The Total Economic Impact™ Of Office 365 Enterprise E5 Solutions

Cost Savings And Business Benefits
Enabled By Office 365

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ABOUT FORRESTER CONSULTING

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Executive Summary

Microsoft provides a wide range of cloud-based solutions to support the modern workplace. Microsoft's Office 365 Enterprise E5 (Office 365) solutions support several key needs for enterprises: 1) connection and collaboration across teams and geographies, 2) key analytics and insights to support business decisions, and 3) the security features required by today's enterprises.

Office 365 includes a variety of well-known business products, including Office 365 ProPlus, Outlook, SharePoint, Skype for Business (including audio conferencing, calling plan, and meeting broadcast), Teams, Yammer, IM, and OneDrive. It also includes analytic tools like Power BI Pro and MyAnalytics, as well as key security and compliance features such as Advanced Threat Protection, Customer Lockbox, and Predictive eDiscovery. Office 365 also includes key solutions like PowerApps and Flow to help organizations automate everyday activities and workflows and purpose-built experiences to empower firstline workers including schedule and task management. Usage of these solutions can help organizations improve business outcomes, such as faster time-to-market, reduced operating costs, and increased revenues.

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Office 365 solutions. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of the Office 365 solutions on their organizations. To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed 34 customers and surveyed 101 additional customers with experience using Office 365 solutions.

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the organizations interviewed and surveyed. Forrester has applied those benefits to a composite organization with 5,000 Microsoft Office 365 users, discussed in greater detail later in the study:

› **Information workers save 100 minutes per week due to improved collaboration and information sharing, specifically around co-authoring and reviewing documents.** The tightly integrated Office 365 solutions enable these information workers to effectively and efficiently collaborate in real time, saving more than $6.30 million over the three years analyzed.

› **Information workers save 104 minutes each week with improved online meetings**. With intuitive solutions like Skype for Business and Teams, meetings are easier to start on time, and the meetings themselves are more effective with the ability to easily share documents and screens and to see each other "face-to-face." Respondents report that, with Office 365, they are better able to achieve the desired outcomes of their meetings, resulting in a total savings of $6.56 million over the three years analyzed.

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ROI
112%

Benefits PV
$27 million

NPV
$14.3 million

Payback
10 months
after "go-live"

› **Office 365 reduces downtime by 15.75 hours annually for each user.** With secure access to information, systems, and people from any device, whenever and wherever it is needed, each of the 5,000 Microsoft Office 365 users, across both information workers and firstline workers, can reduce the impact of downtime due to a crashed device. Over three years, the time savings are worth $1.86 million.

› **Decision makers can improve their time-to-decision by 15.6%.** Office 365 solutions like Power BI Pro enable executives and key decision makers to quickly discover important trends and valuable insights that directly impact the decisions they make. Office 365 creates better access and visibility into data and helps decision makers collaborate with stakeholders more easily. With Office 365, users can find what they need more easily, collaborate with their peers more efficiently, and make more informed decisions faster than before, resulting in a total savings of $581,806 over the three years analyzed.

› **With Office 365 solutions, the organization reduces the time it takes to develop a new product by 14.18 days**. Office 365 enables organizations to streamline and transform business processes, leading to an overall improvement in business outcomes. SharePoint, Teams, Skype for Business, Yammer, and Power BI Pro improve efforts via better collaboration, decreased time spent on key tasks, improved effectiveness, and improved efficiency. Specifically, Forrester studied the reduction in product development cost and time, which yields a savings of $1.6 million over the three years analyzed.

› **By Year 3, online meetings replace 350 overnight trips.** Before their investments in Office 365, companies spent a large amount of their budget on travel for face-to-face meetings that they felt would not be effective otherwise. However, with the use of Office 365's collaboration solutions, respondents can use Skype for Business and Teams for meetings across geographies, ranging from small to large groups, with no travel involved. Over three years, the total savings are worth $524,887.

› **The number and severity of end user security events are greatly reduced**. The use of the security features included in Office 365 reduces the number of successful phishing and malware attacks. This results in a reduction of 432 events each year. In addition, the IT effort required to remediate any remaining attacks decreases significantly, resulting in a three-year savings of $2.88 million.

› **Compliance is more effective and efficient with Office 365.** Meeting regulations such as GDPR and HIPPA is improved and made easier with the compliance solutions included in Office 365. Organizations see cost savings from a reduction in costs around compliance, resulting in a three-year savings of $220,170.

› **With Office 365 solutions, organizations can reduce costs associated with other collaboration software and hardware solutions.** Interviewed and surveyed companies reduced a combination of webconferencing, long-distance, mobile phone, and on-premises technology and support costs by switching to Microsoft Office 365; additionally, with the use of Microsoft's FastTrack services, the time and cost of migration is also reduced. Over three years, the total cost reduction is $6.5 million.

Costs. The organizations experienced the following risk-adjusted PV costs:

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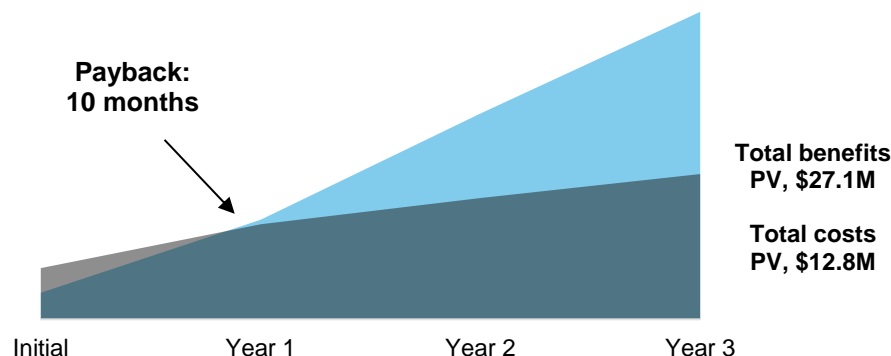
› **Internal planning, implementation, and ongoing support costs total $2.65 million.** For the composite organization, the initial planning and deployment takes nine months and includes 10 full-time equivalents (FTE) resources to support the project. In the following year, four FTEs continue deployment efforts on SharePoint migrations. Ongoing support requires three FTEs for each of the following years.

› **Deployment and managed services total more than $4 million over the three years analyzed.** Professional services help stand up and configure the solutions and then integrate them with other systems. There are also ongoing deployment services to migrate SharePoint sites. Additionally, a managed services contract manages existing SharePoint sites from the partner's offshore support center.

› **IT and end user training costs an additional $647,670.** An outside professional services organization and users attending Microsoft conferences provide IT training, at an average cost of $300 per day of training. Two internal FTEs create end user training; They are responsible for creating company-specific training content, setting up a learning portal in SharePoint, and providing "training the trainer" training to local champions.

› **Licenses are allocated to a total of 5,000 information workers and firstline workers, totaling $4.90 million over three years.** These represent costs paid to Microsoft for the use of the Office 365 solutions. The 3,500 information workers receive Office 365 E5 licenses, at a rate of $35/month per user. The 1,500 firstline workers receive Office 365 F1 licenses, at a cost of $4/month per user.

› **Incremental bandwidth to handle increased traffic and Active Directory Federation Services (ADFS) servers requires $216,805 in additional IT spend.** Interviewees and survey respondents needed incremental bandwidth for the increased video and voice traffic, as well as for the upload and retrieval of documents in the cloud. In addition, many organizations added ADFS servers to streamline authentication and single sign-on.

Forrester's survey of 101 customers using Office 365, combined with 34 customer interviews from other Forrester studies using Office 365 solutions, and subsequent financial analysis, found that an organization based on these customers experiences benefits of $27M over three years versus costs of $12.8M, adding up to a net present value (NPV) of $14.3M, an ROI of 112%, and an IRR of 205%.

Financial Summary

Payback: 10 months

Total benefits PV, $27.1M

Total costs PV, $12.8M

Initial Year 1 Year 2 Year 3

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TEI Framework And Methodology

From the information provided in the interviews and survey, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Microsoft Office 365 E5 solutions.

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 Microsoft Office 365 Enterprise E5 solutions can have on an organization:

DUE DILIGENCE
Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Office 365 Enterprise E5 solutions.

