hours per initial assessment.** Compared with the existing risk assessment process of internally producing assessments that were individually coded with appropriate questions and survey logic, the Prevalent solution, with its templates, survey logic, and risk scoring, shortened the entire process by a minimum of 8 hours per assessment. Employee productivity improved, as did the speed and quality of the assessments, bringing a total risk-adjustment benefit value of $136,398 (present value [PV]), over three years.
- **A reduction in FTE effort to review, report, and audit assessments saved the organization $49,994 in productivity.** Assessments are generated on and collected by the centralized software-as-a-service (SaaS) VRM platform, which aggregates all of the information risk professionals need to accurately and comprehensively assess vendors without having to hunt for pieces of the puzzle. Prevalent's internal risk level engine categorizes vendors by risk scores in tiers that are specific to the organization's rules, helping organizations prioritize the review of assessments that are more important. The centralization of information made reporting and follow-up audits easier. At a conservative estimate, the interviewed organization saved a minimum of 6 hours in review and audit per assessment.
- **Fewer FTEs to monitor vendors for ongoing risk.** VTM, which continuously monitors vendors in key relationship areas, made ongoing efforts to monitor risk easier. Areas such as financial news, malware presence, regulatory violations, and other areas are among the segments that VTM monitors after initial assessments have been performed. The PV of the cost savings realized over three years was $279,463.
- **Faster assessment performance enabled faster business value realization from vendor relationships.** In all, assessments done through Prevalent were completed in seven days, compared with an average of 60 days previously. After accounting for the fact that an estimated 80% of these new assessments could have had approved alternative relationships with redundant offerings, the business value enabled by the faster initiation of relationships had a PV of $1,468,552 over a three-year horizon.
- **Business continuity was improved by better detection and remediation of vendor risk.** By realizing potential areas of risk sooner and taking steps to either find an alternate vendor or work with the vendor directly to address the situation, the organization in effect averted potential business continuity issues. The value of being able to avert such problems was $249,049.

Costs. The interviewed organization experienced the following risk-adjusted costs:

- **Software licensing fees of $239,250 over three years.** These are recurring fees paid to Prevalent for access to VRM and VTM on a SaaS subscription model.
- **Vendor Assess fee of $137,500 over three years.** As Vendor Assess is a service provided by Prevalent to manage the vendor risk with specific customers, these fees wholly depend on the number of vendors an organization desires to hand off to Prevalent for assessment management.
- **Implementation-related costs of $45,000 in the initial three years of operation.** A small portion of the costs are implementation and setup; the remainder is associated with custom training and the acclimation period necessary to unlock the potential of Prevalent's solutions.

Disclosures

The reader should be aware of the following:

- The study is commissioned by Prevalent 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 report to determine the appropriateness of an investment in Prevalent's 3rd Party Risk Management solutions.
- Prevalent 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.
- Prevalent provided the customer name for the interviews but did not participate in the interviews.

TEI Framework And Methodology

INTRODUCTION

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Prevalent's 3rd Party Risk Management solutions. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision.

APPROACH AND METHODOLOGY

Forrester took a multistep approach to evaluate the impact that Prevalent's 3rd Party Risk Management solutions can have on an organization (see Figure 2). Specifically, we:

› Interviewed Prevalent marketing, sales, and/or consulting personnel, along with Forrester analysts, to gather data relative to 3rd Party Risk Management and the marketplace for 3rd Party Risk Management.

› Interviewed an organization currently using Prevalent's 3rd Party Risk Management solutions to obtain data with respect to costs, benefits, and risks.

› Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews.

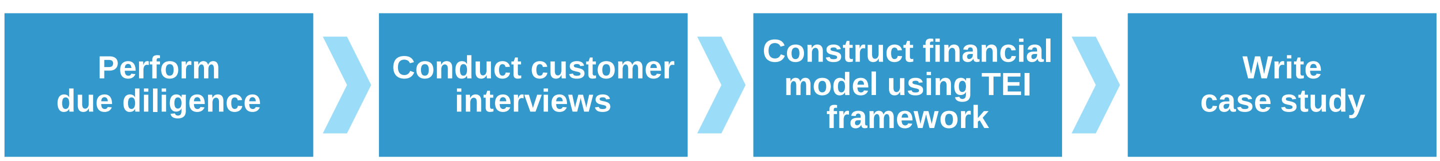
› Risk-adjusted the financial model based on issues and concerns the interviewed organization highlighted in interviews. Risk adjustment is a key part of the TEI methodology. While interviewed organizations provided cost and benefit estimates, some categories included a broad range of responses or had a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted and are detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modeling Prevalent's 3rd Party Risk Management solutions: benefits, costs, flexibility, and risks.

Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

FIGURE 2

TEI Approach



Source: Forrester Research, Inc.

Analysis

INTERVIEWED ORGANIZATION AND INTERVIEW HIGHLIGHTS

For this study, Forrester conducted in-depth interviews with representatives from a Prevalent customer that markets packaging material throughout the world. Additionally, we gathered actual data on the usage data on the customer for the benefit and cost segments. Some high-level characteristics of the interviewed organization include:

- It has annual revenue of over $7 billion.
- It primarily deals in the B2B space.
- It is a global organization dealing with tens of thousands of vendors all over the world.
- It has identified IT vendors as its biggest area of concern and has prioritized this area to be assessed before all other vendors.
- It has more than 900 3rd party IT vendor relationships in total.

> *"We needed to be proactive about knowing that our data is stored securely and safely, all without violating any number of compliance regulations. We were building security at inception; performing these assessments with Prevalent not only helped us do that, but also enabled us to make better business choices."*
>
> ~ CISO, global manufacturer

The organization is a major Fortune 500 company that relies heavily on cloud infrastructure to store its data. While migrating its on-premises data repositories to the cloud, the organization realized that it needed entirely new processes to address concerns of how vendors treated and protected that data. While it is clear to most organizations today that vendor risk is a significant area of concern after recent headlines about breaches, the interviewed organization sought to be proactive, seeking answers as a business enablement tool to make smarter and better vendor choices. Understanding this need for vendor risk assessments was one thing; trying to find a solution to complete them efficiently was another, in large part due to the relative immaturity of the governance, risk, and compliance (GRC) sector in general and the vendor risk management sector in specific.

Based on the interviews, Forrester constructed a TEI framework and an associated ROI analysis that illustrates the areas financially affected by Prevalent's solutions.

> *"There is a cost of doing business in the cloud. We needed to know what they were doing with our data and it wasn't something they were just telling us… Having a technical solution like Prevalent was something that we needed to do."*
>
> ~ CISO, global manufacturer

Situation

In looking at some of the larger GRC products, the organization realized that its internal risk handling was not mature enough for the cost and complexity of these offerings. At the same time, external regulatory bodies like HIPAA and PCI began to require that some form of vendor risk assessment be done for compliance reasons.

In its first iteration of vendor risk assessments, the organization used a combination of spreadsheets and document files rolled into a very manual process. While trying to be detailed, this manual process often posed a lot of irrelevant questions to some vendors, resulting in some of the vendors ultimately not completing the assessments. The CISO of this global manufacturer said that “Having a technical solution like Prevalent was something that we needed to do. Forming new processes was also something we needed to address.” The company needed vendor risk assessment automation to tackle the following challenges:

- Have a centralized repository for the creation, collection, and reporting of risk assessments.
- Increase automation and assessment efficiency.
- Enable risk professionals to do more meaningful work and less tedious work.
- Recognize the compliance requirements of each regulatory body and incorporate the necessary elements.
- Be scalable with assessment quantity and frequency needs.

“We don’t often have questions come up on the value [of Prevalent] because the quality output is shared openly with our business leaders and it helps them make better decisions. Quite frankly, the cost of a Prevalent license is pennies on the dollar, if that, versus a contract deal.”

~ CISO, global manufacturer

Solution

The interviewed organization ultimately chose Prevalent’s SaaS 3rd Party Risk Management solutions for its feature set, willingness to provide a high level of service, and the ability to meet all of the stated criteria. While not a primary driver, the price was also a fit for the organization. At the time, the organization did not have the level of GRC maturity needed to commit to a large, complex system; Prevalent slotted in perfectly to bridge the gap between the immediate need for vendor risk assessments and a bulky GRC solution that could require an extensive implementation period. With Prevalent, the solution was up and running immediately and the risk team was fluent in its use within months.

Selecting Prevalent streamlined the entire vendor risk assessment cycle and automated multiple manual processes. Clunky assessments evolved to ones with relevant layers of logical questions, improving vendor participation and speed of replies. Reporting was also much improved, with risk scoring based on context. In short, the organization was able to perform more effective assessments and deliver the results to business leaders with fewer risk professionals.

