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The Total Economic Impact™ Of TrustArc

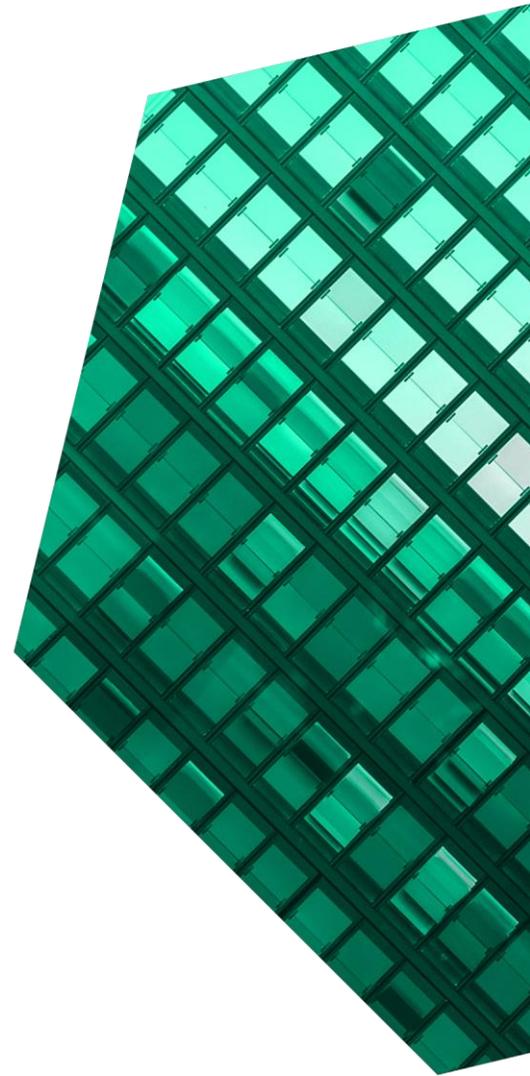
Cost Savings And Business Benefits
Enabled By TrustArc

MAY 2022

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Executive Summary

As enterprises rapidly roll out digital products and services, the amount of customer data continues to grow exponentially; and so too does the need to protect that data from security and privacy abuses. Organizations use privacy management platforms to document, track, and meet privacy policies and regulations. TrustArc helps customers scale, automate, and manage their privacy compliance needs, which in turn creates more efficient privacy management processes for the organization.

[TrustArc](#) automates and simplifies the creation of end-to-end privacy management for customers by delivering privacy intelligence and platform automation that helps privacy employees manage the growing number of privacy regulations as well as the consumer demand of data privacy in the ever-changing digital world.

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

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed the decision-maker of an organization with experience using TrustArc. Forrester used this experience to project a three-year financial analysis.

Prior to using TrustArc, the interviewee noted how their organization was managing privacy compliance via manual processes or spreadsheets. These methods were not scalable and led to inefficiencies in privacy management.

After the investment in TrustArc, the interviewee's organization was able to eliminate manual processes of documenting and tracking privacy laws, as well as to reduce privacy employees' time spent in meetings discussing compliance and writing emails back and forth for approvals. By having a centralized database with a dashboard of updated privacy laws, the

KEY STATISTICS



Return on investment (ROI)
126%



Net present value (NPV)
\$2.08M

organization was able to reduce: compliance costs associated with privacy requirements; costs associated with proving compliance and supporting audits; and costs associated with privacy incidents. These cost savings equal a net present value (NPV) of \$2.08 million over three years.

“Using the suite of TrustArc tools is incredibly important to us to document and track compliance with our global privacy program.”

Chief compliance officer, industrial company

KEY FINDINGS

Quantified benefits. Risk-adjusted PV quantified benefits include:

- **Reduced cost of meeting compliance with privacy laws, for a cost savings of \$645,851.**
The interviewee's organization used TrustArc to decrease the time to meet compliance with privacy laws from eight weeks down to only three. This led to a reduction of the organization's dedicated staff time, and it was due to the automation of manual processes, such as documenting and tracking compliance, and having less staff meetings. This efficiency reduced the cost of privacy law compliance and led to a PV benefit of \$645,851.
- **Reduced cost to prove compliance and support audits, for a cost savings of \$82,409.**
According to internal Forrester research, the automation that comes with implementing a privacy management platform helps to reduce the cost in proving compliance and supporting audits. The reduced cost comes from saving on both internal and external audit costs. For the interviewee's organization, this efficiency reduced the cost of meeting compliance with privacy laws and led to a PV benefit of \$82,409.
- **Reduced cost of privacy incident, for a cost savings of \$3 million.** Forrester internal research indicates that implementing a privacy management platform helps to reduce the number of privacy incidents for an organization. For the interviewee's organization, this reduction in privacy incident equals a cost savings that has a PV benefit of \$3 million.

