

The Total Economic Impact™ Of Microsoft Office 365 For Media Organizations

While cloud computing has resulted in changes for many industry, perhaps the industry that has seen the most change is media. By design, most media organizations are very distributed, with many employees working outside of the office, such as journalists, advertising sales reps, and partner relations employees. Additionally, media companies serve consumers who can be located anywhere in the world. Lastly, timeframes have been greatly compressed and the amount of competition has increased across all media types.

Forrester Consulting looked at ways media companies benefit from Microsoft Office 365, which is the cloud-based version of Office Professional Plus, Exchange, Skype for Business (formerly Lync), SharePoint, Yammer, and OneDrive. We found it lowered the solution's total cost of ownership (TCO), increased employee productivity and efficiency, enabled faster delivery of content, enabled IT organizations to complete more projects without adding additional resources, and improved IT security and compliance. Specifically, media companies shared that Office 365 helped them:

- › Gather information for stories and create the final content more efficiently.
- › Launch digital media offerings to consumers around the world more quickly.
- › Advance how the organizations sell advertising and manage accounts.
- › Identify news and culture trends to more quickly create new media forms.
- › Better protect intellectual property.

To explore the potential benefits of using Office 365 in a media organization, Forrester created a composite organization that had the characteristics of the interviewed and surveyed organizations. The composite organization was a global media company with print, television, and digital channels, and it moved 3,500 users from an on-premises 2010 version of Microsoft solutions to Office 365 in the cloud. The Total Economic Impact™ study looks at the financial impacts to the composite organization.

Key Findings

Forrester's study yielded the following key findings for the composite organization:

ROI:
140%

IRR:
268%

NPV:
**\$4.6
million**

**Payback
period:**
6 months

METHODOLOGY

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study to provide business and IT leaders with an understanding of how media companies can benefit by moving from an on-premises Microsoft Office solution to Microsoft Office 365.

To achieve these objectives, Forrester conducted two in-depth phone interviews with a government broadcasting agency and a global multimedia publishing company.

Forrester also conducted an online survey with 34 media companies that have migrated to Office 365.

Forrester then designed a composite organization based on the characteristics of these companies. A representative financial model was constructed using the TEI methodology.











Lastly, Forrester risk-adjusted the financial model based on issues and concerns the surveyed organizations highlighted. Some cost and benefit categories included a broad range of responses or had a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted and are detailed in each relevant section.

The Five Benefit Pillars And Results Summary

Forrester looked at media company business and IT benefits across five broad areas. These pillars, as Microsoft defines them, encompass business transformation, cost savings, and employee productivity gains. In each pillar, we explored the various ways that the interviewed and surveyed media organizations have benefited from moving their employees to Office 365. We also included at least one example from each pillar in the ROI analysis portion of the study. All of the responding companies experienced benefits across the areas highlighted in Figure 1.

Figure 1

Microsoft Office 365 Benefit Pillars And Risk-Adjusted Financial Benefits

Pillar	How Quantified In Study	Financial Impact	Goal
 Technology	Reduce hardware, software, and IT labor costs.	 \$2,338,196	Improve agility, reduce costs , and provide the tools to work efficiently.
 Mobility	Increase worker efficiency with anytime, anywhere access.	 \$4,572,070	Enable journalists, account reps, and executives to work from anywhere on almost any device.
 Control & Compliance	Lower compliance costs and improve capabilities.	 \$523,399	Help protect customer and subscriber data and ensure compliance.
 Business Intelligence	Save money through better decisions from more timely access to information.	 \$903,125	Gain insights into customer usage and content trends to increase revenue .
 Real-time Communication	Improve process efficiency and user productivity.	 \$1,197,969	Deliver compelling content faster through improved collaboration.

Source: Forrester Research, Inc.

The financial results calculated in the Benefits and Costs sections can be used to determine the return on investment (ROI), internal rate of return (IRR), net present value (NPV), and payback period for the composite media company's investment in Microsoft Office 365.

The table below shows the risk-adjusted ROI, IRR, NPV, and payback period values.