BENEFITS

The interviewed organization experienced a number of quantified benefits in this case study:

- Reduction in effort to produce and complete assessments
- Reduction in FTE effort to review, report, and audit assessments
- Reduction in FTE effort to monitor vendors for new risk elements
- Faster time-to-benefit with vendor relationships
- Value of business continuity enabled by quicker detection/remediation of risk

Beyond these segments of quantified value, Forrester identified an inherent value to brand reputation protection. As this can vary dramatically between organizations, we have chosen to not quantify this benefit, but remain firm in the position that organizations can derive significant value from deploying Prevalent's 3rd Party Risk Management solutions to avert devastating events like several recent, well-documented breaches at Fortune 50 organizations. The benefit is like that of an insurance policy against the long-lasting, potentially catastrophic, brand-affecting ramifications of a breach.

The interviewed organization additionally identified Prevalent as a business enabler. Rather than looking at vendor assessments as a method to purely mitigate risk, the CISO of the interviewed organization stated,

"Our 3rd party vendor risk assessments are quite massive, but they also open dialogue. We get a better understanding of our vendors; not just their product, but also their process. We've been able to better inform our leaders as a result and are incorporating elements into our contractual language to better position ourselves.**"**

Values of business enablement vary greatly between firms. Due to this level of ambiguity, quantitative measurement of this category has also been excluded from this study.

Reduction In Effort To Produce And Complete Assessments

Central to Prevalent's 3rd Party Risk Management solutions is a centralized platform that facilitates the creation, collection, monitoring, and reporting of vendor risk assessments. It is a scalable solution that simplifies workflows and makes the assessments a repeatable process. Core functions include:

- Template-based production of questions that are tailored to be vendor- and risk-segment-specific.
- Simplified question logic design (e.g., so as not to display irrelevant questions).
- Available Shared Assessments standardized questionnaire.
- A centralized repository for assessment creation and collection.

Prior to implementing Prevalent's solutions, the interviewed organization used spreadsheets and document files as repositories for assessment questions, assessment results, and overall reporting. Process flows included the creation of complicated and often illogical questionnaires, slowing the assessment creation and collection process. The organization would often need to make a number of requests over a lengthy period of time to collect answers to what the vendors viewed as sometimes irrelevant and illogical questions. After implementing Prevalent's solutions, the interviewed organization reduced the time to create assessments for vendors by an average of 8 hours per assessment as illustrated in Table 1. Risk professionals were able to leverage industry- and risk-specific templates to quickly create an assessment complete with proper survey logic. Where necessary, collaboration on the creation of assessments was possible on the central VRM platform.

Overall, the organization was able to save a present value total of $135,398 over a three-year span.

TABLE 1
Reduction In Effort To Produce And Complete Assessments

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
A1	Number of risk professional FTEs			2	1.5	1.5
A2	Hourly rate per person			$53	$53	$53
A3	Number of hours saved per assessment from new survey logic, templates, and centralized repository			8	8	8
A4	Number of assessments completed per year			45	68	80
A5	Number of hours saved in following up on each assessment per year				3	3
At	Reduction in effort to produce and complete assessments	(A1*A2*A3*A4)+(A1*A2*A5*A4)	$0	$38,160	$59,466	$69,960
	Risk adjustment	0%				
Atr	**Reduction in effort to produce and complete assessments (risk-adjusted)**		**$0**	**$38,160**	**$59,466**	**$69,960**

Source: Forrester Research, Inc.

Reduction In FTE Effort To Review, Report, And Audit Assessments

The interviewed organization indicated that a key benefit was the improvement in process automation to receive, review, and audit assessments. Following the receipt of completed assessments from vendors, the vendor risk team previously manually coded the responses to perform due diligence. Additionally, as survey logic and questions were not wholly relevant to every vendor, responses often left much to be desired. With the improved logic of the assessments in VRM, the assessment team received better responses that required very little follow-up and made reviewing and reporting a much simpler task. Further simplifying things, automated scoring was introduced so that the responses that were of particular importance made a larger impact upon the risk analysis. Finally, with everything tracked centrally on VRM, the task of audits and producing additional reports was reduced mainly to clicking.

Savings in the review, report, and audit category was 6 hours per assessment, with a total PV of $49,994.

TABLE 2
Reduction In FTE Effort To Review, Report, And Audit Assessments

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
B1	Number of assessments performed per year			45	68	80
B2	Hourly rate per risk analyst, fully loaded			$53	$53	$53
B3	Hours saved reviewing each assessment, per year			6	6	6
Bt	Reduction in FTE effort to review, report, and audit assessments	B1*B2*B3	$0	$14,310	$21,624	$25,440
	Risk adjustment	0%				
Btr	**Reduction in FTE effort to review, report, and audit assessments (risk-adjusted)**		**$0**	**$14,310**	**$21,624**	**$25,440**

Source: Forrester Research, Inc.