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

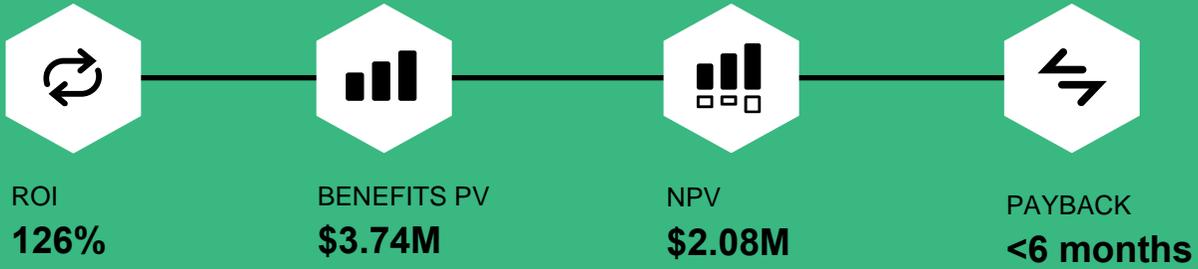
- **Enabling privacy management globally.** The interviewee said TrustArc helped their global organization have access to privacy management. Having a database of privacy

regulations that could be accessed from anywhere provided wide and timely information that was accessible to employees around the world.

Costs. Risk-adjusted PV costs include:

- **Subscription costs and certification.** The interviewee said the subscription cost their organization paid for TrustArc is \$170,000 per year with an additional certification cost of \$60,000 per year.
- **Implementation and ongoing maintenance.** The interviewee said their organization's initial implementation costs were \$240,000.

The interview and financial analysis found that the decision-maker's organization experiences benefits of \$3.74 million over three years versus costs of \$1.65 million, adding up to a net present value (NPV) of \$2.08 million and an ROI of 126%.



Benefits (Three-Year)



TEI FRAMEWORK AND METHODOLOGY

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

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 TrustArc can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by TrustArc 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 TrustArc.

TrustArc 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.

TrustArc provided the customer name for the interview but did not participate in the interview.



DUE DILIGENCE

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



DECISION-MAKER INTERVIEW

Interviewed the decision-maker of an organization using TrustArc to obtain data with respect to costs, benefits, and risks.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the decision-maker.



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 TrustArc Customer Journey

■ Drivers leading to the TrustArc investment

INTERVIEWEE'S ORGANIZATION

Forrester interviewed the chief compliance officer of a TrustArc customer whose organization has the following characteristics:

- Industrial organization.
- \$70 billion in annual revenue.
- More than 200,000 employees.

KEY CHALLENGES

The interviewee's organization was looking to automate its privacy management processes. They noted how their organization struggled with challenges, including:

- **Manual processes were inefficient.** The interviewee said the manual processes they were employing were inefficient and used too much of privacy employees' time. For example, privacy compliance documenting and tracking were done through spreadsheets, which was not scalable. Working with these spreadsheets was either a request-and-respond method (via email) or verbal discussion via calendar meetings. This back-and-forth exchange took too much of privacy employees' time, especially if there were multiple approvals involved.
- **Multiple records to keep track of.** In addition to operational challenges, the interviewee's organization had to manage the privacy of multiple types of data records. This included business process records and both internal and third-party systems records. With multiple types of data records, it was difficult for the organization to keep track of personal privacy data across the organization and have a structured process to be compliant with privacy laws.

USE CASE DESCRIPTION

The interviewee's organization found the manual processes they had for privacy management were not allowing them to keep up with privacy compliance laws, making it difficult to scale on a global level. The interviewee's organization wanted a privacy management platform that would help automate and centralize privacy management and create a more efficient and cost-effective way to track and meet the requirements of privacy laws.

