

The Total Economic Impact™ Of Mailgun By Sinch

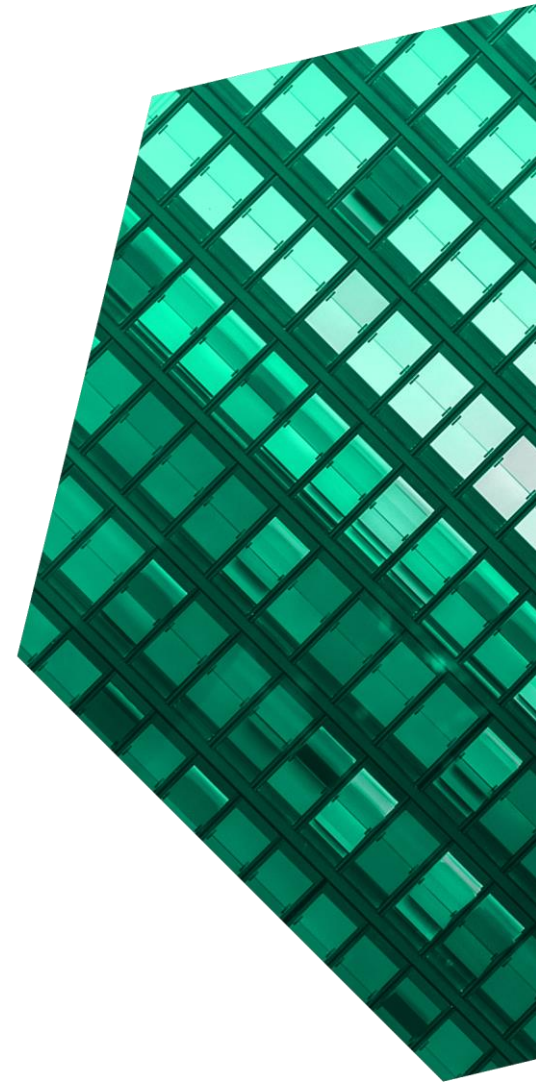
Cost Savings And Business Benefits
Enabled By Mailgun By Sinch

FEBRUARY 2023

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Executive Summary

As enterprises seek to retain and engage customers, email marketing remains a central pillar of a customer-obsessed digital strategy. The decline of third-party cookies further reinforces the importance of email relationships in obtaining first-party customer data. For email messaging to be effective in attracting sales and boosting brand awareness, they must first be delivered. The right email-sending infrastructure will ensure high deliverability while protecting sender reputation and preserving email relationships.^{1, 2, 3} ;

Mailgun by Sinch is an email service provider (ESP) focused on improving the deliverability of both transactional and marketing email campaigns as enterprise organizations and small and medium-sized businesses (SMBs) bring their email communication programs to scale. In working directly with B2B software-as-a-service (SaaS) email partners, various B2B businesses, and B2C brands, Mailgun provides an email sending infrastructure that meets several national and international compliance requirements like the Health Insurance Portability and Accountability Act (HIPAA) and the General Data Protection Regulation (GDPR).

Mailgun by Sinch commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Mailgun.⁴ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Mailgun on their organizations.

KEY STATISTICS



Return on investment (ROI)
264%



Net present value (NPV)
\$454K

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives with experience using Mailgun. For the purposes of this study, Forrester aggregated the interviewees' experiences into a single composite organization that is a US-based B2C organization with international reach. The composite organization plans to scale its 100 million marketing emails annually to support its increased sales goals. It works with a B2B SaaS email partner that uses Mailgun as its email-message engine.

The interviewees reported that prior to using Mailgun, their organizations had constraints on deliverability. They experienced frequent bouts of disruption from deliverability and degraded email delivery, and they lacked adequate reporting to remediate incidents quickly. Furthermore, incumbent email platforms lacked technical expertise and provided inadequate attention and support.

Enhances email
deliverability by

20.6%



After the investment in Mailgun, the interviewees' organizations improved deliverability while scaling email volumes. Key results include increased revenue from improved inbox placement, reduced email delivery incidents, and saved time remediating those that remained.

KEY FINDINGS

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

- **Increases incremental revenue from improved email inbox placement by \$594,000.** With Mailgun, the composite organization improves its email delivery rate to 95% and increases the unique open rate to 11.3% at the end of its three-year investment. This results in over 20.6 million more incremental emails delivered and opened by the organization's customers.
- **Reduces the average cost to send an email by 50%, resulting in \$24,000 of savings.** With Mailgun as its sending infrastructure, the composite organization reduces its email effective cost per mille (eCPM) by 50% from \$0.20 to \$0.10.
- **Saves \$9,000 in time dealing with email deliverability issues.** Compared to its prior email sending environment, with Mailgun, the composite organization spends half as much time remediating major email delivery disruptions and minor deliverability incidents, including both frequency and total hours of remediation.