CUSTOMER INTERVIEWS AND SURVEY
Interviewed 34 organizations and surveyed 101 organizations using Office 365 Enterprise E5 solutions to obtain data with respect to costs, benefits, and risks.

COMPOSITE ORGANIZATION
Designed a composite organization based on characteristics of the interviewed and surveyed organizations.

FINANCIAL MODEL FRAMEWORK
Constructed a financial model representative of the interviews and survey using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organizations.

CASE STUDY
Employed four fundamental elements of TEI in modeling Microsoft Office 365 Enterprise E5's impact: 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.

> 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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The Office 365 E5 Solutions Customer Journey

BEFORE AND AFTER THE OFFICE 365 E5 SOLUTIONS INVESTMENT

Interviewed Organizations

For this study, Forrester surveyed 101 Microsoft Office 365 solutions customers. In addition, Forrester also used information from 34 customer interviews conducted across related Office 365 studies to better understand the challenges, results, and key benefits and costs associated with their Office 365 E5 investments.

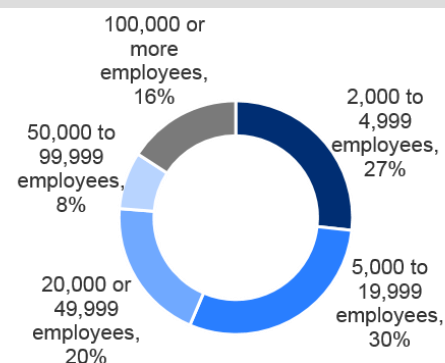All respondents met the following selection criteria:

› All surveyed organizations used Office 365 E5 solutions.

› They were headquartered in North America or the UK.

› They had 2,000 or more employees.

› They represent a wide variety of industries, including professional services, business services, banking and capital markets, and manufacturing.

› Respondents were either business or IT decision makers who were directly involved with or support technology decisions within their organizations.

"Using your best estimate, how many employees work for your firm/organization worldwide?"

100,000 or more employees, 16%

2,000 to 4,999 employees, 27%

50,000 to 99,999 employees, 8%

5,000 to 19,999 employees, 30%

20,000 or 49,999 employees, 20%

Base: 101 US and UK Microsoft Office 365 users

Note: Percentages do not total 100 because of rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2018

Key Challenges

The interviewed and surveyed organizations shared several challenges they faced with their previous on-premises solutions that drove them to investigate Microsoft Office 365 solutions.

› **Organizations wanted to provide users with improved real-time access to their work.** Interviewed and surveyed organizations shared that they struggled to meet their employees' expectations of anytime, anywhere access to data. This greatly impacted their information and firstline workers' productivity, creating unnecessary downtime and negatively impacting employees' morale. The organizations sought a solution to provide their employees with the collaboration tools they required to make them more efficient in their day-to-day tasks.

› **Global growth created a complex IT environment.** As these organizations grew, collaborated with remote locations, and entered new global markets, they faced an influx of different software solutions and IT infrastructure that was time-consuming and costly to support. These complex IT environments prevented employees across locations from easily collaborating with one another. The organizations required a solution that provided a homogeneous IT landscape that both supported the line of business' needs while creating an easy-to-support environment for IT.

"What we have won from this migration was being able to support growth without jeopardizing infrastructure because Microsoft takes care of it."

CIO, construction

"Office 365 helps us ensure that we achieve success as an organization across multiple divisions and office locations."

CIO, professional services

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› **The companies wanted to enable and foster innovation.** Many of the interviewed and surveyed organizations needed to drive innovation to improve the bottom line. Yet existing IT infrastructure hampered these organizations. Information workers wanted to make better, faster decisions and drive improvements and innovation in product development, while firstline workers can provide innovative ideas based on customer interaction and feedback. However, they struggled to meet these objectives in their existing infrastructure. These organizations understood that, to support business improvements, they needed to invest in technology to support an improved collaborative environment.

› **Organizations struggled to reduce costs associated with technology, security, and support.** The interviewed and surveyed organizations found that their heterogeneous IT environments were expensive to upgrade, costly to support, and difficult to secure. Organizations looked to consolidate, as much as possible, onto one platform to eliminate technology and collaboration costs. They also looked for a solution that would improve security across their environments to better protect their end users from damaging, expensive attacks, and their firstline workers who handle sensitive customer information.

Key Results

The interviews and survey data revealed several key results from the Office 365 solutions investment:

› **Increased collaboration and improved employee productivity.** The investment in Office 365 solutions helped the organizations to improve their collaboration by connecting all workers from the C-suite to the firstline workers. Organizations saw a corresponding improvement in productivity and time savings across users. They achieved this through 1) real-time communication tools such as Skype for Business, Teams, Yammer, and IM; 2) the ability to see when colleagues are available in real time with Presence tied to Skype for Business, Teams, and Office Suite; 3) better content sharing with SharePoint + OneDrive, and 4) real-time coauthoring through Office 365 ProPlus also played a large role in how individuals worked better together.

› **Fostered a collaborative culture among globally dispersed workforce.** With employees dispersed across many different international offices, organizations found that using Microsoft 365 created a cohesive culture, where, regardless of location, employees felt empowered and included in business decisions. Organizations understood that, to succeed, each employee needed to buy into the company goals. A major way Office 365 creates a collaborative culture is by giving leaders better tools to inform and empower all employees regardless of role or location. Organizations also understood that providing their employees with real-time communication abilities created a "singular" organization, regardless of employee location. One respondent noted that "being able to speak to a colleague in another region with a click of a button" greatly benefited the organization. As companies grew, brought on new employees, or involved more teams across geographical boundaries, Microsoft Office 365 played a key role in building team morale and a sense of purpose between firstline workers and headquarters.

"Office 365 allowed us to allocate staff more intelligently due to having a better idea of project requirements."

IT manager, professional services

"Do you anticipate that the benefits created by your investment in Microsoft Office 365 will be greater than the costs (i.e., a positive ROI)?"

Yes, 80%

Don't know, 10%

No, 10%
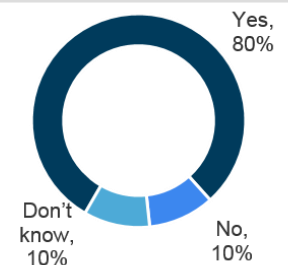
Base: 101 US and UK Microsoft Office 365 users
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2018

"With Office 365, information flow has improved with more quality time per interaction, producing quicker turn around."

CIO, retail

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> **Improved business outcomes.** With the Office 365 solutions, decision makers could quickly analyze data, track important insights across a variety of systems, and make better decisions. This impacted key business outcomes, like improvements in product development. One respondent pointed out that Office 365 provided her team with better reporting and analytics for management, allowing the company to improve its decision-making process. This was reflected in various ways across different organizations. For example, within healthcare, organizations were able to improve the responsiveness and quality of patient care. Within manufacturing, organizations used improved collaboration to drive better innovation throughout the supply chain management process. Within the financial services sector, organizations were able to improve customer retention rate by creating a more agile environment to react to changing customer requirements.

> **Cost reductions.** By consolidating on one platform, organizations greatly reduced costs by retiring or reducing the licenses required for other third-party solutions, such as those associated with other communication tools. In addition, the organizations saved on costs when they no longer needed to support on-premises hardware. Finally, with the improved security features included in the Office 365 solutions, organizations saw a decrease in the costs associated with end user security incidents, both by decreasing the number of events and reducing the time required to remediate the issue.

Composite Organization

Based on the interviews and survey, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the companies that Forrester interviewed and the 101 organizations that Forrester surveyed, and it is used to present the aggregate financial analysis in the next section. The composite organization that Forrester synthesized from the customer data has the following characteristics:

Description of composite. The composite organization is a global organization with most of its operations in North America and Europe and some offices in Asia Pacific and South America. The organization has 7,000 employees, 5,000 of whom use Office 365 solutions. These include 3,500 information workers and 1,500 firstline workers. The remaining 2,000 employees do not require access to Office 365.