Key Assumptions

- **Industrial organization**
- **\$70 billion annual revenue**
- **200,000 employees**

“When new laws would come into effect, evaluations were done manually to find compliance gaps.”

Chief compliance officer, industrial company

Analysis Of Benefits

■ Quantified benefit data

Total Benefits							
Ref.	Benefit	Initial	Year 1	Year 2	Year 3	Total	Present Value
Atr	Reduced cost of compliance with privacy laws	\$0	\$259,674	\$259,674	\$259,674	\$779,022	\$645,771
Btr	Reduced cost to prove compliance and support audits	\$0	\$33,138	\$33,138	\$33,138	\$99,414	\$82,409
Ctr	Reduced cost of privacy incident	\$0	\$1,209,600	\$1,209,600	\$1,209,600	\$3,628,800	\$3,008,096
Total benefits (risk-adjusted)		\$0	\$1,502,412	\$1,502,412	\$1,502,412	\$4,507,236	\$3,736,276

REDUCED COST OF COMPLIANCE WITH PRIVACY LAWS

Evidence and data. Prior to implementing the TrustArc privacy management platform, the interviewee’s organization used manual processes to meet the compliance requirements of privacy laws. By implementing TrustArc, the organization was able to automate privacy management processes and provide a centralized database with a dashboard that was globally accessible to employees. This database was automatically updated with new laws which saved privacy employees’ time. This is in contrast to the legacy process which involved a respond-and-request method of communication, i.e., back-and-forth responses via email.

Modeling and assumptions. Forrester assumes the following about the financial model:

- Prior to using TrustArc, the organization’s privacy employees take eight weeks to be compliant with privacy laws. With the TrustArc implementation, the organization’s privacy employees now only require three weeks to be compliant. By eliminating their dependence on manual processes, the interviewee’s organization save five weeks of privacy employees’ time.

- The interviewee’s organization has a staff of 78 employees that devote 30% of their time to privacy management.
- The interviewee’s organization attributes TrustArc with 75% improvement to their efforts to improve time to meet compliance with privacy laws.

Risks. The results may vary based on the following:

- The number of employees conducting privacy management tasks.
- The amount of time privacy employees are dedicating to privacy management.
- The organization’s ability to use TrustArc efficiently to reduce cost of compliance with privacy laws.



Efficiency gains from automated processes

Over \$600K per year

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of nearly \$645,800.

Reduced Cost Of Compliance With Privacy Laws						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
A1	Time required to design privacy process before TrustArc (weeks)	Interview		8	8	8
A2	Time required to design privacy process after TrustArc (weeks)	Interview		3	3	3
A3	Privacy design improvement by weeks	A1-A2		5	5	5
A4	Number of privacy individuals (6 business units with 13 privacy roles per unit)	Interview		78	78	78
A5	Average time dedicated to a specific privacy initiative	Interview		30%	30%	30%
A6	Privacy FTE fully loaded weekly salary	\$120,000 salary*1.35 burden/52 weeks		\$3,115	\$3,115	\$3,115
A7	Percent of improvement attributed to TrustArc	Interview		75%	75%	75%
At	Reduced cost of compliance with privacy laws	A3*A4*A5*A6*A7	\$0	\$273,341	\$273,341	\$273,341
	Risk adjustment	↓5%				
Atr	Reduced cost of compliance with privacy laws (risk-adjusted)		\$0	\$259,674	\$259,674	\$259,674
Three-year total: \$779,022			Three-year present value: \$645,771			

REDUCED COST TO PROVE COMPLIANCE AND SUPPORT AUDITS

Evidence and data. Forrester’s internal research indicates that implementing privacy management platforms helps organizations reduce the cost to prove compliance and support audits. This means that the time of internal employees and external teams to audit privacy compliance is reduced.

Modeling and assumptions. Forrester assumes the following about the financial model:

- External costs for privacy audits are \$80,000 annually.
- Internal audits encapsulate the effort of both auditors and data owners to provide evidence.
- Reduction in cost to prove compliance and support audits is 35%.

Risks. The results may vary based on the following:

- The organization’s ability to dedicate sufficient hours to internal audits.
- The budget available for external audits.
- The organization’s ability to use TrustArc efficiently to reduce cost to prove compliance and support audits.