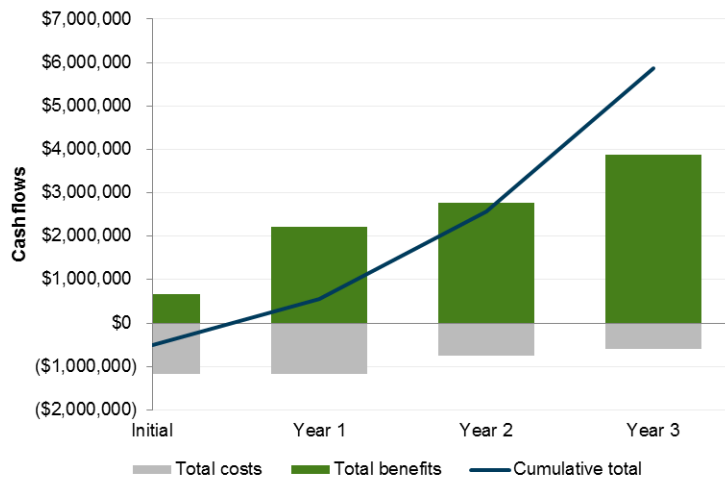
Results Summary

	Initial	Year 1	Year 2	Year 3	Total	PV
Costs	(\$1,168,697)	(\$1,168,309)	(\$744,583)	(\$593,917)	(\$3,675,506)	(\$3,292,372)
Benefits	\$668,661	\$2,220,771	\$2,763,019	\$3,882,309	\$9,534,760	\$7,887,867
Net benefits	(\$500,036)	\$1,052,461	\$2,018,436	\$3,288,392	\$5,859,254	\$4,595,494
ROI	140%					
IRR	268%					
Payback period	Six months (after go-live)					

Source: Forrester Research, Inc.

The graph below shows the risk-adjusted cash flow.

Figure 2
Risk-Adjusted Cash Flow



Source: Forrester Research, Inc.

“We found Office 365 compelling because it has all the bells and whistles of a modern collaboration platform. We use SharePoint in the cloud so users can collaborate on any device from anywhere and at any time. For a news organization, the ability to gather information, write the story, and get it into production quickly is paramount.”

~Deputy CIO, government broadcaster

Benefits

For each of the above pillars, the interviewed media companies and online survey respondents spoke to multiple benefits. In each area, Forrester quantified at least one benefit that is specifically highlighted and comprises the ROI analysis component of this study.

Technology Benefits

In interviewing and surveying media companies, Forrester uncovered that these companies realized the following benefits by moving to Office 365 compared with an on-premises solution:

- › A 10% reduction in Microsoft licensing costs.
- › A 14.1% reduction in third-party license and software costs, e.g., other email solutions and antispam software.
- › A 10.6% reduction in IT support costs for legacy systems.

In addition, Forrester quantified five benefit areas within the technology pillar:

“Out of a team of 17 IT support staff, we probably would have needed to add four more had we not moved to Office 365.”

~Deputy CIO, government broadcaster

› **The composite media company avoided adding new infrastructure hardware.** The move from the 2010 version of the Microsoft solutions to the Office 365 cloud-based solution meant that the organization did not need to purchase, install, and maintain new infrastructure. In total, 36 highly virtualized physical servers were not added over the life of the study, and storage area network (SAN) requirements were reduced by half. This benefit also includes an annual \$750 saving per server, which includes data center hosting costs and labor to maintain, update, and patch the physical servers. The total three-year risk-adjusted savings to purchase, maintain, and host the hardware amounted to \$789,098.

› **Server licenses for various Microsoft solutions were no longer needed.** An on-premises solution comparable to Office 365 would have required 196 Windows Server licenses, 15 Exchange Server licenses, two Skype for Business Server license, and 10 SharePoint licenses. The total three-year risk-adjusted avoided purchase cost plus annual maintenance totaled \$77,974.

› **The implementation effort was 46% less than for a comparable on-premises solution.** Had the composite organization implemented a traditional on-premises deployment of Microsoft 2013 solutions, the internal effort and professional services fees would have been 50% and 40% greater, respectively. This total three-year risk-adjusted savings across all phases equaled \$464,125.

“The ability to provide service without hardware is very compelling. Not buying, patching, maintaining, and cooling servers is great.”

