

The Total Economic Impact Of Microsoft Office 365 E3

Microsoft provides a wide range of cloud-based solutions to support the modern workplace. Microsoft's Office 365 Enterprise E3 (Office 365) solutions assist 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. Microsoft provides these solutions in an easy-to-manage, cost-effective cloud environment to reduce strain on IT resources and provide end users with always-available access.

Office 365 includes a variety of well-known business products, including Office 365 ProPlus, Outlook, SharePoint, Skype for Business (including Audio Conferencing and Meeting Broadcast), Teams, Yammer, instant messenger (IM), and OneDrive. It also includes key security features such as Office 365 Data Loss Prevention (DLP), Exchange Online Protection (EOP), and Office 365 Message Encryption, as well as compliance features such as eDiscovery with in-place search, hold, and export; manual retention and deletion policies; and manual classifications. Office 365 also includes solutions like PowerApps and Flow to help organizations automate everyday activities and workflows and purpose-built experiences to empower information workers and firstline workers. Usage of these solutions can help organizations improve business outcomes, such as faster time-to-market; higher employee satisfaction, which can lower churn; reduced operating costs; and increased revenues.

A Cloud Deployment Of Office 365 E3 Helps Organizations Save Costs While Fostering Improved Collaboration And Information Sharing

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential benefits enterprises may realize by deploying Office 365 E3 solutions. To better understand the benefits associated with this investment, Forrester interviewed 36 customers and surveyed 101 additional customers with experience using Office 365 solutions and developed a composite organization that had the characteristics of the interviewed companies.



TCO savings from
cloud deployment

**\$4.8 million over
three years**



Improved collaboration,
information sharing, and efficient
meetings **time savings**

134 minutes per user per week



Reduced product
development time

**10.2 days per
effort**

METHODOLOGY

The objective of the TEI 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 of Office 365 E3, including interviews with Forrester analysts, Microsoft stakeholders, and 36 current Office 365 E3 customers, as well as an online survey of 101 additional customers. Forrester constructed a financial model representative of the interviews and surveys using the TEI methodology.

COMPOSITE ORGANIZATION

This analysis uses a composite organization, based on the interviewees, to present the aggregate financial analysis.

RISK ADJUSTMENT

Forrester risk-adjusted the financial model based on issues and concerns of the interviewed organizations to account for uncertainties in benefit and cost estimates.

The Office 365 E3 Customer Journey

Key Investment Drivers And Results

The interviewed organizations shared the following investment drivers:

- › **Organizations struggled to reduce costs associated with complex on-premises environments and support global growth.** The interviewed and surveyed organizations found that their heterogeneous IT environments were expensive to upgrade, costly to support, and difficult to secure. In addition, 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. Organizations looked to consolidate, as much as possible, onto one platform to reduce 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.
- › **Organizations wanted to provide users with improved, real-time access to their work.** Organizations struggled to meet their employees' expectations of anytime, anywhere access to data. This greatly impacted their workers' productivity, creating unnecessary downtime and negatively impacting employees' morale. The organizations sought a solution to provide their employees with the productivity and collaboration tools they required to make them more efficient in their day-to-day tasks.

The interviewed organizations achieved key investment results:

- › **Reduction in costs associated with an on-premises environment, third-party solutions, and security.** With the move to the cloud, organizations could shift from capex to opex, reducing the costs of licensing, infrastructure purchases, and required IT support and maintenance. After 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. 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, by reducing both the number and severity of events.
- › **Increased collaboration and improved employee productivity.** The investment in Office 365 E3 solutions improved collaboration at the organizations 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 were available in real time with Presence tied to Skype for Business, Teams, and Office Suite; 3) better content sharing with SharePoint and OneDrive; and 4) real-time coauthoring through Office 365 ProPlus.
- › **A collaborative culture among a globally dispersed workforce.** With employees dispersed across many international offices, organizations found that using Microsoft 365 created a cohesive culture, where employees felt empowered and included in business decisions. Organizations understood that, to succeed, each employee needed to buy into the company goals. Organizations also understood that providing them with real-time communication abilities created a united 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 information workers, firstline workers, and headquarters.