Reduced effort to prove compliance in audits

35%

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of over \$82,400.

Reduced Cost To Prove Compliance And Support Audits						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
B1	Internal audit effort, in hours	Forrester research		400	400	400
B2	Internal audit hourly compensation	TEI standard		\$63	\$63	\$63
B3	External audit cost	Forrester research		\$80,000	\$80,000	\$80,000
B4	Reduction in effort as a percentage	Forrester research		35%	35%	35%
Bt	Reduced cost to prove compliance and support audits	$(B1*B2+B3)*B4$		\$36,820	\$36,820	\$36,820
	Risk adjustment	↓10%				
Btr	Reduced cost to prove compliance and support audits (risk-adjusted)			\$33,138	\$33,138	\$33,138
Three-year total: \$99,414			Three-year present value: \$82,409			

REDUCED COST OF PRIVACY INCIDENT

Evidence and data. Forrester’s internal research indicates that implementing privacy management platforms helps reduce the likelihood of a privacy incident and the subsequent associated costs of an incident occurring.

Modeling and assumptions. Forrester assumes the following about the financial model:

- The average number of privacy-related incidents prior to using TrustArc is 2.5 per year.
- Using the TrustArc privacy management platform reduces privacy incidents by 80%.

Risks. The results may vary based on the organization’s ability to use TrustArc efficiently to reduce cost of compliance with privacy laws.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of over \$3 million.

Reduced Cost Of Privacy Incident						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
C1	Average privacy-related incidents prior to TrustArc per year	Forrester research		2.5	2.5	2.5
C2	Percentage reduction in incidents with TrustArc	Forrester research		80%	80%	80%
C3	Regulatory fines and compliance audit costs per major incident	Forrester research		\$265,300	\$265,300	\$265,300
C4	Customer compensation and punitive damages per major incident	Forrester research		\$406,700	\$406,700	\$406,700
Ct	Reduced cost of privacy incident	$C1 \times C2 \times (C3 + C4)$	\$0	\$1,344,000	\$1,344,000	\$1,344,000
	Risk adjustment	↓10%				
Ctr	Reduced cost of privacy incident (risk-adjusted)		\$0	\$1,209,600	\$1,209,600	\$1,209,600
Three-year total: \$3,628,800			Three-year present value: \$3,008,096			

UNQUANTIFIED BENEFITS

Additional benefits that the interviewee’s organization experienced but was not able to quantify include:

- Global access to privacy management.** The interviewee said TrustArc helped their organization enable global access to privacy management for employees. Prior to implementing TrustArc, the organization used verbal communication in the form of calendar meetings to discuss and approve privacy compliance. This made the effort localized to time zones. The implementation of TrustArc included a database of accessible privacy information, which enabled timely and global access to their privacy management process.

manager based on the organization’s own governance. Additionally, they were able to create a jurisdiction risk assessment which assesses the risks that can arise when operating in a foreign country or jurisdiction.

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

FLEXIBILITY

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

- Customized governance.** The interviewee reported that TrustArc offers their organization the flexibility to build a customized assessment

Analysis Of Costs

■ Quantified cost data

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Dtr	Annual fees paid to TrustArc	\$264,500	\$264,500	\$264,500	\$264,500	\$1,058,000	\$922,272
Etr	Implementation and ongoing management costs	\$46,000	\$276,000	\$276,000	\$276,000	\$874,000	\$732,371
	Total costs (risk-adjusted)	\$310,500	\$540,500	\$540,500	\$540,500	\$1,932,000	\$1,654,643

ANNUAL FEES PAID TO TRUSTARC

Evidence and data. The interviewee's organization incurs costs based on its annual subscription to the TrustArc privacy management platform and the associated annual certification costs.

Modeling and assumptions. Forrester assumes the following about the financial model:

- The organization pays an annual subscription cost of \$170,000.
- The organization pays annual certification fees of \$60,000.

Risks. The fees paid to TrustArc may vary depending on:

- The scope and size of the organization's needs.
- Whether or not the organization wants to pay for a certification that demonstrates it meets the TrustArc privacy practices and criteria. This can be in the form of a seal that is displayed on an organization's website.

Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of close to \$922,300.