~Operations manager, multimedia company

› **The personnel required to support the solution were reduced significantly.** The total number of personnel required to maintain and grow the Microsoft solutions — Office Professional Plus, Exchange, Skype, SharePoint, Yammer, and OneDrive — in terms of system administration and management of user accounts was reduced significantly. This was in the form of avoiding 1.5 additional hires as well as redeploying 1.5 existing system administrators who could focus on other, higher-value activities. The total three-year risk-adjusted associated savings was \$950,000.

› **The composite media company eliminated its third-party antispam solution.** The composite media company was spending \$20,000 per year on an antispam filtering solution. This was eliminated with capabilities built into Office 365. The total three-year risk-adjusted associated savings was \$57,000.

In the interviews, Forrester heard more specifics about some of the technology benefits achieved, such as simplifying the process of reporters sending in stories. One company told us: “Dealing with journalists requires flexibility. Office 365 gives us the flexibility we need in how we deliver IT services.”

Looking to the future, one of the interviewees sees even more opportunity to move IT to the cloud and reduce costs: “I am looking at using Microsoft Azure as our primary data center in the future. Right now I’m about to spend \$1.8 million to replace our aging converged infrastructure. This is probably the last time I will do that. In four years, I will move almost everything to Azure, and I think that will cost around \$60,000 per year.”

Table 1 highlights the total quantified technology benefits for our composite media company.

Table 1
Total Technology Benefits

Ref.	Benefit Category	Initial	Year 1	Year 2	Year 3
Atr	Avoided backend hardware	\$345,488	\$133,560	\$148,770	\$161,280
Btr	Avoided Microsoft server licenses	\$35,991	\$19,997	\$10,767	\$11,219
Ctr	Reduced implementation effort	\$287,183	\$176,942	\$0	\$0
Dtr	Reduced IT support effort	\$0	\$237,500	\$356,250	\$356,250
Etr	Eliminated third-party antispam solution	\$0	\$19,000	\$19,000	\$19,000
Total technology benefits		\$668,661	\$587,000	\$534,787	\$547,749

Source: Forrester Research, Inc.

Mobility Benefits

The interviews uncovered that these media companies benefited from improved productivity for mobile workers, as well as anywhere, anytime access to information for all employees. As a proportion of total employees, media companies have more mobile workers than many other industries. These workers can include reporters, advertising sales reps, and managers. Additionally, the media industry operates 24x7, so workers who are typically in an office during the day can find anytime, anywhere access very useful when at home during nights and weekends. Said one interviewee: "The old Unix system on our mobile devices was going through a web browser. We now have Outlook available on every platform, which saves all users time." Another interviewee said: "We obviously have a lot of mobile workers. Our journalists are always on the go. We also have everyone on the advertising side constantly travelling to customer meetings."

From the survey, Forrester learned that 41% of the media companies said mobile access has created greater end user productivity due to improved communications and knowledge sharing; 47% said it had improved worker effectiveness and decreased business process times; and 38% reported that their mobile users are affected less by PC crashes, as they can access all the material from their mobile device.

For the financial analysis, Forrester looked at improved productivity for 500 mobile workers, growing to 650 by Year 3 of the study. This group comprises mainly journalists, advertising sale execs, and managers. The reduction in time to access systems and information improves their productivity; since a VPN is no longer needed because of direct access via IPv4 and IPv6, they can now access these systems from wherever they are, even at very remote sites. Office 365 also provides these users with a more seamless user experience across devices with less downtime, which also improves their mobile productivity.

In Year 1 of the study, the weekly time savings is 2.5 hours. This increases to 3.75 hours per week by Year 3, as Skype and SharePoint are fully integrated and employees become more comfortable working in this new paradigm. This productivity gain can be used to create more content and sell more ad space, or it can be a source of cost savings through avoided additional hiring. Forrester discounted this benefit by 50% since not all productivity gains translate into additional work.

As there are a variety of forces that could affect productivity outcomes within a media company, this benefit was risk-adjusted and reduced by 15%. The risk-adjusted total benefit resulting over the three years was \$4,572,070. Table 2 highlights how this benefit was calculated.