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

- **Brand resilience.** Mailgun helps the composite strengthen its brand promise by reducing spam hit rates and improving sender reputation.

- **Shortened mean time to delivery.** Mailgun decreased the mean time to delivery for one interviewee's organization by 78%.

Unquantified benefits for B2B organizations.

Benefits that would provide value for a B2B organization but are not quantified in this study include:

- **Ability to scale B2B email volumes.** Interviewees from B2B organizations said Mailgun played a central role in their companies' ability to match their clients' email volumes.
- **Improved customer satisfaction.** Even as it helped to support scaling email operations, Mailgun also helped interviewees' B2B organizations improve their email platform offerings and customer experiences.
- **Faster time to value.** Interviewees shared that Mailgun brought faster time to value than incumbent or competing email-sending solutions while simplifying domain management.
- **Flexibility with Mailgun's product roadmap.** Interviewees said they look forward to Mailgun's innovations, which they plan to continue integrating into the email platform features their organizations offer to clients.

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

- **Mailgun fees of \$151,000.** Total fees are a function of email volumes sent with a SaaS provider using Mailgun as its sending infrastructure. The composite organization uses Mailgun's batch sending to send 100 million emails in Year 1, which increases to 110,250,000 at the end of the three-year period by using Mailgun features, including Send Time Optimization (STO), reputation management, and email verification.

- **CRM integration and maintenance labor costs totaling \$22,000.** The composite organization devotes 80 hours of initial integration and maintenance efforts to connect the brand CRM to Mailgun, and it dedicates an additional 80 hours of maintenance per year.

The representative interviews and financial analysis found that the composite organization experiences benefits of \$627,000 over three years versus costs of \$172,000, adding up to a net present value (NPV) of \$454,000 and an ROI of 264%.

“Having a good reputation in the marketplace is invaluable, and Mailgun plays a very significant part of that. We are very focused on NPSSM (Net Promoter Score), and it doubled with Mailgun.”⁶

Head of deliverability, digital marketing

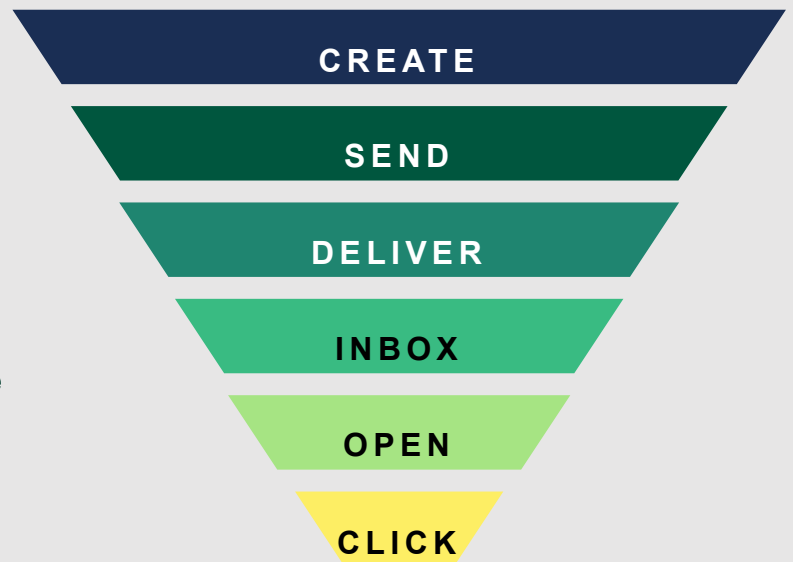
The Email Funnel

Email persists as one of the most important channels an organization can have.

In addition to its importance to marketing and sales, it is a vital representation of an organization's reputation and data integrity. Broad trends in email marketing point to stronger message filtering and data restrictions, as well as increasing business email compromise and fraud.

“The email channel is a funnel, so [when] we get more people to open the emails, then more people will click, and more people will convert.”

— Head of deliverability, digital marketing





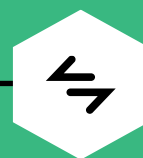
ROI
264%



BENEFITS PV
\$627K



NPV
\$454K



PAYBACK
<6 months

Benefits (Three-Year)

Increased incremental revenue
from improved email inbox
placement

\$594.2K

Increases in incremental revenue are
from an **improved delivery rate** and
an **increased unique open rate**.

Reduced cost to send an email

\$23.5K

Time savings for email
deliverability issues

\$9.1K

“Since [using] Mailgun, our inbox placement rate doubled. It went from being a pain point and constant detractor to something that we can depend on.”

— Head of fraud prevention, software, real estate

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 Mailgun.

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 Mailgun can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Mailgun 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 Mailgun.

Mailgun 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.