Reduction In FTE Effort To Monitor Vendors For New Risk Elements

Vendor assessment is the initial step of Prevalent's 3rd Party Risk Management solutions. Following the successful completion of an assessment, vendors were monitored with Prevalent VTM, providing real-time vendor risk information. With integration to VRM, categorized current-day risk factors were piped into the centralized platform and scored based on the context of the relationship between buyer and vendor. The tiered scoring presented aggregated information that was important to the assessor, making the report much more meaningful. In short, the organization reduced its efforts to monitor and discover potential risks with vendors.

The simplified monitoring process reduced FTE effort by 12 hours per vendor per year. Over a three-year horizon, the organization saved a total of $279,463, PV.

TABLE 3
Reduction In FTE Effort To Monitor Vendors For New Risk Elements

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
C1	Total vendors under VRM and VTM management (cumulative)			45	113	193
C2	Risk analysts responsible for monitoring vendor compliance			2	1.5	1.5

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
C3	Reduction in hours necessary to monitor and detect risks, per vendor per analyst per year			12	12	12
C4	Hourly rate per risk analyst, fully loaded			$53	$53	$53
Ct	Reduction in FTE to monitor vendors for risk elements	C1*C2*C3*C4	$0	$57,240	$107,802	$184,122
	Risk adjustment	0%				
Ctr	**Reduction in FTE effort to monitor vendors for risk elements (risk-adjusted)**		**$0**	**$57,240**	**$107,802**	**$184,122**

Source: Forrester Research, Inc.

Faster Time-To-Benefit With Vendor Relationships

Through faster completion of assessments, the organization was able to get business value from new vendor relationships sooner. An improvement of 53 days in receiving of a completed assessment and an overall improvement of 4% in completion of assessments was recognized following the implementation of Prevalent's solutions. Valuing each vendor relationship at $500,000 over a three-year period, the higher rate of approving a vendor and faster initiation of doing business equated to a gain in business value of $515,737 a year, even after accounting for a generous portion of vendors that are redundant or substitutes. For this particular organization, the three-year PV benefit stands at $1,468,552.

Given that business relationships could have a high degree of variability, we have risk-adjusted the value of the time-to-benefit segment by 40%. Organizations that prioritize or put special emphasis on critical vendors can extend concessions to establish a working relationship, thus reducing the benefit that Prevalent offers. While this increases vendor risk and runs counter intuitive to the ultimate goal of reducing 3rd party risk, it does adjust the three year total of this benefit down to $881,131.

TABLE 4
Faster Time-To-Benefit With Vendor Relationships

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
D1	Number of assessments performed, per year			45	68	80
D2	Average number of days to receive a completed vendor assessment, using the previous manual solution			60	60	60

D3	Percentage of incomplete assessments using previous manual assessments			7%	7%	7%
D4	Average number of days to receive a completed vendor assessment using Prevalent			7	7	7
D5	Percentage of incomplete assessments using Prevalent			3%	3%	3%
D6	Average post-assessment annual business value per vendor relationship			$166,000	$166,000	$166,000
D7	Cost to the business of slow assessment cycle completion	D1*(D2-D4)*D6/365		$1,084,685	$1,639,079	$1,928,329
D8	Cost to the business of incomplete assessments	D1*D2*(D3-D5)*D6/12		$1,494,000	$2,257,600	$2,656,000
D9	Redundancy in vendors providing equivalent or similar goods or services			80%	85%	85%
Dt	Faster time-to-benefit with vendor relationships through quicker assessments	(D7+D8)(1-D9)	$0	$515,737	$584,502	$687,649
	Risk adjustment	↓40%				
Dtr	**Faster time-to-benefit with vendor relationships through quicker assessments (risk-adjusted)**		**$0**	**$309,442**	**$350,701**	**$412,590**

Source: Forrester Research, Inc.

Value Of Business Continuity Enabled By Quicker Detection And Remediation Of Risk

The interviewed organization prioritized its IT vendors — and with good reason, as it has migrated a significant amount of organizational and client data to the cloud in recent years. It paid an extraordinary amount of attention to what vendors were doing to protect the data and ultimately keep the organization operating. The faster cycles of vendor risk assessment led to two outcomes:

- The organization could much more quickly identify existing vendors that were not compliant.
- The organization could work with existing vendors that it identified as noncompliant to remediate areas of noncompliance to ensure business continuity.