Table 2
Increased Mobile Worker Productivity

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
F1	Number of workers		500	550	650
F2	Hours per day saved with use of Office 365 on mobile devices		0.50	0.50	0.75
F3	Average hourly salary	\$85,000/2,000 hours	\$42.50	\$42.50	\$42.50
F4	Number of workdays per year		250	250	250
F5	Percent of benefit realized		50%	50%	50%
Ft	Increased mobile worker productivity	$F1 \times F2 \times F3 \times F4 \times F5$	\$1,328,125	\$1,460,938	\$2,589,844
	Risk adjustment	↓15%			
Ftr	Increased mobile worker productivity (risk-adjusted)		\$1,128,906	\$1,241,797	\$2,201,367

Source: Forrester Research, Inc.

Control And Compliance Benefits

Control and compliance includes regulatory compliance, eDiscovery, audit, policy management, IT security policies, and other similar activities. For media companies, IT security is very important because these organizations are very often the intended victim of hackers looking to steal content or achieve the notoriety of a high-profile hack. Thirty-two percent of survey respondents said it was easier to manage policies across all device types, 29% said they spend less time on eDiscovery activities, and 24% reported lower compliance costs because of industry best practices built into Office 365. We also learned that compliance costs were reduced, on average, by 9.8%. The time spent on eDiscovery activities was reduced by 12.7%.

In the survey and interviews, Forrester heard that Office 365 helped with meeting compliance requirements for:

- › Data processing agreements (DPAs).
- › ISO 27001.
- › European Union (EU) Model Clauses.
- › Sarbanes-Oxley (SOX).
- › Statements on Standards for Attestation Engagements No. 16 (SSAE 16).
- › OSHA.

“Microsoft provides the tools and best practices necessary to deal with spam and malicious emails.”

~ Operations manager, multimedia company

Forrester included three benefits in the control and compliance area. The first is less downtime for users when their computer crashes because all documents are available from the cloud. This was included in control and compliance because access to one’s files in the cloud is only possible if data storage and retention policies are followed. One interviewee said: “One of the biggest benefits is that with online storage, we are not exposed to data loss. People used to store stuff on local computers, and if the hard drive went, everything was lost. This no longer happens. My policy is that everything an employee would need to take time to recreate must be stored online.”

For the financial analysis, we included 60 computer crashes per year. Downtime decreased from two days to half a day. The half-day is because employees may need to go home or get a loaner computer if they need to access files from something other than their phone or a tablet that they have on hand. Because the

number of crashes and the amount of downtime can vary widely, this benefit was risk-adjusted and reduced by 10%. The risk-adjusted total benefit resulting over the three years was \$82,620.

Table 3
Less User Downtime From Computer Crashes

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
G1	Number of computer crashes		60	60	60
G2	Average reduced downtime (days)	(2 days -> 0.5 days)	1.5	1.5	1.5
G3	Daily average fully burdened business user salary	\$85,000/250 days	\$340	\$340	\$340
Gt	Less user downtime from computer crash	$G1 \times G2 \times G3$	\$30,600	\$30,600	\$30,600
	Risk adjustment	↓10%			
Gtr	Less user downtime from computer crashes (risk-adjusted)		\$27,540	\$27,540	\$27,540

Source: Forrester Research, Inc.

Interviewed agencies also reported fewer IT security events from phishing and other email-related vulnerabilities. One interviewee said: “In the past, we had phishing and spear phishing problems. That has now gone away. The first thing I did when I got here was organize the cleanup of a massive threat.” The survey showed that the number of data breaches was cut by nearly 50%.

For the composite media company, Forrester included two security events per year that required a large IT response. Each of these events took two weeks; this includes the time it takes to recover from the event, as well as the time to put the necessary patches and protections in place to close that vulnerability and be compliant with security mandates. The response team consisted of six full-time equivalents (FTEs). The number and types of events that take place will vary across organizations. To compensate for this variance, this benefit was risk-adjusted and reduced by 10%. The risk-adjusted total benefit over the three years was \$155,779.

Table 4
Security Attack IT Team Savings

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
H1	Events per year		2	2	2
H2	Weeks to clean up		2	2	2
H3	Number of IT FTEs involved		6	6	6
H4	Weekly average fully burdened IT salary	\$125,000/52 weeks	\$2,404	\$2,404	\$2,404
Ht	Security attack IT team savings	$H1 \times H2 \times H3 \times H4$	\$57,696	\$57,696	\$57,696
	Risk adjustment	↓10%			
Htr	Security attack IT team savings (risk-adjusted)		\$51,926	\$51,926	\$51,926

Source: Forrester Research, Inc.