Deployment characteristics. The organization rolls out solutions to the 5,000 users in phases. Phase one of the deployment focuses on Office 365 ProPlus, Exchange Online, Skype for Business (which includes Skype Meeting Broadcast, Audio Conferencing, and Calling Plan), OneDrive, Yammer, Presence, Advanced Threat Protection, Customer Lockbox, and Predictive eDiscovery. For the subset of users who need them, Microsoft Teams, scheduling and task managements, PowerApps and Flow, Power BI Pro, and MyAnalytics are rolled out as well. In addition, the organization deploys SharePoint and begins the migration of data and workflows.

Phase two of deployment consisted primarily of expanding SharePoint and integrating Power BI Pro with back-end systems.

"Office 365 has led us to reexamine all our business practices, to see where we can gain greater efficiencies."

Corporate VP, IT, Financial Services

"With Office 365, our security and compliance teams have reported less security breaches each year."

CTO, global IT & digital, business services

Key assumptions
- 3,500 information workers
- 1,500 firstline workers
- Global offices, a majority of which are in North America and Europe

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Analysis Of Benefits

QUANTIFIED BENEFIT DATA AS APPLIED TO THE COMPOSITE

Total Benefits

Ref.	Benefit	Initial	Year 1	Year 2	Year 3	Total	Present Value
Atr	Improved collaboration and information sharing across information workers	$0	$1,550,895	$3,101,791	$3,101,791	$7,754,476	$6,303,789
Btr	Efficient and effective online meetings	$0	$1,606,952	$3,232,589	$3,232,589	$8,072,130	$6,561,118
Ctr	Reduced user downtime	$0	$748,125	$748,125	$748,125	$2,244,375	$1,860,476
Dtr	Faster time-to-decision	$0	$76,922	$219,777	$439,554	$736,253	$581,806
Etr	Reduction in product development cost and time	$0	$134,710	$808,260	$1,077,680	$2,020,650	$1,600,124
Ftr	Reduction in overnight trips	$0	$112,500	$225,000	$315,000	$652,500	$524,887
Gtr	Reduced end user security incidents	$0	$955,463	$1,273,950	$1,273,950	$3,503,363	$2,878,591
Htr	Reduced compliance costs	$0	$130,071	$64,600	$64,600	$259,271	$220,170
Itr	Eliminated collaboration solution costs	$0	$323,000	$213,750	$237,500	$774,250	$648,727
Jtr	Technology cost reductions	$2,342,586	$1,423,575	$1,423,575	$1,423,575	$6,427,610	$5,882,806
	Total benefits (risk-adjusted)	$2,342,586	$7,062,212	$11,311,416	$11,914,363	$32,630,578	$27,062,494

Improved Collaboration And Information Sharing Across Information Workers

Companies reported significant time savings in collaboration activities through better interactions using Skype for Business, Teams, and Yammer. In addition, SharePoint helps respondents quickly access documents without disturbing other individuals. With Office 365 ProPlus, interviewed users can eliminate version control issues and coauthor documents. Users also noted that these solutions and SharePoint help them avoid rework concerns from accessing older versions of a document. Users can also utilize Teams, Outlook, and Yammer to easily create Groups (as opposed to relying on IT to provide this access), enabling faster access to key collaboration and information sharing features. Respondents noted that anytime, anywhere access across any device, whether a mobile device, desktop, laptop, etc., increased user efficiency and improves user satisfaction from the executive team members through firstline workers.

From the survey, Forrester learned that:

› Real-time collaboration on document development and review impacted the efficiency and productivity of 80% of respondents.

> The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of more than $27.0 million.

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- Seventy-eight percent of respondents found mobile connection to any email account impactful.

- The consistent look and feel across devices impacted productivity for 73% of respondents.

- Sixty-nine percent found launching Skype/Teams directly from their calendar impacted their productivity.

From our interviews and surveys, Forrester heard the following:

- "These solutions encourage people to communicate more. People were hesitant to collaborate before because it was difficult. Skype becomes a system of engagement in which people are willing and want to use the tools to work better together.

- "Employees are able to collaborate much easier from any location."

- "The Microsoft Teams platform with messaging can keep a thread going. Persistent chat is so much better than email threads. It means I can find required information without disturbing them with a phone call or email."

- "We integrated SharePoint with Yammer, and most of our savings come from those tools."

- "Office 365 has helped speed up collaboration immensely by giving people the ability to share ongoing works instantly with each other."

- "Streamlining the document review process has greatly improved our purchase ordering process."

- "It is much easier to find information when it is in the collaboration platform. Each person on my team saves 2 to 3 hours per week. I can also see what other people are working on, which is very useful."

From the survey, Forrester found that respondents previously spent 13.3 hours on real-time coauthoring, development, and review of documents; Office 365 reduced this by 12.5%. For the composite organization, Forrester assumes that:

- Improved collaboration and information sharing, specifically around coauthoring and reviewing documents, impacts 3,500 information workers.

- Half of this benefit is realized in Year 1 as workers get used to distributed real-time co-authoring.

- The average information worker fully burdened cost (including all benefits and taxes) is $45.63 per hour, or $94,940 annually.

- As not all time saved translates into additional, value-add work, only 25% of this benefit is realized.

The time savings associated with collaboration and information sharing may vary with:

- The number of employees involved.

- The length of time spent previously.

- The hourly salary of employees involved.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of over $6.3 million.
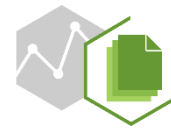
Weekly time savings due to improved collaboration and information sharing: **100 minutes per user**

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

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Improved Collaboration And Information Sharing Across Information Workers: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Number of information workers affected		3,500	3,500	3,500
A2	Weekly time savings (hours)	13.3 hours previously* 12.5% improvement (rounded) [50% in Year 1]	0.83	1.66	1.66
A3	Savings from total reduced time	A1*A2*52 weeks*$45.63 [knowledge worker hourly salary]	$6,892,868	$13,785,736	$13,785,736
A4	Productivity capture		25%	25%	25%
At	Improved collaboration and information sharing across information workers	A3*A4	$1,723,216.95	$3,446,433.90	$3,446,433.90
	Risk adjustment	↓10%			
Atr	Improved collaboration and information sharing across information workers (risk-adjusted)		$1,550,895	$3,101,791	$3,101,791

Efficient And Effective Online Meetings

Information workers, including the executive team, and firstline workers make heavy, daily use of the online meeting tools within Office 365. Prior to meetings, employees at surveyed organizations can check peers' availability and easily schedule meetings using Outlook and Teams. Respondents even reduce time spent walking to meeting rooms, decreasing the likelihood that a meeting starts late. With the intuitive nature and integration of Skype for Business and Teams, meetings are easier to start on time, as opposed to struggling with other technology. Employees, from the highest levels of the organization on down, also find that the meetings themselves are more effective, with the ability to easily share documents and screens and see each other "face-to-face." With Office 365, respondents can better achieve the desired outcomes of their meetings.

From the survey, Forrester learned that:

› Eighty-three percent of respondents experience improved effectiveness and efficiency from easier-to-manage document revisions.

› Seventy-eight percent have more secure communication with Office 365.

› Seventy-seven percent find it easier to text, meet, and call across devices.

› Seventy-five percent of respondents see improved efficiency from improved calendaring.

From our interviews and surveys, Forrester heard the following:

› "Skype saves me at least 20% of my day. Across the organization, I would say the average is 10%. For every 10 people, it's like getting an extra person."

› "Office 365 provides us with improved online meetings and makes it easier to share documents in real time during those meetings."

$6.6 million

three-year benefit PV

25%
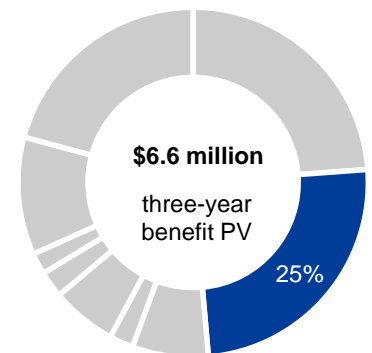
Efficient and effective online meetings: **25%** of total benefits

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> › "Our meetings are much faster. We no longer are waiting around for 5 minutes at the start of every meeting. We typically have 20 people in our meetings, so it really adds up."

> › "We have improved how we conduct our meetings, and this has improved our production rate, which has improved our motivation and overall morale."