"What we have won from this [cloud] 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



Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and a benefits analysis that illustrates the areas financially affected. The composite organization has the following characteristics:

Description of composite: The composite organization is a global company with most of its operations in North America and Europe, as well as 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.

Company 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 and Audio Conferencing), Yammer, Presence, OneDrive, and security functionality. The composite organization also rolls out Microsoft Teams, Planner (used to manage, visualize, and collaborate on tasks), and PowerApps and Flow for the subset of users who need them. In addition, the organization deploys SharePoint and begins the migration of data and workflows. Phase two of deployment consists primarily of expanding SharePoint.



Key assumptions

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

Analysis Of Benefits

Total Benefits

Ref.	Benefit	Initial	Year 1	Year 2	Year 3	Total	Present Value
Atr	Cloud cost reductions	\$1,222,504	\$1,423,575	\$1,423,575	\$1,423,575	\$5,493,229	\$4,762,725
Btr	Improved collaboration and information sharing across knowledge workers	\$0	\$803,476	\$1,606,952	\$1,606,952	\$4,017,379	\$3,265,818
Ctr	Efficient and effective online meetings	\$0	\$1,289,298	\$2,578,597	\$2,578,597	\$6,446,492	\$5,240,499
Dtr	Reduced user downtime	\$0	\$748,125	\$748,125	\$748,125	\$2,244,375	\$1,860,476
Etr	Reduction in product development cost and time	\$0	\$96,900	\$581,400	\$775,200	\$1,453,500	\$1,151,006
Ftr	Reduction in overnight trips	\$0	\$112,500	\$225,000	\$315,000	\$652,500	\$524,887
Gtr	Reduced end user security incidents	\$0	\$546,750	\$729,000	\$729,000	\$2,004,750	\$1,647,233
Htr	Reduced compliance costs	\$0	\$67,885	\$38,000	\$38,000	\$143,885	\$121,669
Itr	Eliminated collaboration solution costs	\$0	\$323,000	\$213,750	\$237,500	\$774,250	\$648,727
Total benefits (risk-adjusted)		\$1,222,504	\$5,411,510	\$8,144,399	\$8,451,949	\$23,230,361	\$19,223,040

Cloud 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 associated IT support required for those solutions. Additionally, organizations switch to subscription license fees, replacing capex license costs.

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 [to cloud].”

Forrester assumes that:

- › The composite organization reduces the cost of licenses from \$531 for on-premises to \$240 for the Microsoft Office 365 Enterprise E3 license. Licensing is for four months during initial deployment period.
- › The organization eliminates the need for \$500,000 in hardware that would have been required at the time of the implementation of Office 365; it also eliminates the ongoing 18% maintenance costs.
- › Compared to the previous on-premises environment, the required headcount is reduced by three FTEs to support and manage the Office 365 solutions.
- › 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 professional services costs are reduced by 35%.

The savings from technology costs will vary with:

- › The reduction in license costs.
- › Required on-premises hardware and support.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of nearly \$4.8 million.

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.

Cloud Costs Reductions: Calculation Table						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
A1	Reduced licenses	3,500 users*(\$531-\$240)	\$339,500	\$1,018,500	\$1,018,500	\$1,018,500
A2	Eliminated on-premises costs — hardware and data center hosting	Maintenance following years at 18%	\$500,000	\$90,000	\$90,000	\$90,000
A3	Reduced IT ongoing support	3 FTEs*\$130,000		\$390,000	\$390,000	\$390,000
A4	Reduced initial deployment costs	(Internal deployment costs+professional services costs)*35%	\$447,347			
At	Cloud cost reductions	A1+A2+A3+A4	\$1,286,847	\$1,498,500	\$1,498,500	\$1,498,500
	Risk adjustment	↓5%				
Atr	Cloud cost reductions (risk-adjusted)		\$1,222,504	\$1,423,575	\$1,423,575	\$1,423,575

Improved Collaboration And Information Sharing Across Information Workers

Companies reported significant time savings in collaboration activities through better interactions using Teams, Skype for Business, and Yammer. In addition, SharePoint helps respondents quickly access documents without needing to disturb other individuals. With Office 365 ProPlus, interviewed users can eliminate version control issues and coauthor documents. Users can also utilize Teams, Outlook, and Yammer to easily create Groups to chat and widely distribute information (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., increases user efficiency and improves user satisfaction.