The last area we looked at in the control and compliance pillar was reduced disaster recovery (DR) and business continuity costs. This was a very strong benefit for the interviewed organizations. Email systems are generally considered mission-critical and more often than not lack adequate business continuity and disaster recovery capabilities.

The amount of savings reported by the interviewees for third-party DR solutions for email ranged from \$100,000 to \$200,000. This benefit began in Year 2 after the existing contract ended. We risk-adjusted this down 5% because the amount spent on DR solutions varies, resulting in a three-year risk-adjusted savings of \$285,000.

“It became immediately clear that we didn’t have the budget to support DR and business continuity at remote locations. We now get that through the Office 365 cloud platform.”

~ Deputy CIO, government broadcaster

Table 5
Eliminated External DR Costs

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
I1	Number of reduced trips			\$150,000	\$150,000
It	Eliminated external DR costs	=I1		\$150,000	\$150,000
	Risk adjustment	↓5%			
Itr	Eliminated external DR costs (risk-adjusted)			\$142,500	\$142,500

Source: Forrester Research, Inc.

Business Intelligence Benefits

The importance of business intelligence and the value of data within a media company have become more important over the past several years. With multiple distribution channels, increased competition, and shorter time cycles, understanding what is going on in the business and making timely decisions is critical to success. One interviewee said: “We now make better and faster decisions because of Office 365. This is especially true in our advertising sales department where they can now better tailor offers to our customers.”

Thirty-eight percent of survey respondents reported a decrease in “time-to-decision” and said that the average reduction was 17.5%. Thirty-eight percent also said that employee performance has improved because they have better access to information through company portals.

For the composite organization, Forrester looked at the increased productivity of 250 employees (increasing to 350 by Year 3) who spend a good portion of their day making decisions or completing analyses. These include marketing analysts, program managers, ad sales reps, and company executives. In Year 1, these workers see an average savings of 45 minutes per week. As they become more comfortable working with the features and utilize Office 365 more to aid their decision-making process, this increases to 1.25 hours per week by Year 2. This time savings can be used to complete additional value-add work as well as avoid the need for new hires. Because not all time savings result in added work, Forrester discounted this benefit by 50%.

Since the number of affected employees as a proportion of all employees varies greatly from one organization to another, this benefit was risk-adjusted and reduced by 15%. The risk-adjusted total benefit over the three years was \$903,125.

Table 6
Reduced Decision-Making Time

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
J1	Number of affected workers		250	300	350
J2	Hours saved per day		0.15	0.25	0.25
J3	Workdays per year		250	250	250
J4	Total man-days saved	$J1 \times (J2/8 \text{ hours}) \times J3$	1,172	2,344	2,734
J5	Average daily salary	$\$85,000/250 \text{ workdays}$	\$340	\$340	\$340
J6	Total potential savings	$J4 \times J5$	\$398,438	\$796,875	\$929,688
J7	Percent of benefit realized		50%	50%	50%
Jt	Reduced decision-making time	$J6 \times J7$	\$199,219	\$398,438	\$464,844
	Risk adjustment	↓ 15%			
Jtr	Reduced decision-making time (risk-adjusted)		\$169,336	\$338,672	\$395,117

Source: Forrester Research, Inc.

Real-Time Communications Benefits

The way individuals live their personal lives in terms of using online social interaction services and other real-time communication tools is affecting how people communicate and collaborate in the workplace. A major component of Office 365 is enabling these interactions to improve knowledge sharing, collaboration, and productivity. Interviewed media companies reported that the real-time communication tools and features improve their workplace. These features allow the organizations to create content better and faster than before and enhance service to customers.

The interviewed companies shared with us the variety of ways they are using these features to improve their business. For example, we heard: “Reporters can be anywhere in the country; thus, we need an effective collaboration platform that enables staff to submit stories, photographs, and information on time.” Another interviewee said: “Our staff now has more effective meetings using video. This has created better collaboration.”

There are many ways that the real-time communication features of Office 365 can have an impact on an organization. For the quantified portion of the real-time communication benefits pillar, Forrester looked at two areas. The first is the hard cost savings from eliminating other webconferencing solutions and reducing long-distance phone calls. The second area is the improved processes to create and publish content.