From the survey, Forrester found that respondents previously spent 11.5 hours per week in in-person meetings and that Office 365 reduced this by 15%. For the composite organization, Forrester assumes that:

› All 3,500 information workers regularly participate in meetings and realize efficiencies from improved online meetings.

› Half of this benefit is realized in Year 1 as users become used to working with online meetings and bring it more into their day-to-day activities.

› The same fully burdened cost of $45.63 per hour is used.

› Again, as not all time saved translates into additional, value-add work, only 25% of this benefit is realized.

The time savings due to online meetings will vary with:

› The number of in-person meetings being replaced with online meetings.

› Average salary.

› The number of employees involved.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of $6.56 million.

Weekly time savings due to efficient and effective online meetings:
104 minutes per user

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
Efficient And Effective Online Meetings: Calculation Table					
B1	Number of information workers affected		3,500	3,500	3,500
B2	Weekly time savings (hours)	11.5 hours previously*15% (rounded) [50% in Year 1]	0.86	1.73	1.73
B3	Savings from total reduced time	B1*B2*52 weeks*$45.63	$7,142,008	$14,367,062	$14,367,062
B4	Productivity capture		25%	25%	25%
Bt	Efficient and effective online meetings	B3*B4	$1,785,501.90	$3,591,765.45	$3,591,765.45
	Risk adjustment	↓10%			
Btr	Efficient and effective online meetings (risk-adjusted)		$1,606,952	$3,232,589	$3,232,589

Reduced User Downtime

With secure access to information, systems, and people from any device, whenever and wherever it is needed, each of the 5,000 Microsoft Office 365 users, across both information workers and field workers, can reduce the impact of downtime due to a crashed device. Our interviews uncovered that downtime due to security events, broken computers, or lost laptops can greatly reduce productivity, but with Office 365, employees have access to each of their important documents and

applications to stay productive during these incidents.

From the survey, Forrester learned that:

› Office 365 ensures that 84% of respondents have secure access to work from anywhere.

› Seventy-eight percent benefit from access to documents in an optimized mobile format.

› Access to Office 365 from any device reduces employee downtime and productivity loss for 49% of respondents.

› Thirty-two percent experience improved productivity due to anytime, anywhere access to documents and files with Office 365.

During our interviews, Forrester heard the following:

› "Office 365 provides us with the confidence that we will not have wasted time or downtime, which helps overall spirit and work production."

› "We have had no downtime since going to the cloud. We used to have two to three days per year. When you don't have email for one day, you just get crazy."

From the survey, Forrester learned that a user was previously affected by an average of 4.5 events per year, which led to about 3.5 hours of downtime for each event. For the composite organization, Forrester assumes that:

› Each of the 5,000 Microsoft Office 365 users was previously affected by downtime.

› With Office 365, the composite organization avoids this downtime.

› An average hourly fully loaded salary of $40 represents a blended rate across information workers and firstline workers.

› Again, as not all time saved translates into additional, value-add work, only 25% of this benefit is realized.

Reduced user downtime will be affected by:

› The number of Office 365 users.

› The number of downtime events in the previous environment.

› The average length of each downtime event.

› The average salary of affected users.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of $1.86 million.

$1.9 million
three-year
benefit PV

7%
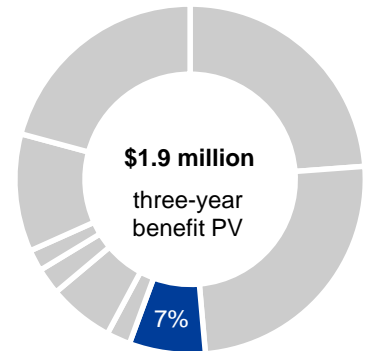
Reduced user downtime:
7% of total benefits

Avoided downtime per employee:
15.75 hours per year

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Reduced User Downtime: Calculation Table					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Number of Office 365 users affected		5,000	5,000	5,000
C2	Average salary across Office 365 users		$40	$40	$40
C3	Avoided downtime due to Office 365 (hours)	4.5 events per year per user* 3.5 hours of downtime	15.75	15.75	15.75
C4	Annual cost savings from reduced user downtime	C1*C2*C3	$3,150,000	$3,150,000	$3,150,000
C5	Productivity capture		25%	25%	25%
Ct	Reduced user downtime	C3*C4	$787,500	$787,500	$787,500
	Risk adjustment	↓5%			
Ctr	Reduced user downtime (risk-adjusted)		$748,125	$748,125	$748,125

Faster Time-To-Decision

Across executives and key decision makers, the Office 365 solutions improve decision making. For instance, Power BI Pro enables decision makers to quickly discover important trends and valuable insights that directly impact the decisions they make. With improved data analytics and improved reporting, these decision makers have better access and visibility into key data and can make the right decision faster. In addition, workers can more quickly gather insights from firstline workers and communicate with other individuals across the organization to gain approvals or get their opinions. With these solutions, users can find what they need more easily, collaborate with their peers more easily, and make more informed decisions faster than before.

From the survey, Forrester learned that:

› Seventy-eight percent of respondents benefit from Power BI Pro's ability to quickly analyze millions of rows of data.

› The charting feature in Power BI Pro enables 72% of organizations to better visualize trends and relationships.

› Thirty-two percent experience improved productivity due to anytime, anywhere access to documents and files with Office 365.

During our interviews, Forrester heard the following:

› "It is much easier to get and find information, and it is much easier to mine that information. The benefits have been significant."

› "With the improved business intelligence features in Microsoft Office 365, we are better able to evaluate our services, products, and the user impact they have."

› "Decisions are made faster and better. There is no fear that someone doesn't understand what others are telling them."

› "Each user can now easily do a deep dive into relevant data for their area and tease out important aspects of the data. This improves their productivity and positively impacts our ability to review business processes on the fly."

$581,806

three-year benefit PV

2%
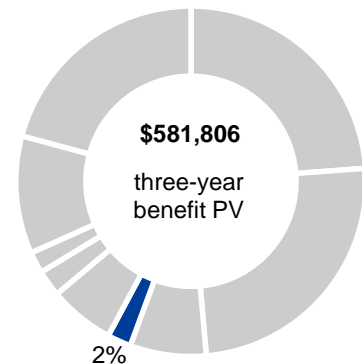
Faster time-to-decision: **2%** of total benefits

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- "More analytics results are more easily shareable, so staff are sharing, communicating, and using more data together. This is seen in better communication and collaboration."

- "Office 365 enables us to have a rapid dissemination of data to all 15 sites of our global business."

For the composite organization, Forrester assumes that:

- In Year 1, 350 decision makers are impacted by Office 365. By Year 3, this number increases as decision makers become more engaged with Office 365.

- In the previous environment, these decision makers spent many hours per week on decision-making tasks: While likely more hours were spent, Forrester conservatively estimates about 5 of these hours are impacted by Office 365. Half of this benefit is realized in Year 1 as users become used to working with Office 365 and bring it more into their decision-making activities.

- With Office 365, employees can make decisions 15.6% faster than before.

- For the purposes of this calculation, the same fully burdened cost of $45.63 per hour assigned to information workers is used; however, executive salaries may be higher.

- Again, as not all time saved translates into additional, value-add work, only 25% of this benefit is realized.

Faster time-to-decision will be affected by:

- The number of Office 365 users engaged in decision making.

- Which Office 365 solutions they make use of.

- The average salary of affected users.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of $581,806.

Weekly time savings in decision making:
47 minutes per user

Faster Time-To-Decision: Calculation Table					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
D1	Number of decision makers affected		350	500	1,000
D2	Weekly time savings (hours)	5 hours previously*15.6% improvement (rounded) [50% in Year 1]	0.39	0.78	0.78
D3	Savings from total reduced time	B1*B2*52 weeks*$45.63	$323,882	$925,376	$1,850,753
D4	Productivity capture		25%	25%	25%
Dt	Faster time-to-decision	D3*D4	$80,970.44	$231,344.10	$462,688.20
	Risk adjustment	↓5%			
Dtr	Faster time-to-decision (risk-adjusted)		$76,922	$219,777	$439,554

Reduction In Product Development Cost And Time

Office 365 provides better collaboration solutions and analytics to organizations. Utilizing these solutions improves how organizations' teams work with their partners, suppliers, and customers. These solutions enable both information workers and firstline workers to

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streamline and transform business processes, leading to an overall improvement in business outcomes. SharePoint, Teams, Skype for Business, Power BI Pro, Yammer and MyAnalytics create improvements via better collaboration, decreased time spent on key tasks, improved effectiveness, and improved efficiency. They also help improve product development through knowledge sharing, and innovation crowdsourcing. Organizations are using Office 365 solutions to create agility in their processes, respond to changing market and customer trends faster, and generate competitive advantages in the process.