From our interviews and surveys, Forrester heard the following:

- › “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.”
- › “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.”

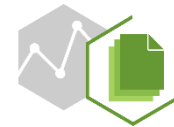
For the composite organization, Forrester assumes that:

- › Employees previously spent 13.3 hours on real-time coauthoring, development, and review of documents; Office 365 reduces this by 6.5%.
- › 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 coauthoring.
- › The average knowledge 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 on collaboration and information sharing.
- › 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 \$3.3 million.



Weekly time savings due to improved collaboration and information sharing: 52 minutes per user

Improved Collaboration And Information Sharing Across Knowledge Workers: Calculation Table					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Number of knowledge workers affected		3,500	3,500	3,500
B2	Weekly time savings (hours)	13.3 hours previously*6.5% improvement (rounded) [50% in Year 1]	0.43	0.86	0.86
B3	Savings from total reduced time	B1*B2*52 weeks*knowledge worker hourly salary	\$3,571,004	\$7,142,008	\$7,142,008
B4	Productivity capture		25%	25%	25%
Bt	Improved collaboration and information sharing across knowledge workers	B3*B4	\$892,750.95	\$1,785,501.90	\$1,785,501.90
	Risk adjustment	↓10%			
Btr	Improved collaboration and information sharing across knowledge workers (risk-adjusted)		\$803,476	\$1,606,952	\$1,606,952

Efficient And Effective Online Meetings

Information 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, employees can start meetings on time more easily, as opposed to struggling with other technology. Employees 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, users can better achieve the desired outcomes of their meetings.

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.”
- › “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.”

For the composite organization, Forrester assumes that:

- › Respondents previously spent 11.5 hours per week in in-person meetings; Office 365 reduces this by 12%.
- › 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 \$5.2 million.



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

Efficient And Effective Online Meetings: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Number of knowledge workers affected		3,500	3,500	3,500
C2	Weekly time savings (hours)	11.5 hours previously*12% (rounded) [50% in Year 1]	0.69	1.38	1.38
C3	Savings from total reduced time	C1*C2*52 weeks*knowledge worker hourly salary	\$5,730,215	\$11,460,431	\$11,460,431
C4	Productivity capture		25%	25%	25%
Ct	Efficient and effective online meetings	C3*C4	\$1,432,553.85	\$2,865,107.70	\$2,865,107.70
	Risk adjustment	↓10%			
Ctr	Efficient and effective online meetings (risk-adjusted)		\$1,289,298	\$2,578,597	\$2,578,597

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 firstline 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.

During our interviews, Forrester heard the following:

- › “Our legacy SharePoint environment used to go down all the time because it was end-of-life. It is a business-critical application, and if it goes down, productivity instantaneously starts to drop. This includes customer service and product development workflows. If all that goes down, everything comes to a complete standstill.”
- › “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.”



Avoided downtime per employee:
15.75 hours per year

For the composite organization, Forrester assumes that:

- › Each of the 5,000 users was previously affected by an average of 4.5 events per year, which led to about 3.5 hours of downtime each event.
- › 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 \$1.9 million.