The investment in Office 365 eliminated the need for the composite organization to continue to invest in webconferencing solutions provided by other vendors. Instead, scheduled and ad hoc meetings are completed using Skype and Yammer. Additionally, many long-distance calls were eliminated. Media companies have higher telecom bills compared with many other industries. “Office 365 has really had an

“With Skype, we can immediately interact with the audience. We can bring them programing and engage with them in real time.”

~Deputy CIO, government broadcaster

impact on long-distance calling,” said one interviewee. “Using Skype instead of point-to-point phone calls saves us \$20,000 a month.”

These hard savings should be realizable by all organizations previously using other solutions for webconferencing or audioconferencing. Because costs vary based on usage and geographic reach, this benefit was risk-adjusted and reduced by 15%. The risk-adjusted total benefit over the three years was \$701,250.

Table 7
Eliminated Communication Technology

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
K1	Eliminated webconferencing solution		\$75,000	\$75,000	\$75,000
K2	Reduced long-distance phone calls	\$20,000*12 months [1/2 in Year 1]	\$120,000	\$240,000	\$240,000
Kt	Eliminated communication costs	K1+K2	\$195,000	\$315,000	\$315,000
	Risk adjustment	↓15%			
Ktr	Eliminated communication costs (risk-adjusted)		\$165,750	\$267,750	\$267,750

Source: Forrester Research, Inc.

There is also opportunity for future savings by moving to a virtual private branch exchange (PBX). One interviewee is planning to do this: “The next thing I need to deal with is my PBX. Pretty soon I’ll be able to move it to the cloud. That is the next logical step. I’ve already moved email, videoconferencing and SharePoint document collaboration. Everything I need in case of an unfortunate incident will be available in the cloud.”

With the use of real-time communication features, the composite media company was able to save time creating and publishing content. Collaboration between people in the field and those in the office has improved and become faster. One interviewee reported saving 4 to 5 hours in creating a new story for publication. Collaboration has also improved between employees and people outside the company. The result is better quality and more relevant content, created and delivered more quickly.

The model assumes that the composite organization uses improved real-time communication to publish stories faster 1,000 times in Year 1. These are instances where multiple parties need to collaborate heavily on the content. This increases to 2,750 stories in Year 3, as the Office 365 solutions are more widely used and employees see the value of increased collaboration and streamlining processes.

To compensate for the variety of process times and types of processes that can be streamlined, the benefit was risk-adjusted and reduced by 15%. The risk-adjusted total benefit over the three years was \$496,719.

Table 8
Reduced Time Creating Content

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
L1	Number of content pieces with reduced production time		1,000	1,750	2,750
L2	Average hourly salary	\$85,000/2,000 hours	\$42.50	\$42.50	\$42.50
L3	Time saved per piece (hours)		5	5	5
L4	Total potential savings	$L1 * L2 * L3$	\$212,500	\$371,875	\$584,375
L5	Percent of benefit realized		50%	50%	50%
Lt	Reduced time spent producing content	$L4 * L5$	\$106,250	\$185,938	\$292,188
	Risk adjustment	↓15%			
Ltr	Reduced time spent producing content (risk-adjusted)		\$90,313	\$158,047	\$248,359

Source: Forrester Research, Inc.

Total Quantified Benefits

The total quantified benefits, as well as present values (PVs) discounted at 10%, are shown in the table below. Over three years, the composite media company expects risk-adjusted total benefits to be a PV of \$7.89 million.

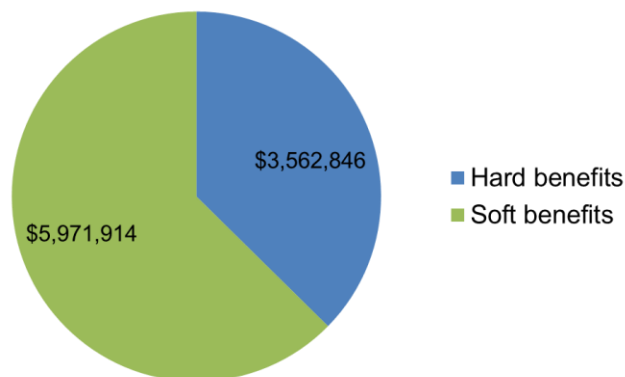
Table 9
Total Quantified Benefits (Risk-Adjusted)