From the survey, Forrester learned that:

› Office 365 makes business process and outcomes more efficient and effective for 47% of respondents because it connects them to their partners, suppliers, and customers.

› Fifty-six percent of respondents find improved collaboration from Skype for Business, 49% from SharePoint, 43% from Teams, and 26% from Yammer.

› The live, visual dashboards that provide a 360-degree view of the business in Power BI Pro enables 73% of organizations to improve business outcomes.

During our interviews, Forrester heard the following:

› "Teams has definitely helped our time-to-market."

› "Each of our global offices has vastly improved efforts and is more productive."

› "New product development teams are able to better deal with documents that require multiple authors to input items. Also, since these individuals are typically not at the same site, the revision history increases collaboration because we do not need to focus on the documents but rather on the discussions and the content to be created."

For the composite organization, Forrester assumes that:

› With Office 365, employees can reduce product development time by 13.9%. Half of this benefit is realized in Year 1 as users become used to working with Office 365 and bring it more into their product development process.

› Based on feedback from the survey and interviews, the average cost of development per day is $2,000. This may vary greatly depending on industry and/or product size/effort.

The savings associated with the reduction in product development cost and time will be affected by:

› The number of new product development efforts each year.

› The average cost of product development.

While this calculation focuses on the improved time-to-market due to a reduction in cost and time of product development, there are endless possibilities to the business processes that can be streamlined and transformed with the use of Office 365 solutions. The reader should consider where their organization can leverage Office 365 to make improvements to business processes and activities.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of $1.6 million.

$1.6 million

three-year benefit PV

6%
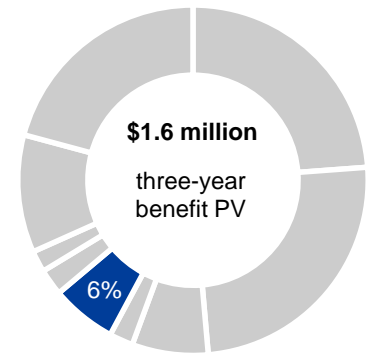
Reduction in product development cost and time: **6%** of total benefits

Product development time savings:

14.18 days per product development effort

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Reduction In Product Development Cost And Time: Calculation Table					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
E1	Number of product development efforts each year		10	30	40
E2	Product development time savings	102 days*13.9% reduction (rounded) [50% in Year 1]	7.09	14.18	14.18
E3	Average cost of development per day	$2,000 per day of development	$2,000	$2,000	$2,000
Et	Reduction in product development cost and time	E1*E2*E3	$141,800	$850,800	$1,134,400
	Risk adjustment	↓5%			
Etr	Reduction in product development cost and time (risk-adjusted)		$134,710	$808,260	$1,077,680

Reduction In Overnight Trips

Before their investments in Office 365, companies spent a large amount of their budget on travel for face-to-face meetings that they felt would not be effective otherwise. But with the use of Office 365's collaboration solutions, respondents can use Skype for Business, and Teams for meetings across geographies, for small or large groups, with no travel involved. While this calculation focuses primarily on the cost of travel, it is also important to consider the time each employee saves due to the reduction in travel and how much more productivity they gain without the need for overnight trips.

From the survey, Forrester learned that:

› Seventy percent of respondents have reduced travel due to the communication features in Office 365.

› More specifically, 53% of respondents have reduced the cost of travel due to better, more effective online meetings with Office 365.

During our interviews, Forrester heard the following:

› "My organization has reduced travel due to good face-to-face conferencing features."

› "Skype has helped to further reduce travel; this means that people can do their jobs without the associated pain of having to worry about the logistics of a domestic or international trip."

› "I'm saving myself the travel time, the cost of gas, with Microsoft Office 365."

› "We now send fewer people to internal conferences. We can send one representative to live-blog from it, and others can communicate in real time to get their questions answered."

For the composite organization, Forrester assumes that:

› In Year 1, based on survey findings, the organization avoids 125 overnight trips due to Office 365. By Year 3, this number increases to 350 as the organization becomes more accustomed to using Office 365 conferencing features and grows more confident in its ability to efficiently and effectively use online meeting features to replace overnight trips.

Number of trips avoided annually:
350 trips by Year 3

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- › Based on feedback from the survey and interviews, the average cost of an overnight trip is $1,000. This may vary depending on length and distance of travel.

The reduction in overnight trips will be affected by:

- › The number of trips replaced by Office 365 online meetings.

- › The average cost of a trip.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of $524,887.

Reduction In Overnight Trips: Calculation Table					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
F1	Number of avoided trips		125	250	350
F2	Average cost		$1,000	$1,000	$1,000
Ft	Reduction in overnight trips	G1*G2	$125,000	$250,000	$350,000
	Risk adjustment	↓10%			
Ftr	Reduction in overnight trips (risk-adjusted)		$112,500	$225,000	$315,000

Reduced End User Security Incidents

Using the new security solutions in Microsoft Office 365, such as Advanced Threat Protection, Customer Lockbox, and Predictive eDiscovery, reduce both the number of successful end user security events and the time it takes IT to remediate the issues. In some past instances, organizations saw a 100% reduction with Office 365 in the number of end user security incidents they previously experienced. With others, especially those organizations that provide wider access to websites or personal email such is the case with firstline workers, there were still some incidents. However, across the board, organizations see significantly fewer successful malware and phishing attacks and can greatly reduce the hours spent on repairing the situation.

From the survey, Forrester learned that:

- › Microsoft Office 365 makes it easier for 78% of respondents to communicate securely, without concerns for privacy.

- › Seventy-seven percent of respondents find Office 365's ability to identify, label, classify, and set policies to protect information impactful.

- › Microsoft Office 365 gives 75% of respondents better insight into external threats.

- › Seventy-four percent of respondents have better sharing and integration of threat intelligence across security services with Microsoft Office 365.

- › Seventy-two percent find the alerts of suspicious behavior to be beneficial.

During our interviews, Forrester heard the following:

- › "The functionality in Exchange Online to report on phishing is a significant upgrade from when we were on-premises."

- › "Office 365 provides us with improved user authentication."

$2.9 million

three-year benefit PV

11%
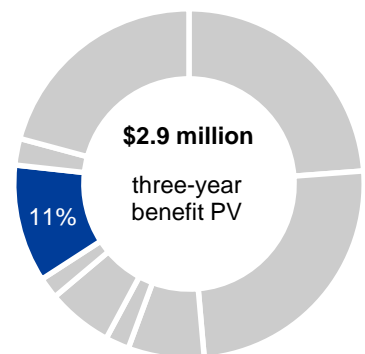
Reduced end user security incidents:
11% of total benefits

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- "We have seen a decreased level of expressed concerns and actual cases of malware incidents as opposed to the continual escalation prior to adoption [of Office 365]."

- "We have had no security problems at all with Microsoft Office 365 to date."

- "By using Exchange Online Protection and Advanced Threat Protection, we can see malware campaigns being removed from our email with Safe Attachments."

- "We can now better monitor and identify risks such as people signing in from unknown places. We are more protected on end user identity and on devices since everything is on ATP."

To calculate the value of this benefit, Forrester assumes that:

- Based on survey results, the composite organization experienced 720 end user security events prior to its investment in Office 365. With Office 365, this number decreases to 288, resulting in the elimination of 432 security events annually.

- Before Office 365, the organization spent 129 hours per end user security event on remediation. With Office 365, the composite organization reduces the hours spent on remediation to 40 hours per event, resulting in a time savings of 89 hours per security event.

- To understand the total benefit associated with the reduction in end user security incidents, Forrester calculates out the time saved from completely avoided security incidents, as well as the time saved on remediation for remaining security events. In Year 1, the organization realizes 75% of this benefit as IT becomes more accustomed to leveraging Office 365 security features.