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



DUE DILIGENCE

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



INTERVIEWS

Interviewed four representatives at organizations using Mailgun 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 Mailgun Customer Journey

■ Drivers leading to the Mailgun investment

Interviews			
Role	Industry	Region	Emails Sent Annually
Product manager	Software, financial services, customer engagement platform	Massachusetts headquarters, international reach	4.2 billion
Head of fraud prevention	Software, real estate	Washington headquarters, national reach	4.8 billion
Head of deliverability	Digital marketing	California headquarters, international reach	1.5 billion
Head of deliverability	Software, martech, customer data platform	California headquarters, international reach	1.2 billion

KEY CHALLENGES

Interviewees said that before using Mailgun, there were challenges in their organizations' email environments that resulted in cascading impacts.

- **Prior email environments constrained the abilities of interviewees' organizations to ensure deliverability at higher volumes.** The product manager from a financial services organization shared: "[In the prior environment], deliverability issues were horrible. The last thing a client needs when they're about to send a massive promotion is the emails not getting delivered. And if there's an issue, it needs to be resolved as quickly as possible."
- The head of deliverability from a digital marketing company indicated that problems with spam traps were a key hindrance to deliverability in the prior email environment. They shared: "You want your spam trap hit to be as close to zero as possible. If you don't have a squeaky-clean list [and] if you're hitting spam traps, you're not going to have a good deliverability."
- **Interviewees' organizations sought more scalable cost structures as they looked to increase email volumes.** The head of deliverability from a customer data platform software company noted that their organization was growing the number of visitors to its website. They said, "The volume and list size has increased greatly." However, they reported that other platforms at their disposal cost 50% to 70% more than Mailgun.
- **Varying degrees of deliverability degradations incurred remediation and downtime costs.** The product manager from the financial services company said they were dissatisfied with the incumbent platform's level of customer service: "We were moving away from them. We weren't really getting the attention or support we needed from them."
- **Several interviewees from organizations working as B2B SaaS email partners complained of complex domain management in their prior environments.** The head of deliverability from the digital marketing company said: "[The email platform in my organization's prior environment] had old delivery methodology. I thought they were oversubscribing dedicated IPs. Warming up the IP is one thing, but you need to warm up the domain as well."

- The head of fraud prevention at a software company in the real estate industry pointed to difficulties with multiple domains in their organization's prior environment. They said: "We had a few different products with emails being sent from different domains. That really frustrated me because then I'd have to manage reputation on multiple domains, and I don't get credit for all the traffic that I'm sending out of just one domain. ... [Furthermore], people were abusing the domains and impersonating with spam."
- The product manager from the financial services company stated: "We have about 20 different brands that all send through their own domains. So that's a little different than their other senders. It's been easier than it has been in the past to set those up and get them going, and that's been good for us."

**"If we sent 100 emails,
about 89 were delivered."**

*Head of fraud prevention, software,
real estate*

SOLUTION REQUIREMENTS

The interviewees' organizations searched for a solution that could:

- **Ensure low mean time to delivery with large email volumes.** The product manager from the financial services company reported that their organization sought to improve customer experience, inbox placement, and overall deliverability with the investment in Mailgun.
- **Bring strong relationships with email postmasters.** The same interviewee noted: "You want to make sure you're [facilitating] good traffic so you can have good relationships with [postmasters]. So we went with Mailgun because they have those good relationships."
- **Balance marketing objectives with sending best practices.** The same interviewee said that because their company is a B2B organization supporting marketing and loyalty efforts on behalf of clients, it sought a partner that would help it more optimally meet customers' high-volume sending needs. They explained: "Being an email sender, you want to make sure you have a good reputation, which can be at odds with campaign marketers' goals. Mailgun understands the dichotomy of maintaining a really strong email presence while our customers are looking to send as many emails as they can to whomever they can."
- **Comply with regulatory data requirements.** Interviewees noted that their organizations' incumbent solutions did not align with compliance drivers in their desired markets.
 - The head of deliverability from the digital marketing company said: "[Regarding GDPR], we had negative experiences with other email platforms in Europe. When Mailgun launched their EU infrastructure in 2019, we tested an integration for new clients with Mailgun via their EU infrastructure and we haven't looked back."
 - The head of deliverability from the customer data platform software company said, "[Mailgun is] HIPAA-compliant, which is certainly a value because we have customers that prioritize HIPAA compliance when picking platforms."

COMPOSITE ORGANIZATION

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

Description of composite. The US-based B2C organization has international reach, \$500 million in annual revenue, a \$20 average order value, and a 15% operating margin.

The composite organization sends 100 million marketing emails per year, though it plans on scaling its email marketing campaign efforts by 5% year over year to support its increased sales goals.

Its legacy email marketing technology had a deliverability rate of 90%, although this decreased to 88% with larger campaigns.

Deployment characteristics. To achieve its email marketing goals, the composite organization works with a B2B SaaS email partner that uses Mailgun as its transactional message engine. It integrates its CRM with the SaaS provider's send platform to verify emails and link relevant customer data.