Ref.	Benefit Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Atr	Avoided backend hardware	\$345,488	\$133,560	\$148,770	\$161,280	\$789,098	\$711,028
Btr	Avoided Microsoft server licenses	\$35,991	\$19,997	\$10,767	\$11,219	\$77,974	\$71,498
Ctr	Reduced implementation effort	\$287,183	\$176,942	\$0	\$0	\$464,125	\$448,039
Dtr	Reduced IT support effort	\$0	\$237,500	\$356,250	\$356,250	\$950,000	\$777,986
Etr	Eliminated third-party antispam solution	\$0	\$19,000	\$19,000	\$19,000	\$57,000	\$47,250
Ftr	Increased mobile worker productivity	\$0	\$1,128,906	\$1,241,797	\$2,201,367	\$4,572,070	\$3,706,477
Gtr	Less user downtime from computer crash	\$0	\$27,540	\$27,540	\$27,540	\$82,620	\$68,488
Htr	Security attack IT team savings	\$0	\$51,926	\$51,926	\$51,926	\$155,779	\$129,133
Itr	Eliminated external DR costs	\$0	\$0	\$142,500	\$142,500	\$285,000	\$224,831
Jtr	Reduced decision-making time	\$0	\$169,336	\$338,672	\$395,117	\$903,125	\$730,693
Ktr	Eliminated communication costs	\$0	\$165,750	\$267,750	\$267,750	\$701,250	\$573,127
Ltr	Reduced time spent producing content	\$0	\$90,313	\$158,047	\$248,359	\$496,719	\$399,316
Total benefits (risk-adjusted)		\$668,661	\$2,220,771	\$2,763,019	\$3,882,309	\$9,534,760	\$7,887,867

Source: Forrester Research, Inc.

While all of the benefits included in the ROI analysis are very important, Forrester looked at the soft benefits versus hard benefits delivered by Office 365. Hard benefits include specific external cost savings such as reduced license payments to Microsoft and discreet labor savings such as reduced implementation time. Soft savings include general process efficiency gains that can improve the productivity of many workers; this included Ftr, Jtr, and Ltr in Table 9 above. Approximately 40% of the benefits included fall into the hard category.

Figure 3
Hard Versus Soft Benefits



Source: Forrester Research, Inc.

Costs

The quantified costs include:

- › **Internal implementation labor.** The full deployment of Office 365 was undertaken in two phases. Phase one, completed in the initial period, consisted of standing up the Office 365 solution, migrating all email accounts and users to Exchange Online from Exchange 2007 on-premises, moving all users to Office 365 Professional Plus from Office Professional Plus 2007 local clients, and deploying OneDrive for all users. Five internal FTEs worked on this for seven months. Phase two, completed in Year 1, consisted of a completely new deployment of Skype for Business and Yammer, as well as migrating from SharePoint 2007 on-premises to the latest version of SharePoint Online. Five FTEs worked on this for six months. The total internal implementation labor, risk-adjusted up 10%, was \$774,816.
- › **Professional services.** The composite organization used Microsoft partner professional services during both phases of deployment. It used the professional services to properly set up the solutions and help with any challenges. The total professional services cost, risk-adjusted up 15%, was \$431,250.
- › **Training.** Training was required for the IT team on the new and updated solutions being deployed, as well as some training on the differences in administering Office 365 compared with on-premises versions. Sixty days of IT training took place in the initial period to train the entire IT organization, with 40 additional training days in years 1 and 2. Additionally, two internal employees provided user training to the rest of the composite organization. In total, the external training charges for IT and the internal costs for user training, risk-adjusted up 10%, amounted to \$871,200. The interviewees noted that one of the reasons they selected Office 365 as their cloud solution was because it is so similar to the on-premises solutions employees already used, and this meant less training and change management issues.
- › **Ongoing system administration.** The Benefits section describes the number of system administrator positions that did not need to be added or could be reassigned. The remaining system administration team consisted of two FTEs in Year 1, and the team grew to three FTEs by Year 3 to handle additional requirements with the overall greater usage and additional users. The three-year associated costs, risk-adjusted up 5%, were \$918,750.
- › **Incremental Microsoft licenses.** For individual user licenses, the composite organization compared Office 365 with the Software Assurance (SA) pricing model to provide the best apple-to-apple comparison of a solution that always has users on the latest version of Microsoft technologies. Office 365 cost \$47.88 more per year for each user compared with the Software Assurance licenses. The accumulated additional cost, risk-adjusted up 5%, was \$668,225 over three years.
- › **Federation hardware.** The composite organization desired to use identity federation for improved single sign-on (SSO) internally and with partner/customer companies. This required the installation and ongoing maintenance of two Active Directory Federation Services (ADFS) servers. The three-year cost to purchase, maintain, and host the servers was \$41,265. One of the interviewed companies reported using virtual servers with no incremental charge. Forrester included the costs of adding physical servers to be conservative.
- › **Additional bandwidth.** Moving to Office 365 resulted in a net increase of bandwidth required. Some areas, such as Exchange, saw a reduction, while other areas, such as a new deployment of Skype for Business, saw an increase. In many industries, this could result in bandwidth being added and incremental costs. For the media composite organization, Forrester assumed that no additional bandwidth was required because there was already a very large amount of bandwidth available for moving large content files around. One interviewee said: "We are well supplied with bandwidth since we're a media organization. We didn't need to add anymore for Office 365."