- An average hourly fully loaded salary of $62.50 is used for IT FTEs.

- As not all time saved translates into additional, value-add work, only 50% of this benefit is realized.

The reduction in security events will be affected by:

- The number and severity of malware or phishing attacks.

- The average hourly salary of IT.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of nearly $2.9 million.

Number of end user security events eliminated: **432 events each year**

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Reduced End User Security Incidents: Calculation Table					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
G1	Security events before Office 365		720	720	720
G2	Security events after Office 365		288	288	288
G3	Number of security events eliminated with Office 365	G1-G2	432	432	432
G4	Time-to-remediate before Office 365	Hours	129	129	129
G5	Time-to-remediate after Office 365	Hours	40	40	40
G6	IT savings	G4-G5	89	89	89
G7	Time saved from avoided security incidents	G3*G5 [75% year 1]	12,960	17,280	17,280
G8	Time saved on remaining security incidents	G2*G6 [75% year 1]	19,224	25,632	25,632
G9	Total time saved on end user security incidents	G7+G8	32,184	42,912	42,912
G10	IT hourly salary		$62.50	$62.50	$62.50
G11	Productivity capture		50%	50%	50%
Gt	Reduced end user security incidents	G9*G10*G11	$1,005,750	$1,341,000	$1,341,000
	Risk adjustment	↓5%			
Gtr	Reduced end user security incidents (risk-adjusted)		$955,463	$1,273,950	$1,273,950

More Effective and Efficient Compliance

Office 365 helps interviewed and surveyed companies improve compliance in several ways. These include more comprehensive risk audits, better policy enforcement, and better eDiscovery for internal and external investigations. Additionally, companies said that compliance-related costs were reduced to both build/deploy compliance solutions and ongoing compliance activities.

From the survey, Forrester learned:

› Compliance related costs were reduced by 13.6%.

› Time spent on eDiscovery activities decreased by 12.3%.

› Seventy-eight percent of respondents reported improved enforcement of data retention policies with Microsoft Office 365.

› Sixty-seven percent benefit from using Customer Lockbox to meet compliance obligation for data access.

› Seventy-four percent have improved audit tracking.

› Healthcare organizations saw an 18% reduced risk of HIPAA, GDPR and other regulatory compliance violations and fines and 24% increased compliance management efficiencies.

› Manufacturers saw a 20% improved safety and compliance monitoring and reporting efficiencies.

Interviewees said:

"We have realized some huge benefits for governance, eDiscovery, and search. Being able to easily handle litigation holds has been invaluable."

CIO, IT services

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› "We had a policy where you couldn't email out any sensitive information. Now with the security in [Office 365], we can be less restrictive because the system intelligently encrypts and sends it and ensures compliance. That is a big value to the business users."

› "We are using [Office 365] for data loss prevention and rights management. It makes sure that if a document contains sensitive information, it puts rights management against the document and locks it."

› "Security-related audit points have gone down a lot since we moved to [Office 365], and the severity levels are lower. We used to have a lot of issues when we were on-premises because we had to take shortcuts for speed-to-market."

› "We now have consistent data retention and compliance policies. It is automated, which saves a lot of time and effort."

› "SOX, DLP, GDPR, and email governance compliance has all improved greatly."

› "Audit is happy that these solutions integrate with their audit tools."

For the financial analysis Forrester included cost savings from the avoidance of building out compliance solutions that are included in Office 365 and from a reduction in ongoing compliance effort and costs. Forrester assumes that:

› The composite organization would have needed additional IT efforts to build out compliance solutions, including encrypted email, data leakage protection, eDiscovery tools, and rights management.

› The organization previously spent $500,000 per year on IT compliance and eDiscovery activities; this is reduced by 13.6%.

The reduction in compliance costs will be affected by:

› Person-months each project would take.

› The average hourly salary of IT.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of $220,170.

Included Compliance Solutions

- Advanced Data Governance
- Advanced eDiscovery
- Customer Lockbox
- Customer Key
- Compliance Manager
- Office Message Encryption
- Privileged Access Management
- GDPR capabilities, such as Data Service Requests

Reduced Compliance Costs: Calculation Table						
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
H1	Eliminated encrypted email project (person-months)	2 months x 1.5 FTEs	3.0		
H2	Eliminated data leakage project (person-months)	1 month x 1.5 FTEs	1.5		
H3	Eliminated eDiscovery project (person-months)	2 months x 1.5 FTEs	3.0		
H4	Eliminated rights management project (person-months)	1 month x 2.0 FTEs	2.0		
H5	Eliminated compliance projects	(H1+H2+H3+H4)*($130,000/12 months)	$102,917		
H6	Reduced IT compliance and eDiscovery costs	$500,000*13.6% (50% in Year 1)	$34,000	$68,000	$68,000
Ht	Reduced compliance costs	H5+H6	$136,917	$68,000	$68,000
	Risk adjustment	↓5%			
Htr	Reduced compliance costs (risk-adjusted)		$130,071	$64,600	$64,600

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Eliminated Collaboration Solution Costs

Both the interviews and survey revealed that companies can greatly reduce or eliminate many cost types associated with their previous collaboration solutions by moving to the integrated Microsoft solution. Specifically, organizations can retire third-party collaboration software, including the required on-premises hardware and telecom costs related to mobile and long distance, and minimize the risk of shadow IT across information workers and firstline workers. With Microsoft Office 365 solutions like Skype for Business, Teams, Yammer, and IM, organizations no longer must rely on third-party solutions and can save on telecom costs.

From the survey, Forrester learned that:

› Fifty-four percent of respondents reduced expenses related to other associated communication and collaboration technology costs.

› Fifty-two percent of respondents reduced telecom usage charges, such as long-distance calling, line rental, and mobile phone charges.

› Respondents saw a 14.1% reduction in communication and collaboration technology costs.

› Respondents saw a 14.6% reduction in telecom charges.

During our interviews, Forrester heard that:

› "Skype has become our corporate communication channel, and all our field agents are now using it. We have dramatically decreased mobile roaming expenses by at least 70%."

› "We are saving $50,000 to $100,000 per year on our previous video hosting solution alone."

› "All the maintenance costs associated with collaboration solutions go away because it's in the cloud."

Forrester assumes that:

› The composite organization saves $250,000 for an on-premises collaboration solution refresh and upgrades, along with 18% maintenance savings in subsequent years.

› The organization replaces its $80,000 per year webconferencing solution with Microsoft Office 365. In Year 1, only 50% of the benefits are realized as the previous solution is phased out.

› The organization spends $50,000 less in Year 1 on long-distance and mobile phone calls by moving them to Office 365 solutions like Skype for Business, Yammer and Teams. This number increases to $125,000 by Year 3 as employees become more comfortable with the Office 365 offerings.

The savings from eliminated collaboration solution costs will vary with:

› The number and cost of solutions previously in place.

› The geographic reach and number of locations where mobile calls are reduced.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of $648,727.

$648,727

three-year benefit PV

2%
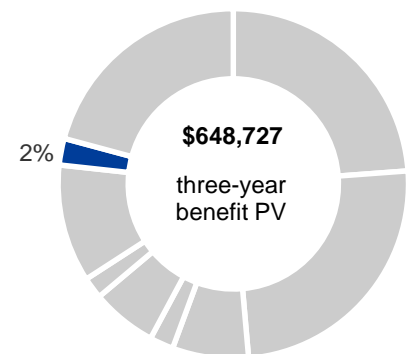
**Eliminated collaboration solution costs:
2% of total benefits**

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Eliminated Collaboration Solution Costs: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
I1	Eliminated on-premises hardware	Maintenance following years at 18%	$250,000	$45,000	$45,000
I2	Eliminated webconferencing solution	[50% in Year 1]	$40,000	$80,000	$80,000
I3	Reduced telephony costs	[50% in Year 1, 125% in Year 3]	$50,000	$100,000	$125,000
It	Eliminated collaboration solution costs	I1+I2+I3	$340,000	$225,000	$250,000
	Risk adjustment	↓5%			
Itr	Eliminated collaboration solution costs (risk-adjusted)		$323,000	$213,750	$237,500

Technology Costs Reduction

Organizations experience total cost of ownership savings when moving from their on-premises solutions to Office 365. They also find value in consolidating and eliminating solutions from multiple vendors onto a single platform and by reducing the necessary IT support for this solution. Microsoft provides a range of FastTrack services that can reduce deployment cost and effort; these services can also help with adoption of best practices and configuration optimization.