Reduced User Downtime: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
D1	Number of Office 365 users affected		5,000	5,000	5,000
D2	Average salary across Office 365 users		\$40	\$40	\$40
D3	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
D4	Annual cost savings from reduced user downtime	D1*D2*D3	\$3,150,000	\$3,150,000	\$3,150,000
D5	Productivity capture		25%	25%	25%
Dt	Reduced user downtime	D4*D5	\$787,500	\$787,500	\$787,500
	Risk adjustment	↓5%			
Dtr	Reduced user downtime (risk-adjusted)		\$748,125	\$748,125	\$748,125

Reduction In Product Development Cost And Time

Office 365 provides better collaboration solutions 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 streamline and transform business processes, leading to an overall improvement in business outcomes. SharePoint, Teams, Skype for Business, and Yammer create improvements via better collaboration, decreased time spent on key tasks, improved effectiveness, and improved efficiency. They also improve product development through knowledge sharing and innovation crowdsourcing. Organizations are using Office 365 solutions to create agility in

their processes and generate competitive advantages.

During our interviews, Forrester heard the following:

- › “Teams has definitely helped our time-to-market.”
- › “Office 365 has led us to reexamine all our business practices, to see where we can gain greater efficiencies.”
- › “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 10%. 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. Consider where you can leverage Office 365 to make improvements across specific opportunities within your own organization.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year risk-adjusted total PV of \$1.2 million.

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*10% reduction [50% in Year 1]	5.1	10.2	10.2
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	\$102,000	\$612,000	\$816,000
	Risk adjustment	↓5%			
Etr	Reduction in product development cost and time (risk-adjusted)		\$96,900	\$581,400	\$775,200



Product development time savings:
10.2 days per product development effort

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.

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 and the cost of gas with Microsoft Office 365.”

Forrester assumes that:

- › In Year 1, based on survey findings, the composite 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.
- › 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.



Number of trips avoided
annually:
350 trips by Year 3

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	F1*F2	\$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 Data Loss Protection, Exchange Online Protection, and Message Encryption security solutions built into Microsoft Office 365 E3 reduces the number of successful end user security events. Organizations can email and communicate more securely and have better insights into external threats, allowing organizations to reduce the number of successful malware and phishing attacks. This also can greatly reduce the hours spent on repairing the situation.

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.”

- › “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].”

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

- › The composite organization experienced 720 end user security events prior to its investment in Office 365. With Office 365, this number decreases to 432, resulting in the elimination of 288 security events annually. In Year 1, the organization realizes 75% of this benefit as IT becomes more accustomed to leveraging Office 365 security features.
- › The composite organization spends an average of 90 hours on remediation per event.
- › 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.



Number of end user security events eliminated:
288 events each year

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 10%, yielding a three-year risk-adjusted total PV of nearly \$1.6 million.

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		432	432	432
G3	Number of security events eliminated with Office 365	G1-G2 [75% in Year 1]	216	288	288
G4	Average time to remediate security event		90	90	90
G5	IT hourly salary		\$62.50	\$62.50	\$62.50
G6	Productivity capture		50%	50%	50%
Gt	Reduced end user security incidents	G3*G4*G5*G6	\$607,500	\$810,000	\$810,000
	Risk adjustment	↓10%			
Gtr	Reduced end user security incidents (risk-adjusted)		\$546,750	\$729,000	\$729,000

More Effective And Efficient Compliance

Interviewed and surveyed companies said that Office 365 helps them 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.

Interviewees said:

- › “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.”
- › “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 8%.

The reduction in compliance costs will be affected by:

- › The effort 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 \$121,669.



Number of person-months
of work avoided with
included compliance
features:
4.75 person-months

Reduced Compliance Costs: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
H1	Eliminated encrypted email project (person-months)	2 months*.75 FTEs	1.50		
H2	Eliminated data leakage project (person-months)	1 month*.75 FTEs	0.75		
H3	Eliminated eDiscovery project (person-months)	2 months*.75 FTEs	1.50		
H4	Eliminated rights management project (person-months)	1 month*1 FTE	1.00		
H5	Eliminated compliance projects	(H1+H2+H3+H4)*(\$130,000/12 months)	\$51,458		
H6	Reduced IT compliance and eDiscovery costs	\$500,000*8% [50% in Year 1]	\$20,000	\$40,000	\$40,000
Ht	Reduced compliance costs	H5+H6	\$71,458	\$40,000	\$40,000
	Risk adjustment	↓5%			
Htr	Reduced compliance costs (risk-adjusted)		\$67,885	\$38,000	\$38,000

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 could 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 Teams, Skype for Business, Yammer, and IM, organizations no longer must rely on third-party solutions and can save on telecom costs.