Total Costs

The total costs, as well as present values (PVs) discounted at 10%, are shown in the table below. Over three years, the composite organization expects risk-adjusted total costs to be a PV of \$3.29 million.

Table 10
Total Costs (Risk-Adjusted)

Ref.	Cost Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Mtr	Internal implementation labor	\$401,055	\$343,761	\$0	\$0	\$744,816	\$713,565
Ntr	Professional services fees	\$345,000	\$86,250	\$0	\$0	\$431,250	\$423,409
Otr	Training costs	\$294,800	\$288,200	\$288,200	\$0	\$871,200	\$794,982
Ptr	Ongoing system administration	\$0	\$262,500	\$262,500	\$393,750	\$918,750	\$751,409
Qtr	Incremental Microsoft licenses	\$102,643	\$182,243	\$188,528	\$194,812	\$668,225	\$570,491
Rtr	Federation hardware	\$25,200	\$5,355	\$5,355	\$5,355	\$41,265	\$38,517
Total costs (risk-adjusted)		\$1,168,697	\$1,168,309	\$744,583	\$593,917	\$3,675,506	\$3,292,372

Source: Forrester Research, Inc.

About Microsoft Office 365

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

Office 365 is the same Office you already know and use every day — and then some. Because Office 365 is powered by the cloud, you can get to your applications and files from virtually anywhere — such as a PC, Mac, and select mobile devices — and they're always up to date. The same goes for updates to features; you get them automatically. Business-class email and calendaring are kept in sync and help you avoid communication glitches. With business-class email and shared calendars that you can get to from virtually anywhere, people stay in sync and on schedule.

Specific feature-related benefits include:

- › **Online conferencing puts everyone on the same page.** With online conferencing, distance really isn't an issue. Need to get everyone together? Host an online meeting complete with real-time note-taking and screen sharing.
- › **Extend your reach with simple, more secure file sharing.** Office 365 makes it easy to more securely share files with coworkers, customers, and partners. Work together on documents that are always current and accessible from virtually anywhere.
- › **Build your online presence, minus the hosting fees.** More effectively market your business with a public website that's easy to set up and update. It's DIY with online tools and absolutely zero hosting fees.
- › **You get one familiar experience, even on the go.** Office 365 mobile apps let you view and edit your Word, Excel, and PowerPoint files and more on your mobile device. And when you get back to your desk, there they are, with content and formatting intact.
- › **Create docs from any browser.** With the touch-friendly applications of Office Online, you can create, edit, and share your Office files from any browser. You can even share and work on docs at the same time as others and avoid versioning hassles later.
- › **You get security, compliance, and privacy you can trust.** Security, compliance, and privacy in the cloud? Yes. And Microsoft is continually making improvements in Office 365 to earn and maintain your trust.

Disclosures

- › The study is commissioned by Microsoft and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.
- › Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Microsoft Office 365.
- › Microsoft reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

GLOSSARY

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

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

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

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

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

Internal rate of return (IRR): The interest rate that will bring a series of cash flows (positive and negative) to an NPV of zero.

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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 management and other key business stakeholders. The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility.

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