Using an average of relationship values, Forrester multiplied the delta for identification of noncompliance and calculated a time value cost for a break in business continuity. Over three years, the PV is $254,049.

TABLE 5

Value Of Business Continuity Enabled By Quicker Detection And Remediation Of Risk

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
E1	Total number of vendors under VTM			45	113	193
E2	Reduction in time to recognize risk element using Prevalent compared with manual assessment, in hours			48	48	48
E3	Average annual business value per vendor relationship post-assessment			$166,000	$166,000	$166,000
E4	Hours per year			8,760	8,760	8,760
Et	Value of business continuity enabled by quicker detection and remediation of risk	E1*E2*E3*E4	$0	$40,932	$102,784	$175,551
	Risk adjustment	0%				
Etr	**Value of business continuity enabled by quicker detection and remediation of risk (risk-adjusted)**		**$0**	**$40,932**	**$102,784**	**$175,551**

Source: Forrester Research, Inc.

Total Benefits

Table 6 shows the total of all benefits across the five areas listed above, as well as PVs discounted at 10%. Over three years, the interviewed organization expects risk-adjusted total benefits to be a PV of more than $1.6 million.

TABLE 6
Total Benefits (Risk-Adjusted)

Ref.	Benefit Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Atr	Reduction in effort to produce and complete assessments	$0	$38,160	$59,466	$69,960	$167,586	$136,398
Btr	Reduction in FTE effort to review, report, and audit assessments	$0	$14,310	$21,624	$25,440	$61,374	$49,994
Ctr	Reduction in FTE effort to monitor vendors for risk elements	$0	$57,240	$107,802	$184,122	$349,164	$279,463
Dtr	Faster time-to-benefit with vendor relationships	$0	$309,442	$350,701	$412,590	$1,072,733	$881,131
Etr	Value of business continuity enabled by quicker detection and remediation of risk	$0	$40,932	$102,784	$175,551	$319,266	$254,049
	Total benefits (risk-adjusted)	**$0**	**$460,084**	**$642,377**	**$867,662**	**$1,970,123**	**$1,601,035**

Source: Forrester Research, Inc.

COSTS

The interviewed organization experienced a number of costs associated with Prevalent's 3rd Party Risk Management solutions:

- SaaS VRM & VTM licensing associated fees.
- Vendor Assess fees.
- Implementation-related costs.

These represent the mix of internal and external costs experienced by the interviewed organization for initial planning, implementation, and ongoing usage associated with the solution.

SaaS VRM And VTM Licensing Associated Fees

The core elements of Prevalent's 3rd Party Risk Management solutions are represented here in a total cost of $180,297 over the horizon of three years. Included in this cost are the base Prevalent VRM system and the Prevalent VTM module.

Software licensing costs vary from organization to organization, considering different licensing agreements, what other products may be licensed from the same vendor, and other discounts. To compensate, this cost was risk-adjusted up by 10%. The risk-adjusted cost of software over the three years was $198,326. See the section on Risks for more detail.

TABLE 7
SaaS VRM And VTM Licensing Associated Fees

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
F1	Software licensing, hosting, maintenance, and support fees			$72,500	$72,500	$72,500
Ft	SaaS VRM and VTM licensing and associated fees	F1		$72,500	$72,500	$72,500
	Risk adjustment	↑10%				
Ftr	**SaaS VRM and VTM licensing and associated fees (risk-adjusted)**		**$0**	**$79,750**	**$79,750**	**$79,750**

Source: Forrester Research, Inc.

Vendor Assess Fees

In the transitionary years, in which the interviewed organization did not have an adequate number of security professionals to conduct the desired number of assessments, the organization designated Prevalent to carry out vendor assessments and continue monitoring the vendors until it had fully transitioned to using internal security professionals. As a bridge of sorts, Prevalent's Vendor Assess solution kept the requirements of vendor assessment up to a high standard while the organization worked to bolster its employees' understanding of risk. Total costs of the vendor assessments totaled $97,671 over three years, PV. We anticipate that the interviewed organization would perform more assessments with its internal staff over time.

Every organization needs varying numbers of Vendor Assessments from Prevalent; the purchase volume may affect the cost of these assessments. We've made an upward risk adjustment of 10% to account for any upward pressures on the cost of the service, totaling $107,438. See the section on Risks for more detail.

TABLE 8
Vendor Assess Fees

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
G1	Number vendors to be assessed, inclusive of VRM and VTM, performed by CTPRP personnel on an ongoing basis			0	20	30
G2	Rate per vendor			$2,500	$2,500	$2,500
Gt	Vendor Assess fees	G1*G2	$0	$0	$50,000	$75,000
	Risk adjustment	↑10%				
Gtr	**Vendor Assess fees (risk-adjusted)**		**$0**	**$0**	**$55,000**	**$82,500**

Source: Forrester Research, Inc.