Key Assumptions

- **\$500 million annual revenue**
- **100 million outbound emails annually**
- **\$0.20 email eCPM**
- **5% email growth annually**

Analysis Of Benefits

■ Quantified benefit data as applied to the composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Increased incremental revenue from improved email inbox placement	\$108,000	\$264,600	\$369,117	\$741,717	\$594,182
Btr	Reduced cost to send an email	\$8,755	\$9,550	\$10,243	\$28,547	\$23,547
Ctr	Time savings for email deliverability issues	\$2,095	\$3,336	\$5,942	\$11,373	\$9,126
	Total benefits (risk-adjusted)	\$118,850	\$277,486	\$385,301	\$781,637	\$626,855

INCREASED INCREMENTAL REVENUE FROM IMPROVED EMAIL INBOX PLACEMENT

Evidence and data. Interviewees shared many ways that Mailgun improved inbox placement for their organizations' marketing emails.

They either reported measurable impacts to their organization's delivery rate at regular email capacity, or they said it maintained delivery rates while scaling email volumes by orders of magnitude.

The head of fraud prevention at the software company in the real estate industry reported, "Our failed deliverability rate went from 11% to 2% within 60 days."

- The product manager from the financial services company reported that initial campaign sending

improved by multiple percentage points. The same interviewee said their company greatly increased its email volume with Mailgun. They noted, "[With increased volumes], deliverability may have gone up a touch less than 1%."

Interviewees also noted increased unique open rates.

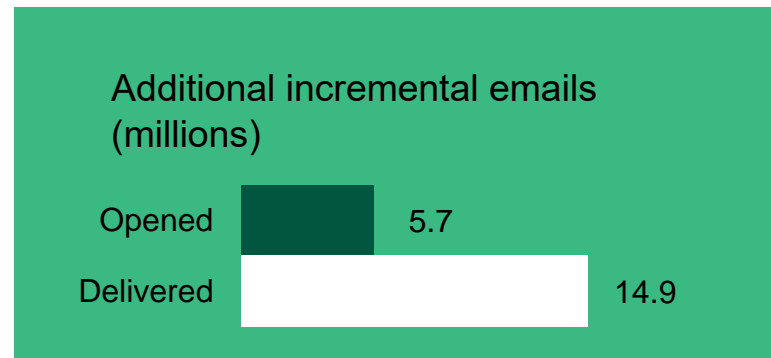
- The head of deliverability from the digital marketing company said, "We saw significant gains in unique open rates for all clients as the result of better inbox placement [and] a relative increase in unique open rate of 15% to 25%."
- The head of deliverability from the customer data platform software company said: "[More than] 85% of the traffic that we sent through Mailgun is marketing traffic. We track engagement and parse that back in our platform, and engagement has gone well."
- The product manager from the financial services company said: "[Mailgun provided] a really good idea of our quality of sending. It's great to be able to see which customers aren't doing as well and handle any problems they might be having, which does ultimately improve the inbox placement for those customers by a couple [percentage points] and helps them show up in inboxes more often."

"A bad email address can very quickly bring a lot of damage. It's like a bad apple in the barrel."

Head of deliverability, digital marketing

Modeling and assumptions. Forrester assumes the following about the composite organization:

- The composite organization increases the incremental revenue from email marketing campaigns delivered with Mailgun by improving the delivery rate and improving the unique open rate.
- Prior to its investment in Mailgun, the composite organization forecasted sending 100 million emails in Year 1. This increases by 5% year over year, with the composite aiming to send 110,250,000 emails by Year 3 to support increased sales targets.
- In its prior email-sending environment, the composite's delivery rate was 90% when sending 100 million emails. With increases in email volume, the incumbent sending infrastructure would experience delivery degradations of 1% per year in the prior environment.
- With Mailgun, the delivery rate when sending 100 million emails increases to 92%. The composite organization does not experience degradations with increases in email volume. Instead, with Mailgun, the delivery rate increases by 1% per year, landing at 95% by the end of Year 3, for a total increase in incremental emails of nearly 15 million.
- Before using Mailgun, the composite organization's unique email open rate was 9%.
- With Mailgun, the unique email open rate increases to 10% in Year 1, 11% in Year 2, and 11.3% in Year 3. This leads to a further increase of 5.6 million incremental emails opened.
- The composite organization's email conversion rate is 3%. Fifty percent of that is attributed to Mailgun.



Risks. The total increase in incremental revenue from improved email inbox placement will vary with:

- The volume of email marketing campaigns.
- The competencies and strategies of the email marketing team.
- Operating margins, click-to-view rates, and conversion rates, which will vary by industry and organization size.
- The organization's marketing approach, which may lead to a wide range of CPM and conversion metrics. Marketers should consider any additional data segmentation and measurement costs.
- Organizations that do not use Mailgun's email verification or send time optimization may have different experiences.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of more than \$594,000.

“Our inbox placement is better than other companies in the space. We went from being abysmal to a 95% inbox placement rate.”