From the survey, Forrester learned that:

› Fifty-two percent of respondents experienced a reduced total cost of ownership with the move to Office 365.

› The elimination of third-party hardware and software reduced IT and help desk support costs for 49% of respondents.

› Forty-seven percent of respondents saw a reduction in Microsoft licensing costs.

› Thirty-five percent saw savings from the reduction in on-premises hardware required.

During our interviews, Forrester heard the following:

› "The fact that we manage less of our own hardware is significant. We are probably saving $500,000 per year."

› "We have reduced our system administrators and engineers from 10 down to four by moving off-premises."

› "Our goal is to get out of the data center business. We spend around $90,000 on our colocation facility, and that doesn't even include telecoms. I want to get that down to zero over the next five years by moving to SaaS (software-as-a-service) solutions."

Forrester assumes that:

› The composite organization reduces the cost of licenses from $711 for on-premises to $420 for the Microsoft Office 365 Enterprise E5 license. This reduction in licenses only accounts for information workers licenses, as the firstline workers are added as part of the Office 365 implementation. The Analysis Of Costs section includes the costs associated with Office 365 licensing.

21%

$5.7 million

three-year benefit PV
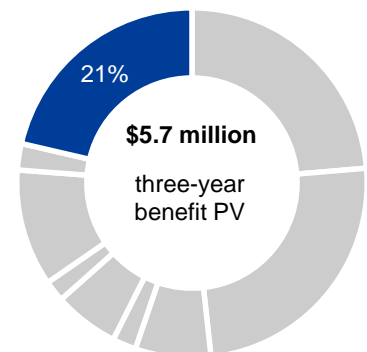
Technology costs reduction: **21%** of total benefits

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- The organization eliminates the need for $500,000 in hardware that would have been needed at the time of the implementation of Office 365; it also eliminates the ongoing 18% maintenance costs.

- Compared to the on-premises environment, the required headcount is reduced by three FTEs to support and manage the Office 365 solutions. The Analysis Of Costs section includes the ongoing IT support costs required for support of Office 365.

- The initial deployment effort for Office 365 is less taxing than the effort for the new on-premises environment that would have been required to replace the previous end-of-life one. As a result, both internal and managed services costs are reduced by 35%. The deployment efforts required for Office 365 are considered in the Analysis Of Costs section.

- With the use of FastTrack services, there is additional savings from email and file migration. An average mailbox migration cost of $40 per information worker is included. For file migration, cost savings included eliminated third-party migration tools, a savings of $10,000; Azure servers dedicated to the migration, and additional $10,000 in savings; and internal IT effort to setup and manage the third-party migration tool, estimated at three IT resources for one month, resulting in savings of $35,475. Through the use of FastTrack services, the organization saves an additional $55,475.

The savings from technology costs will vary with:

- The reduction in license costs.

- Required on-premise hardware and support.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of $5.9 million.

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
	Technology Costs Reductions: Calculation Table					
J1	Reduced licenses	3,500 users*($711-$420)	$763,875	$1,018,500	$1,018,500	$1,018,500
J2	Eliminated on-premises costs - Hardware and datacenter hosting	maintenance following years at 18%	$500,000	$90,000	$90,000	$90,000
J3	Reduced IT ongoing support	3 FTEs*$130000		$390,000	$390,000	$390,000
J4	Reduced initial deployment costs	(Kt + Lt)*35%	$1,006,530			
J5	Email migration savings with FastTrack service	A1*$40	$140,000			
J6	File migration savings with FastTrack service		$55,475			
Jt	Technology cost reductions	J1+J2+J3+J4+J5+J6	$2,465,880	$1,498,500	$1,498,500	$1,498,500
	Risk adjustment	↓5%				
Jtr	Technology cost reductions (risk-adjusted)		$2,342,586	$1,423,575	$1,423,575	$1,423,575

Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Office

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a 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.

365 solutions and later realize additional uses and business opportunities, including:

› **Utilizing the newest offerings from Microsoft Office 365, such as Stream.** Microsoft is continually innovating on new product offerings added to Office 365 solutions. One example is the recent addition of Microsoft Stream. Stream allows users to upload video, and the solution automatically adds captions. Each word is scripted out on the page, so users can search for specific words and fast-forward to the exact spot in the video they are looking for. It also has facial recognition for speakers in the video, which creates a timeline based on the people who speak in the video. With this, users can go directly to the point in the video with the person they are interested in. Solutions such as this will help users maximize their business impacts and save time, and is especially helpful in training firstline workers who require an efficient mechanism to capture and share insights quickly

› **Utilizing the accessibility features with Office 365.** Along with innovations around product offerings, Microsoft provides inclusive tools for diverse teams, ensuring that digital experiences are accessible to all employees. Leveraging a wide range of assistive technologies, Microsoft is working to enable productivity, collaboration and innovation across all employees with different accessibility needs. For example, Microsoft has a built-in Accessibility Checker in apps like Word, Excel, PowerPoint and Outlook to help employees author accessible content and offers a Presentation Translator add-in for PowerPoint, enabling real-time subtitles with presentations. Leveraging these technologies helps to ensure a productive, inclusive and compliant work environment.

› **Increasing user base and focusing on adoption.** Organizations can further improve the business value they receive by adding additional users or focusing on adoption to gain more traction and see wider efficiency and effectiveness throughout the organization.

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

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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
Ktr	Planning, implementation, and ongoing support	$1,072,500	$1,001,000	$429,000	$429,000	$2,931,500	$2,659,360
Ltr	Deployment and managed Services	$2,090,880	$1,437,920	$588,720	$588,720	$4,706,240	$4,326,940
Mtr	Training	$171,675	$197,400	$187,950	$187,950	$744,975	$647,670
Ntr	Licensing costs	$1,102,500	$1,542,000	$1,542,000	$1,542,000	$5,728,500	$4,937,226
Otr	Additional technology costs	$64,050	$61,425	$61,425	$61,425	$248,325	$216,805
	Total costs (risk-adjusted)	$4,501,605	$4,239,745	$2,809,095	$2,809,095	$14,359,540	$12,788,001

Planning, Implementation, And Ongoing Support

The planning and implementation of Office 365 varied greatly depending on size and complexity of the rollout. The main variables around this complexity involved the number of users and locations. For the 5,000-user composite organization:

> Initial planning and deployment takes nine months and includes 10 internal FTE resources to support the project. The first nine-month phase consists of standing up the solutions and completing early deployments. In the following year, four FTEs continue to work on SharePoint migrations.

> Ongoing support requires three FTEs for each of the following years. Their roles are largely to support and configure Office 365 solutions, set up and manage user accounts, and roll out new solution components. Some of the interviewed and surveyed organizations chose to use managed services from a Microsoft partner for these activities, but the in-house scenario is included as part of this calculation.

> Forrester assumes an average fully burdened annual salary of $130,000 for these IT resources.

These costs can vary with:

> The size of the deployment and the number of locations and solutions included.

> The number of FTEs required for initial deployment and ongoing support.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of $2.7 million.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of more than $12.7 million.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

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Planning, Implementation, And Ongoing Support: Calculation Table

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
K1	Number of months	Months	9	12	12	12
K2	FTEs involved in planning and implementation		10	4		
K3	FTEs involved in ongoing support			3	3	3
K4	Annual fully burdened salary		$130,000	$130,000	$130,000	$130,000
Kt	Planning, implementation, and ongoing support	(K2+K3)*(K4*(K1/12))	$975,000	$910,000	$390,000	$390,000
	Risk adjustment	↑10%				
Ktr	Planning, implementation, and ongoing support (risk-adjusted)		$1,072,500	$1,001,000	$429,000	$429,000

Deployment And Managed Services

The amount of reported professional services varied widely based on company size and the solutions being deployed. The composite organization uses professional services to stand up and configure the solutions and then integrate them with other systems. The professional services partner brings best practices and template solutions to speed up the deployment time.