Implementation-Related Costs

The interviewed organization faced minimal implementation costs; however, it had to recode and port some existing vendor information to Prevalent's platform. Aside from data migration costs, it incurred training and process-flow construction costs. For this organization, the total cost of the implementation was $41,364, PV.

TABLE 9
Implementation-Related Costs

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
H1	Migration costs		$5,000			
H2	Training per FTE			$20,000		
H3	Security analysts to be trained			2	2	2
Ht	Implementation-related costs	H1*H2*H3	$5,000	$40,000	$0	$0
	Risk adjustment	0%	□			
Htr	**Implementation-related costs (risk-adjusted)**		**$5,000**	**$40,000**	**$0**	**$0**

Source: Forrester Research, Inc.

Total Costs

Table 10 shows the total of all costs as well as associated PVs, discounted at 10%. Over three years, the composite organization expects total costs to total a net present value of $347,128.

TABLE 10
Total Costs (Risk-Adjusted)

Ref.	Cost Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Ftr	SaaS VRM and VTM licensing and associated fees	$0	($79,750)	($79,750)	($79,750)	($239,250)	($198,326)
Gtr	Vendor Assess fees	$0	$0	($55,000)	($82,500)	($137,500)	($107,438)
Htr	Implementation-related costs	($5,000)	($40,000)	$0	$0	($45,000)	($41,364)
	Total costs (risk-adjusted)	**($5,000)**	**($119,750)**	**($134,750)**	**($162,250)**	**($421,750)**	**($347,128)**

Source: Forrester Research, Inc.

FLEXIBILITY

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so. There are multiple scenarios in which a customer might choose to implement Prevalent's 3rd Party Risk Management solutions and later realize additional uses and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix C).

The scalability of Prevalent is a key aspect of its solutions. While organizations can increase licenses in VRM and VTM to conduct more assessments with fewer people, its Vendor Assess program bridges the gap for organizations that are scaling up the number of risk assessments they conduct but cannot hire or train adequate numbers of CTPRP professionals in a short span of time. Given the lack of risk professionals available in the labor market, readers should place considerable consideration on the value of scalability that Prevalent provides.

RISKS

Forrester defines two types of risk associated with this analysis: "implementation risk" and "impact risk." Implementation risk is the risk that a proposed investment in Prevalent's 3rd Party Risk Management solutions may deviate from the original or expected requirements, resulting in higher costs than anticipated. Impact risk refers to the risk that the business or technology needs of the organization may not be met by the investment in Prevalent's 3rd Party Risk Management solutions, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

TABLE 11
Benefit And Cost Risk Adjustments

Benefits	Adjustment
Faster time-to-benefit with vendor relationships	↓ 40%

Costs	Adjustment
SaaS VRM and VTM licensing associated fees	↑ 10%
Vendor Assess fees	↑ 10%

Source: Forrester Research, Inc.

Quantitatively capturing implementation risk and impact risk by directly adjusting the financial estimates results provides more meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as “realistic” expectations since they represent the expected values considering risk.

The following impact risk that affects benefits is identified as part of the analysis:

› The time-to-benefit segment of benefits has been reduced by 40%, as there exists a large variance in the value of some vendor relationships as compared to others. Understanding this, organizations may prioritize specific relationships and in turn lead to the acceptance of a good but not perfectly optimal (and lower-risk) vendor relationship in the interests of time. Appropriately, we exercise conservatism in our calculations and urge the reader to adjust their risk in a similar fashion.

The following implementation risks that affect costs are identified as part of this analysis:

› SaaS VRM & VTM licensing associated fees could be higher, depending upon the purchasing power of the organization and the number of vendors that the organization wants to have under management on the Prevalent platform. An adjustment of 10% has been added to reflect the possibility of slightly different pricing.

› Vendor Assess fees can be higher for some organizations. The purchasing power and number of assessments the organization desires to have Prevalent conduct and manage could impact the overall costs of this category. A risk adjustment of 10% has been added to reflect the possibility of pricing difference.