Head of fraud prevention, software, real estate

Increased Incremental Revenue From Improved Email Inbox Placement					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Emails sent per year before Mailgun	Composite	100,000,000	105,000,000	110,250,000
A2	Delivery rate before Mailgun	Composite	90%	89%	88%
A3	Delivery rate with Mailgun	Interviews	92%	94%	95%
A4	Subtotal: Additional incremental emails delivered with Mailgun	$A1 \times (A3 - A2)$	2,000,000	5,250,000	7,717,500
A5	Unique email open rate before Mailgun	Composite	9%	9%	9%
A6	Unique email open rate with Mailgun	Interviews	10.0%	11.0%	11.3%
A7	Subtotal: Additional incremental emails opened with Mailgun	$A1 \times (A6 - A5)$	1,000,000	2,100,000	2,535,750
A8	Email conversion rate	Composite	3%	3%	3%
A9	Average order value	Composite	\$20	\$20	\$20
A10	Operating margin	Composite	15%	15%	15%
A11	Attribution to Mailgun	Assumption	50%	50%	50%
At	Increased incremental revenue from improved email inbox placement	$(A4 + A7) \times A8 \times A9 \times A10 \times A11$	\$135,000	\$330,750	\$461,396
	Risk adjustment	↓20%			
Atr	Increased incremental revenue from improved email inbox placement (risk-adjusted)		\$108,000	\$264,600	\$369,117
Three-year total: \$741,717			Three-year present value: \$594,182		

REDUCED COST TO SEND AN EMAIL

Evidence and data. Interviewees reported multiple ways in which Mailgun helped decrease their organizations' capital and operational expenditures related to sending bulk marketing emails.

- The head of deliverability from the customer data platform software company stated, "Our cost to send email is 50% to 70% less [with] Mailgun than with the majority of our other infrastructure partners."
- The product manager from the financial services company shared that Mailgun helped decrease their organization's operational costs to send an email with its improved sending analytics. They said: "It gives us better decision-making in seeing our email trends. It gives us clear information on where to invest, like with staffing. Knowing when to expect a peak in our email has been great, too."
- The head of deliverability from the digital marketing company also spoke about savings in their organization's email operations, even with significant increases in email volumes. They said, "We really were able to streamline our processes, so we haven't had to expand other than one new person for deliverability for the US."
- The head of fraud prevention from the software company in the real estate industry pointed to efficiencies achieved in Mailgun's cost structure. They said, "I really like the bulk buy for the whole year because our traffic is seasonal."

Modeling and assumptions. Forrester assumes the following about the composite organization:

- In its prior environment, the composite's eCPM was \$0.20.
- With Mailgun as its sending infrastructure, the composite organization reduces its email eCPM by 50%.

"Mailgun at the enterprise level is 10 times more valuable than [at] the self-service level."

Product manager, financial services

Risks. The reduced cost to send an email will vary with:

- The email eCPM for partnered brands sending with a SaaS provider, which will depend on the costs negotiated by the email delivery SaaS and Mailgun.
- The organization's level of marketing intensity across all channels, which will impact the total level of media spend on Mailgun. Organizations should adjust their media spend to reflect that of similar organizations.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$24,000.

"Mailgun had competitive costs, which was obviously important at the stage of hypergrowth that we were in."

Head of deliverability, customer data platform

Reduced Cost To Send An Email					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Email eCPM in the prior environment	Composite	\$0.20	\$0.20	\$0.20
B2	Reduction in eCPM with Mailgun	Interviews	50%	50%	50%
B3	Emails sent annually with Mailgun	A1+A4+A7	103,000,000	112,350,000	120,503,250
Bt	Reduced cost to send an email	$((B1*B2)*B3)/1,000$	\$10,300	\$11,235	\$12,050
	Risk adjustment	↓ 15%			
Btr	Reduced cost to send an email (risk-adjusted)		\$8,755	\$9,550	\$10,243
Three-year total: \$28,547			Three-year present value: \$23,547		

TIME SAVINGS FOR EMAIL DELIVERABILITY ISSUES

Evidence and data. Interviewees described how Mailgun reduced the frequency of their email deliverability problems and time to remediate them.

- The head of deliverability from the customer data platform software company shared how Mailgun offered efficiencies in mitigating postmaster issues: “I’ve got 10 people on my team, and on average, they probably each have to reach out to a postmaster team one to two times a week. They need the ability to quickly verify if there’s a problem, diagnose where that issue is, find evidence of current impact, and then build a support case around getting that mitigated. With Mailgun, we could probably do that within 30 minutes to an hour instead of an hour to two in the prior environment.”
- The head of deliverability from the digital marketing company said that Mailgun exceeded expectations: “[Mailgun’s] speed of implementation and response is way ahead of anybody else. With other email vendors, I have to speak to a customer success manager who raises a ticket with their deliverability team, and already 48 hours [may] have gone by before maybe I get what I want. Whereas I have a direct Slack channel with a team that’s based across Europe and North America at Mailgun. We see a response within the business day. If anything is urgent, we’ll get an immediate response.”
- The product manager from the financial services company said: “[It was] easier to deal with problems [with Mailgun]. They are raised more quickly than in our prior environment and [are] often fixed by Mailgun.” They said with the speed of support and attention from Mailgun, the organization cut down on downtime overall and the number of people involved in remediation, which amounted to “saving 10 man-hours every six months or so.”