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 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 Team, Skype for Business, and Yammer. 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.

Eliminated Collaboration Solution Costs: Calculation Table

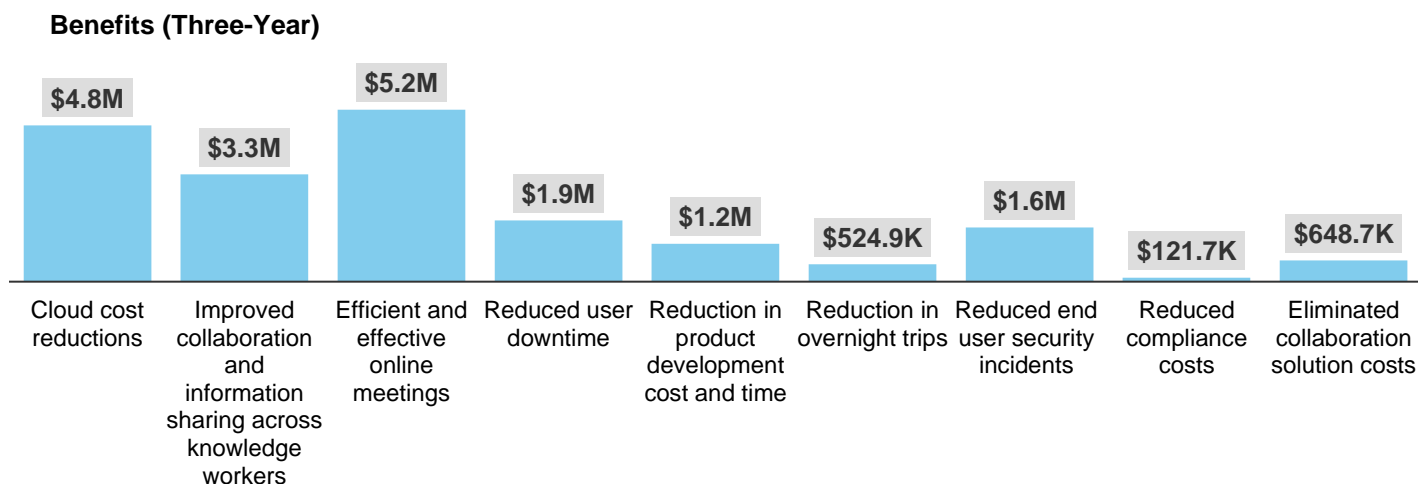
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
J1	Eliminated on-premises hardware	Maintenance following years at 18%		\$250,000	\$45,000	\$45,000
J2	Eliminated webconferencing solution	[50% in Year 1]		\$40,000	\$80,000	\$80,000
J3	Reduced telephony costs			\$50,000	\$100,000	\$125,000
Jt	Eliminated collaboration solution costs	J1+J2+J3	\$0	\$340,000	\$225,000	\$250,000
	Risk adjustment	↓5%				
Jtr	Eliminated collaboration solution costs (risk-adjusted)		\$0	\$323,000	\$213,750	\$237,500

Additional Benefit: Accessibility Features of Office 365 E3

Along with innovations around product offerings, Microsoft is also working to provide 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.

Benefits Summary

The financial results calculated in the Benefits section can be used to determine the benefits and organization may expect from an investment in Office 365 E3. Forrester assumes a yearly discount rate of 10% for this analysis.



Disclosures

The reader should be aware of the following:

- › The study is commissioned by Microsoft and delivered by Forrester Consulting. It is not meant to be a competitive analysis.
- › Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Microsoft Office 365 E3.
- › Microsoft reviewed and provided feedback to Forrester. 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.
- › Microsoft helped to provide some of the customer names for the interviews but did not participate in the interviews.

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ABOUT TEI

Total Economic Impact™ (TEI) 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

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