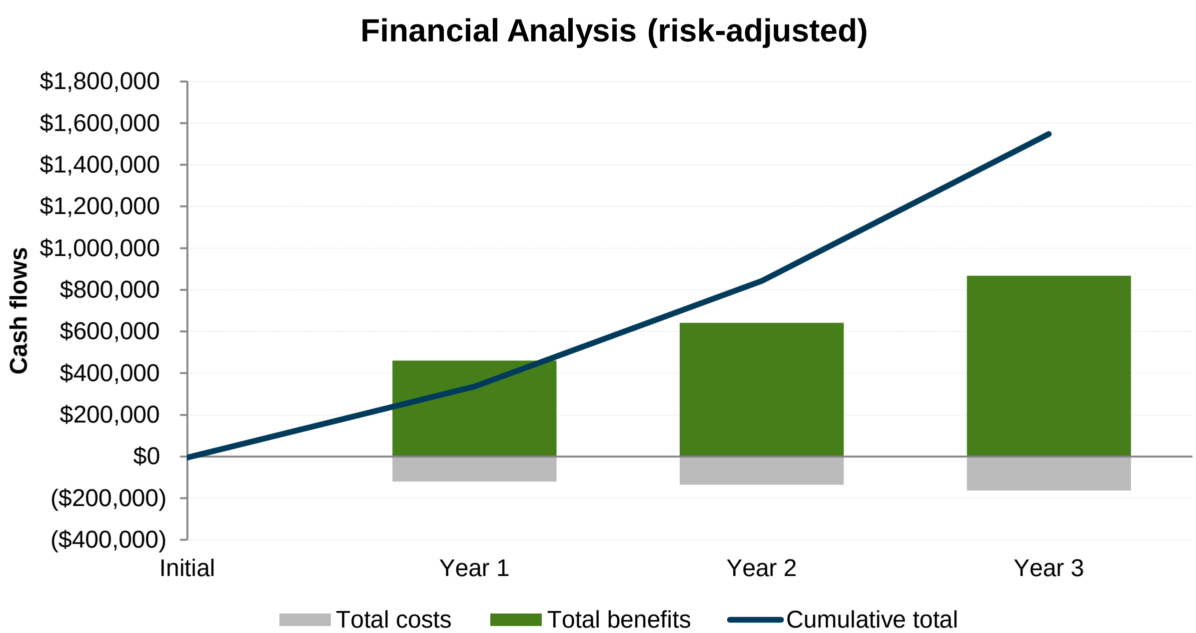
Table 11 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates for the interviewed organization. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the interviewed organization's investment in Prevalent's 3rd Party Risk Management solutions.

Table 12 below shows the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 11 in the Risk section to the unadjusted results in each relevant cost and benefit section.

FIGURE 3
Cash Flow Chart (Risk-Adjusted)



Source: Forrester Research, Inc.

TABLE 12
Cash Flow (Risk-Adjusted)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Costs	($5,000)	($119,750)	($134,750)	($162,250)	($421,750)	($347,128)
Benefits	$0	$460,084	$642,377	$867,662	$1,970,123	$1,601,035
Net benefits	**($5,000)**	**$340,334**	**$507,627**	**$705,412**	**$1,548,373**	**$1,253,907**
ROI						**361%**

Source: Forrester Research, Inc.

Prevalent 3rd Party Risk Management Solutions: Overview

The following information is provided by Prevalent. Forrester has not validated any claims and does not endorse Prevalent or its offerings.

Prevalent Vendor Risk Manager (VRM) is a SaaS offering that automates the tasks associated with the vendor risk management process, including evidence collection, evidence risk analysis, email notifications, and scheduling. VRM offers security, compliance, and risk management professionals a platform to manage and automate the vendor risk assessment process. VRM enables organizations to evaluate vendors based on vendor tiers determined by their importance or potential risk to the organization. VRM enables the creation of a standardized tier structure for the organization, a standardized assessment workflow, Shared Assessment content, evidence collection, risk scoring, and reporting.

Prevalent Vendor Threat Monitor (VTM) is a SaaS offering that enables organizations to continuously monitor key relationship risk areas, including: Data Risk, Operational Risk, Financial Risk, Brand Risk, Regulatory Risk and Geographic Risk. Organizations using Prevalent VRM SaaS to assess vendors and service providers can opt to configure VTM to monitor for potential risk areas identified by Prevalent VRM. Data types that are part of this analysis include external data breach notifications, IP reputation data, malware for known domains, financial analysis, phishing attacks, regulatory issues, and other publicly available information.

Prevalent Vendor Assess (VA) is a managed service that includes VRM, VTM, and a single remote assessment per year. VA is a fixed-price, fixed-deliverable package that is flexible enough to map to your existing controls, but standardized for people who want an out-of-the-box solution. VA is priced based on the number of vendor assessments you will manage, but can easily scale to add any number of vendor assessments you choose.