“Mailgun is very agile compared to any other email platform that I’ve worked with. They are exceptional in the marketplace.”

Head of deliverability, digital marketing

Modeling and assumptions. Forrester assumes the following about the composite organization:

- The composite organization achieves efficiencies in remediating both major email delivery disruptions and minor deliverability incidents.
- In its prior environment, the composite organization experienced two major email delivery disruptions each year. Without addressing deliverability degradations expected with higher volumes in the previous email environment, this would have increased 15% each year that the issues were not resolved. This would result in three major email delivery disruptions each year by Year 2 and five by the end of Year 3.
- In its prior environment, the composite organization experienced 40 hours of incident response per major degradation. As volumes increased in the previous environment, this scaled the impact of incidents to the composite organization, which would require 46 hours of significant email disruption remediation in Year 2, increasing to 53 hours by the end of Year 3.
- With Mailgun, the composite organization reduces the number of hours of email incident response per major incident by 50%.
- The fully burdened hourly rate of an incident response resource is \$77.

- The composite also experienced an increasing number of minor deliverability problems in its prior environment as follows:
 - At 100 million outbound emails, the organization could expect 18 minor email deliverability incidents per year. Again, failure to remedy the deliverability issues anticipated with higher volumes in the prior email environment would have caused a 15% increase in degradation for each year that issues were not resolved.
 - This would increase the number of minor email deliverability incidents to 21 in Year 2 and 24 by the end of Year 3.
 - In its prior environment, the organization saw 3.5 hours of incident response per minor email deliverability incident. Without Mailgun, this further increases to 4 hours in Year 2 and 5 hours by the end of Year 3.
- With Mailgun, the composite organization reduces the total hours of remediation per minor deliverability incident by 50%.
- The fully burdened hourly rate of an email resource is \$50.
- Forrester applied a 50% productivity recapture to time savings for email deliverability issues, indicating that resources repurpose 50% of the time saved to value-add activities.

Risks. Time savings for email deliverability issues will vary depending on the following factors:

- The number and complexity of email deliverability issues the organization experiences.
- The skill level of the team and complexity of the incident response team.
- Salary levels, depending on the organization's size, industry, and geographical location.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of more than \$9,000.

Time Savings For Email Deliverability Issues					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Annual major email delivery disruptions in prior environment	Composite	2	3	5
C2	Hours of incident response per major degradation in prior environment	Composite	40	46	53
C3	Reduction in hours of email incident response per major degradation in prior environment	Interviews	50%	50%	50%
C4	Average fully burdened hourly rate of incident response resources	TEI standard	\$77	\$77	\$77
C5	Subtotal: Time savings on major email deliverability incidents	$C1 \times C2 \times C3 \times C4$	\$3,080	\$5,313	\$10,203
C6	Number of minor email deliverability incidents in prior email environment	Composite	18	21	24
C7	Hours of remediation per minor deliverability incident	Composite	3.5	4.0	5.0
C8	Reduction in hours of remediation per minor deliverability incident	Interviews	50%	50%	50%
C9	Fully burdened hourly rate of email resources	TEI standard	\$50	\$50	\$50
C10	Subtotal: Time savings on minor email deliverability incident	$C6 \times C7 \times C8 \times C9$	\$1,575	\$2,100	\$3,000
C11	Productivity recapture rate	Assumption	50%	50%	50%
Ct	Time savings for email deliverability issues	$(C5 + C10) \times C11$	\$2,328	\$3,707	\$6,602
	Risk adjustment	↓10%			
Ctr	Time savings for email deliverability issues (risk-adjusted)		\$2,095	\$3,336	\$5,942
Three-year total: \$11,373			Three-year present value: \$9,126		

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that were not quantified for this study:

- **Brand resilience.** Interviewees said Mailgun helped their organizations strengthen their brand promises by reducing their spam hit rates and improving sender reputations.
 - The head of fraud prevention from the software company in the real estate industry described how Mailgun helped decrease their organization's spam trap network hits by up to 15%: "Our Mailgun technical account manager (TAM) helped us get access to and understand spam trap feedback. We've experienced a dramatic improvement and seen our reputation rise at various mailbox service providers."
 - The product manager from the financial services company said, "Being an email sender, you want to make sure you have a good reputation, which can be at odds with campaign marketers' goals."
- **Shortened mean time to delivery.** One interviewee said that Mailgun decreased their organization's mean time to delivery by 78%.

"Mailgun's reputation management support led to a broad shift upmarket in our domain reputation."