Annual Fees Paid To TrustArc							
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3	
D1	Annual subscription costs for TrustArc	Interview	\$170,000	\$170,000	\$170,000	\$170,000	
D2	APEC Privacy Certification	Interview	\$60,000	\$60,000	\$60,000	\$60,000	
Dt	Annual fees paid to TrustArc	D1+D2	\$230,000	\$230,000	\$230,000	\$230,000	
	Risk adjustment	↑15%					
Dtr	Annual fees paid to TrustArc (risk-adjusted)		\$264,500	\$264,500	\$264,500	\$264,500	
Three-year total: \$1,058,000			Three-year present value: \$922,272				

IMPLEMENTATION AND ONGOING MANAGEMENT COSTS

Evidence and data. The interviewee reports that the ongoing management costs for TrustArc are rather fair considering the size of the interviewee’s organization.

Modeling and assumptions. Forrester assumes the following about the financial model:

- The interviewee’s organization has four internal resources dedicated to the implementation of TrustArc for the duration of one month.
- For ongoing maintenance of TrustArc, the interviewee’s organization now has two dedicated full-time internal resources.

Risks. The fees paid to TrustArc may vary depending on.

- The scope and size of the organization’s needs.
- Whether or not the organization wants to pay for a certification that demonstrates it meets the TrustArc privacy practices and criteria. This can be in the form of a seal that is displayed on an organization’s website.

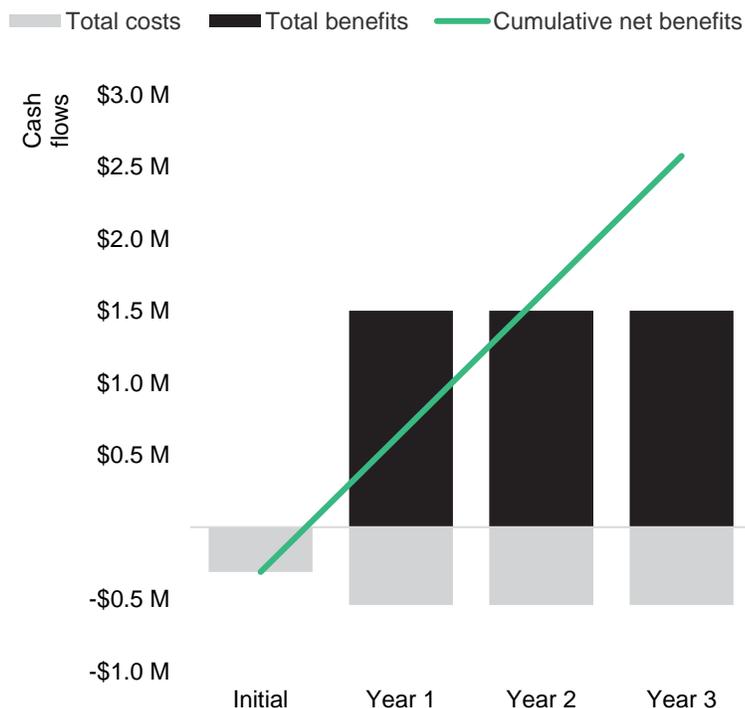
Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of close to \$732,400.

Implementation And Ongoing Management Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Internal resources dedicated to implementation	Interview	4			
E2	Months required for implementation	Interview	1			
E3	Internal resources dedicated to ongoing management	Interview		2	2	2
E4	Fully loaded annual salary for IT managers	TEI standard	\$120,000	\$120,000	\$120,000	\$120,000
Et	Implementation and ongoing management costs	$(E1 * E2 / 12 + E3) * E4$	\$40,000	\$240,000	\$240,000	\$240,000
	Risk adjustment	↑15%				
Etr	Implementation and ongoing management costs (risk-adjusted)		\$46,000	\$276,000	\$276,000	\$276,000
Three-year total: \$874,000			Three-year present value: \$732,371			

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 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	(\$310,500)	(\$540,500)	(\$540,500)	(\$540,500)	(\$1,932,000)	(\$1,654,643)
Total benefits	\$0	\$1,502,412	\$1,502,412	\$1,502,412	\$4,507,236	\$3,736,276
Net benefits	(\$310,500)	\$961,912	\$961,912	\$961,912	\$2,575,236	\$2,081,633
ROI						126%
Payback period						<6 months

Appendix A: Total Economic Impact

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

TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Endnotes

¹ Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

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