Appendix A: Total Economic Impact™ Overview

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. TEI assists technology vendors in winning, serving, and retaining customers.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

BENEFITS

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

COSTS

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

FLEXIBILITY

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprisewide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

RISKS

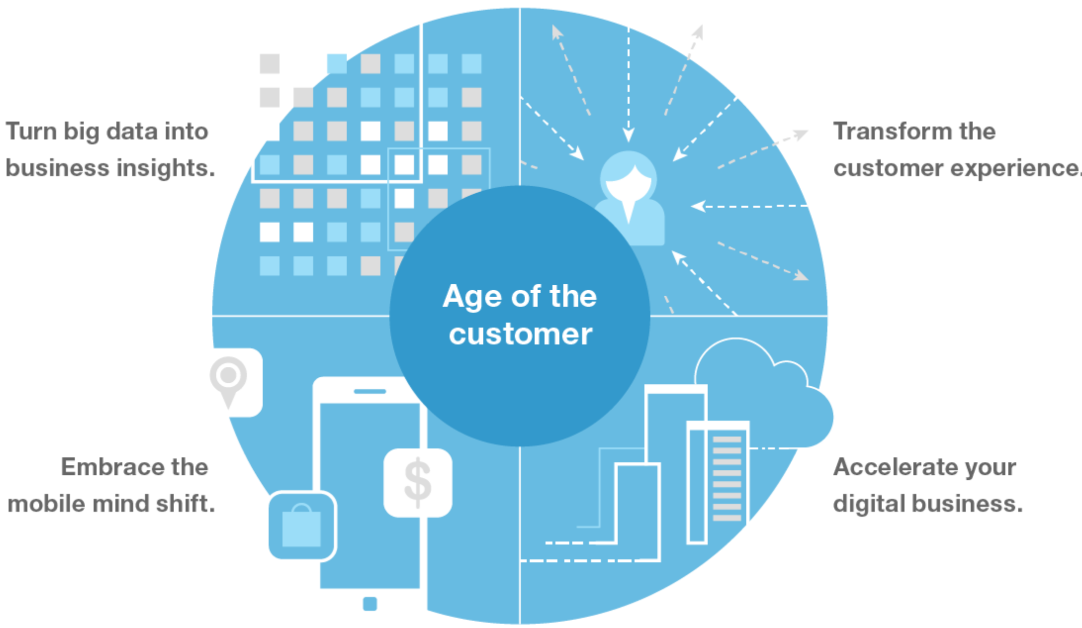
Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections, and 2) the likelihood that the estimates will be measured and tracked over time. TEI risk factors are based on a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the risk factor around each cost and benefit.

Appendix B: Forrester and The Age Of The Customer

Your technology-empowered customers now know more than you do about your products and services, pricing, and reputation. Your competitors can copy or undermine the moves you take to compete. The only way to win, serve, and retain customers is to become customer-obsessed.

A customer-obsessed enterprise focuses its strategy, energy, and budget on processes that enhance knowledge of and engagement with customers and prioritizes these over maintaining traditional competitive barriers.

CMOs and CIOs must work together to create this companywide transformation.



Forrester has a four-part blueprint for strategy in the age of the customer, including the following imperatives to help establish new competitive advantages:


Transform the customer experience to gain sustainable competitive advantage.


Accelerate your digital business with new technology strategies that fuel business growth.


Embrace the mobile mind shift by giving customers what they want, when they want it.


Turn (big) data into business insights through innovative analytics.

Appendix C: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Companies set their own discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organizations to determine the most appropriate discount rate to use in their own environment.

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.

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.

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.

Return on investment (ROI): A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

A NOTE ON CASH FLOW TABLES

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in years 1 through 3 are discounted using the discount rate (shown in the Framework Assumptions section) at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations are not calculated until 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.

TABLE [EXAMPLE]
Example Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3

Source: Forrester Research, Inc.

Appendix D: Supplemental Material

Related Forrester Research

1. "Building An Effective Vendor Risk Plan For emerging Technology Suppliers," Forrester Research, Inc., January 10, 2011
2. "Predictions 2016: Vendors Win, Risk Management Loses," Forrester Research, Inc., November 13, 2015
3. "Why Strong Vendor Management is Essential to Managed Services Relationships," Forrester Research, Inc., September 15, 2011

Appendix E: Endnotes

[1] Forrester risk-adjusts the summary financial metrics to take into account the potential uncertainty of the cost and benefit estimates. For more information, see the section on Risks.