Head of fraud prevention, software, real estate

UNQUANTIFIED BENEFITS FOR B2B ORGANIZATIONS

Interviewees mentioned the following additional benefits that B2B organizations experienced but were not quantified for this study:

For the B2B organizations included in this study, Mailgun played a central role in their ability to provide better email-sending services for their clients.

- **Support for larger email volumes.** As B2C brands ramped up digital customer engagement, the B2B providers interviewed also needed to scale to meet the enhanced need.
 - The head of deliverability from the customer data platform software company said Mailgun helped them improve their position as a SaaS vendor: "We've brought on more customers and scaled proportionally with them."
 - The product manager from the financial services company reported that their organization ramped from 300,000 messages a day, up to half a million outbound emails daily. They noted, "There's a large volume, but it's pretty high-quality traffic."
- **Customer satisfaction.** B2B interviewees shared several ways in which Mailgun helped improved customer satisfaction.
- The head of fraud prevention from the software company in the real estate industry shared: "Customer satisfaction and customer perception improved dramatically as our delivery and inbox placement improved. It has improved our relationship with our customers and facilitated renewals."
- **Expanded service offerings.** Mailgun helped interviewees enhance the suite of products and services they could offer their clients.

- The product manager from the financial services company discussed using email verifications for a cleaner, more efficient mailing list. They shared: “Mailgun’s email verification tool is a big part of what we offer clients. If you verify a list and you don’t change your sign-up processes, within three months those bad emails are going to start creeping in again. About 50% of our customers are verifying email addresses with Mailgun as they come in.”
- **Faster time to value.** Interviewees shared that Mailgun delivered value faster than the incumbent or competing email-sending solutions. The head of deliverability from the customer data platform software company said it took two to three months to see parity with Mailgun’s performance of higher email volumes compared with legacy performance metrics.
- The head of fraud prevention from the software company in the high-turnover real estate industry pointed out that with Mailgun, their organization’s main users have “the ability to ramp up more quickly and engage in a high-quality way.” Furthermore, they shared that their organization vastly improved its reputation score within 90 days. They noted: “If you’re experiencing trouble with email delivery or placement, being an enterprise customer with Mailgun will get you to a material improvement within 60 or 90 days and help you start a virtuous cycle of reputation improvement.”
- The head of deliverability from the digital marketing company said: “We can turn things around very fast with Mailgun. On implementation of the domain and IP setup, we’ve saved about 30% in time compared to [with] other vendors.”
- The product manager from the financial services company shared that their organization migrated traffic from disparate domains onto one, noting that Mailgun is unique in its ability to successfully throttle IP addresses.

FLEXIBILITY

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

- **Further scaling email volumes.** The head of deliverability from the digital marketing company said, “Longer-term strategy is based on your volume, so we have significant targets to reach.”
- **Growing with Mailgun’s product roadmap.** The head of deliverability from the customer data platform software company said that their organization would continue to grow the services it offers to its B2C clients in keeping with Mailgun’s offerings. They shared: “It’s likely to evolve over time naturally. I predict that our use of Mailgun will continue to scale and evolve in a positive way. [Mailgun is a] good partner on a number of different fronts.”
- The product manager from the financial services company shared: “Mailgun is a really good partner for us. We are excited to see the out-of-the-box features they build so we can add that to our platform and bring more good innovation to our customers.”

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

“With Mailgun, we can scale more, we can support larger customers, and we can send more email faster.”

Product manager, financial services

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	Mailgun fees	\$0	\$57,750	\$60,638	\$63,669	\$182,057	\$150,449
Etr	CRM integration setup and maintenance	\$5,082	\$6,776	\$6,776	\$6,776	\$25,410	\$21,933
	Total costs (risk-adjusted)	\$5,082	\$64,526	\$67,414	\$70,445	\$207,467	\$172,382

MAILGUN FEES

Evidence and data. Interviewees' organizations paid for Mailgun on behalf of their client brands. A portion of the fees were passed directly to the brands.

Modeling and assumptions. Forrester assumes the following about the composite organization:

- Total fees are a function of email volumes sent with the SaaS provider using Mailgun as its sending infrastructure.
- The composite organization sends 100 million emails in Year 1, which increases in volume by 5% year over year. Functionalities included in its use of Mailgun include batch sending, STO, reputation management, and email verification.
- Pricing may vary. Contact Mailgun for details.

Risks. Forrester recognizes that these results may not be representative of all experiences. The cost will vary depending on several factors, including the email eCPM for partnered brands sending with a SaaS provider. This will depend on the costs negotiated by the SaaS provider and Mailgun.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of less than \$151,000.

Mailgun Fees						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
D1	Percentage of Mailgun fees passed through to the brand	Composite	\$0	5.5%	5.5%	5.5%
D2	Total Mailgun fees passed through to the brand	Composite	\$0	\$55,000	\$57,750	\$60,638
Dt	Mailgun fees	D2	\$0	\$55,000	\$57,750	\$60,638
	Risk adjustment	↑5%				
Dtr	Mailgun fees (risk-adjusted)		\$0	\$57,750	\$60,638	\$63,669
Three-year total: \$182,057			Three-year present value: \$150,449			

CRM INTEGRATION SETUP AND MAINTENANCE

Evidence and data. In many cases, brands are responsible for creating and maintaining integration of their CRMs with their email service providers. This integration allows organizations to use customer data in their email campaigns on Mailgun.