The organization also uses ongoing deployment services to migrate SharePoint sites. Additionally, there is a managed services contract to manage existing SharePoint sites from the partner's offshore support center.

For the composite organization:

› The number of consultants differs by year, with eight FTEs involved with initial deployment, dropping to one and a half by years 2 and 3 of analysis.

› The cost per consultant is $1,200 per day and assumes a total of 22 working days per month.

The costs associated with deployment and managed services can differ greatly depending on the required support, size of the organization, and internal IT skills and capacity. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of $4.3 million.

Deployment And Managed Services: Calculation Table

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
L1	Number of months	K1	9	12	12	12
L2	Number of consultants (FTEs)		8.0	4.0	1.5	1.5
L3	Monthly cost of consultant	$1,200 per day*22 working days per month	$26,400	$26,400	$26,400	$26,400
L4	Managed services cost			$40,000	$60,000	$60,000
Lt	Deployment and managed services	(L1*L2*L3)+L4	$1,900,800	$1,307,200	$535,200	$535,200
	Risk adjustment	↑10%				
Ltr	Deployment and managed services (risk-adjusted)		$2,090,880	$1,437,920	$588,720	$588,720

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Training

The interviews and survey revealed that organizations sought training for two reasons: First, the IT department needed training on managing and using the Microsoft Office 365 solutions; second, training was required for end users to teach them how to use the Office 365 solutions, teach them the benefits of utilizing the solutions, and drive adoption across the organization.

For the composite organization, Forrester assumes:

› An outside professional services organization and users attending Microsoft conferences provide IT training, at an average cost of $300 per day of training.

› Two internal FTEs create end user training. These FTEs are responsible for creating company-specific training content, setting up a learning portal in SharePoint, and providing "training the trainer" training to local champions. This is an ongoing effort to ensure that users are comfortable using all features of the Office 365 solution.

Costs associated with training will vary with:

› The size of the IT team and existing knowledge of the solutions.

› The number of FTEs involved with creating end user training.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of $632,795.

Training: Calculation Table						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
M1	Number of person-days IT user training		120	60	30	30
M2	Cost per day		$300	$300	$300	$300
M3	End user training	2 FTEs*$85,000 [prorated in initial period]	$127,500	$170,000	$170,000	$170,000
Mt	Training	(M1*M2)+M3	$163,500.00	$188,000.00	$179,000.00	$179,000.00
	Risk adjustment	↑5%				
Mtr	Training (risk-adjusted)		$171,675	$197,400	$187,950	$187,950

Licensing Costs

These represent costs paid to Microsoft for the use of the Office 365 solutions.

For the composite organization, Forrester assumes that:

› The 3,500 information workers receive Office 365 Enterprise E5 licenses, at a rate of $35/month per user.

› The 1,500 firstline workers receive Office 365 F1 licenses, at a cost of $4/month per user.

As list price was used, Forrester made no risk adjustment. The three-year risk-adjusted total PV is $4.9 million.

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Licensing Costs: Calculation Table

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
N1	Office 365 Enterprise E5 license cost	$35/month*12 months [8 months initial]	$315	$420	$420	$420
N2	Number of users		3,500	3,500	3,500	3,500
N3	Office 365 F1 license cost	$4/month*12 months		$48	$48	$48
N4	Number of users			1,500	1,500	1,500
Nt	Licensing costs	(N1*N2)+(N3*N4)	$1,102,500	$1,542,000	$1,542,000	$1,542,000
	Risk adjustment	0%				
Ntr	Licensing costs (risk-adjusted)		$1,102,500	$1,542,000	$1,542,000	$1,542,000

Additional Technology Costs

In addition to the costs already listed, interviewed and surveyed respondents needed incremental bandwidth for the increased video and voice traffic, as well as the upload and retrieval of documents in the cloud. Many organizations also added ADFS servers to streamline authentication and single sign-on.

For the composite organization, Forrester assumes that:

› Incremental bandwidth costs of $4,500 per month, prorated during the initial period.

› The ADFS servers cost $25,000, with a maintenance cost of 18% for subsequent years.

The amount of additional bandwidth required will vary with existing bandwidth, the number of solutions, and the extent to which high-bandwidth solutions such as videoconferencing are used.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of $216,805.

Additional Technology Costs: Calculation Table

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
O1	Incremental bandwidth	$4,500 per month [prorated in initial period]	$36,000	$54,000	$54,000	$54,000
O2	ADFS servers	Maintenance at 18%	$25,000	$4,500	$4,500	$4,500
Ot	Additional technology costs	O1+O2	$61,000	$58,500	$58,500	$58,500
	Risk adjustment	↑5%				
Otr	Additional technology costs (risk-adjusted)		$64,050	$61,425	$61,425	$61,425

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Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)

- Total costs
- Total benefits
- Cumulative net benefits
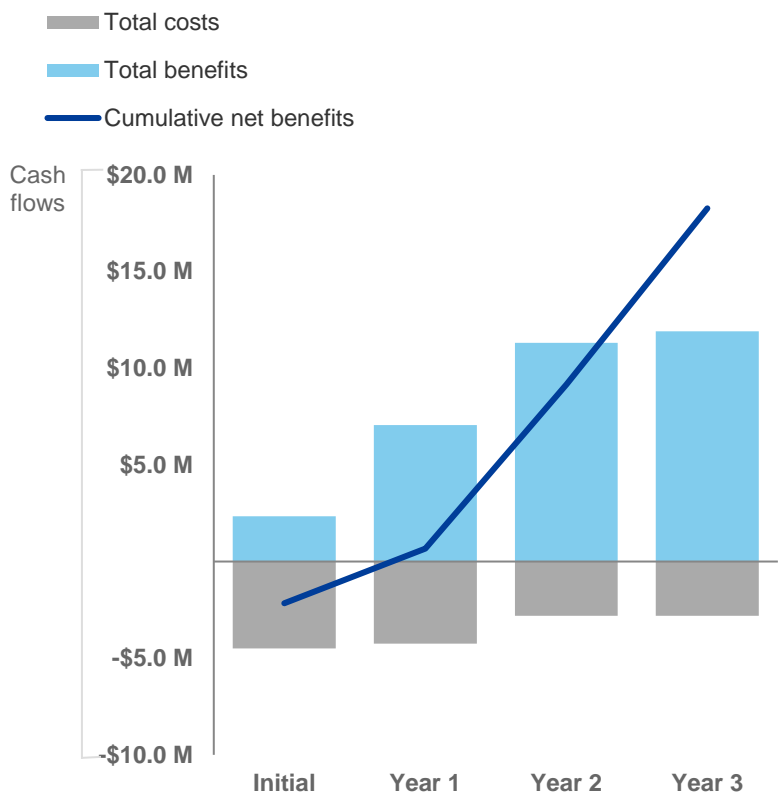
The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, IRR, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost

Cash Flow Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	($4,501,605)	($4,239,745)	($2,809,095)	($2,809,095)	($14,359,540)	($12,788,001)
Total benefits	$2,342,586	$7,062,212	$11,311,416	$11,914,363	$32,630,578	$27,062,494
Net benefits	($2,159,019)	$2,822,467	$8,502,321	$9,105,268	$18,271,038	$14,274,493
ROI/IRR						112%/205%
Payback period						10.0

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Microsoft Office 365 E5 solutions: Overview

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

Office 365 is a comprehensive productivity suite born in the cloud, incorporating the latest innovation across productivity and security. Office 365 technologies span all productivity categories — authoring; mail and social; content and intranet; chat, calls, and meetings; analytics; and advanced security and compliance. This is the most complete productivity solution on the market. All Office 365 technologies are also enterprise-grade: secure and compliant, manageable, extensible, and always up-to-date with ongoing cloud updates.

Office 365 Overview

Authoring	Mail & Social	Content & Intranet	Chat, Calls & Meetings	Analytics	Advanced Security & Compliance
Word Excel PowerPoint OneNote	Outlook Yammer	OneDrive SharePoint	Microsoft Teams Skype for Business	Power BI Workplace Analytics MyAnalytics	Advanced Threat Protection Advanced Security Management Information Protection Intelligent Compliance Threat Intelligence

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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.

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