The head of deliverability from the digital marketing company described how Mailgun confers their organization with quick onboarding for new clients: “We can set up the domain within a matter of minutes, then request the IP requirement for that domain, and Mailgun will have that done within a working day. And if the client manages to add the domain records on their side, we go from no domain to being able to do test sends within a matter of 24 to 48 hours.”

Modeling and assumptions. Forrester assumes the following for the composite organization:

- The composite organization devotes 60 hours of integration and maintenance efforts to connect brand CRM through its email partners into Mailgun during the initial period of one month.
- It further dedicates 80 hours of ongoing CRM integration and email-sending administration.
- The fully burdened hourly cost of an IT resource managing the effort is \$77.

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

- The organization’s email marketing approach in the intensity of investment in third-party integrations, which may lead brands to experience varied levels of internal costs related to onboarding and setting up Mailgun.
- The fully burdened rate of the employees who engage with Mailgun, which will directly impact total internal costs.
- For SaaS providers offering Mailgun as its email-sending infrastructure, potential additional internal costs depend on the number of clients and domains onboarded.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of less than \$22,000.

“When we set up Mailgun, we had to do some development work so that our platform and Mailgun integrated together, and [now] we have to maintain that integration a little bit.”

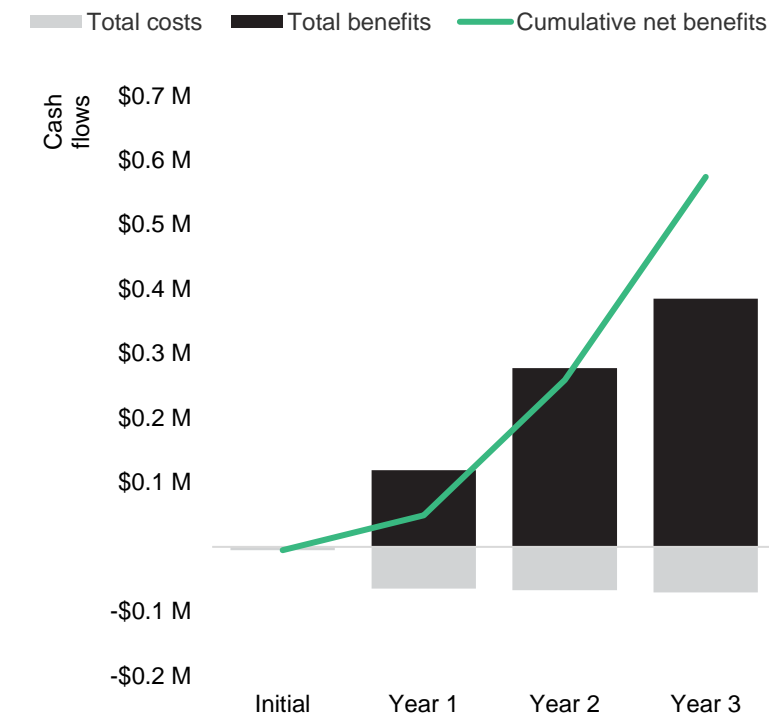
Product manager, financial services

CRM Integration Setup And Maintenance						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Hours of integration and maintenance efforts to connect brand CRM through email partner into Mailgun	Composite	60	80	80	80
E2	Burdened hourly cost of IT resource	C4	\$77	\$77	\$77	\$77
Et	CRM integration setup and maintenance	E1*E2	\$4,620	\$6,160	\$6,160	\$6,160
	Risk adjustment	↑10%				
Etr	CRM integration setup and maintenance (risk-adjusted)		\$5,082	\$6,776	\$6,776	\$6,776
Three-year total: \$25,410			Three-year present value: \$21,933			

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	(\$5,082)	(\$64,526)	(\$67,414)	(\$70,445)	(\$207,467)	(\$172,382)
Total benefits	\$0	\$118,850	\$277,486	\$385,301	\$781,637	\$626,855
Net benefits	(\$5,082)	\$54,324	\$210,073	\$314,856	\$574,170	\$454,473
ROI						264%
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 break-even 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 Source: “Predictions 2021: B2C Marketing,” Forrester Research, Inc., October 23, 2020.

² Source: “Play The Long Game With Email Marketing This Holiday Season,” Forrester Research, Inc., October 14, 2021.

³ Source: “High Stakes Email Deliverability,” Forrester Research, Inc., January 27, 2022.

⁴ 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.

⁵ Source: “2022 Marketing Investment Forecast, Global,” Forrester Research, Inc., March 30, 2022.

⁶ Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

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