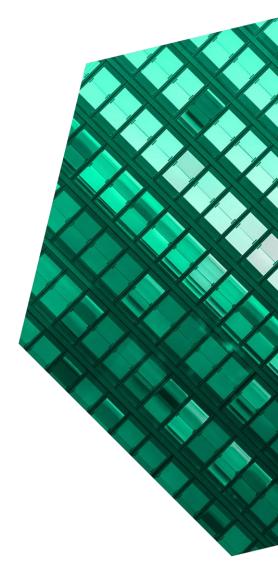FORRESTER®

The Total Economic Impact™ Of Microsoft 365 For Business (Microsoft 365 Business Basic, Microsoft 365 Business Standard, And Microsoft 365 Business Premium)

Cost Savings And Business Benefits

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Consulting Team: Jennifer Adams
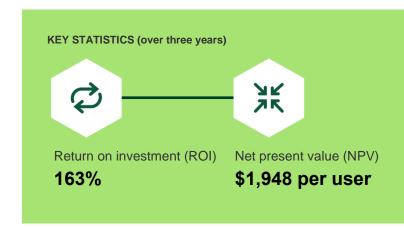*Nick Mayberry*

Executive Summary

> With Microsoft 365 for business, small and medium-size businesses can enhance collaboration, improve productivity, and seamlessly support secure remote work. Microsoft 365 for business brings Microsoft Teams, Microsoft Office apps, and collaboration tools together in a cost-effective, easy to use platform. Microsoft's enterprise-level technology, security, and support are available to small and medium-size businesses.

Small and medium-size businesses (SMBs) must successfully manage many of the same collaboration challenges that face larger enterprises. Recent Forrester survey data reports that 70% of information workers at SMBs collaborate daily with colleagues in different locations, and over half rely on technology to support that collaboration.[1]

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) SMBs may realize by deploying Microsoft 365 for business. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Microsoft 365 for business on their organizations. Microsoft 365 for business is a secure, subscription-based, integrated suite of Microsoft productivity and collaboration solutions. Depending on the user plan that is chosen, Microsoft 365 for business offers access to Word, Excel, PowerPoint, Outlook, Exchange, Teams, SharePoint, OneDrive, Publisher, Access, Azure Information Protection, Microsoft Defender for Office 365, Intune, and Azure Active Directory (Premium Plan 1).

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed nine customers with experience using Microsoft 365 for business.

Prior to using Microsoft 365 for business, the customers relied on a patchwork of unconnected solutions for employee productivity and collaboration. The employees often stored data on individual

KEY STATISTICS (over three years)

Return on investment (ROI)
163%

Net present value (NPV)
$1,948 per user

computers, which made it difficult to access information remotely or to collaborate on tasks. The IT managers spent significant time managing, updating, and troubleshooting various tools and software solutions. As a by-product, the customers experienced inflated travel expenses and technology costs.

After the investment in Microsoft 365 for business, the customers experienced organization-wide improvements to productivity and reductions to travel and technology expenses. Key results from the investment include:

- **The shift to secure, remote work was seamless.** With Microsoft 365 for business, the companies were able to seamlessly shift to a work-from-home environment during the COVID-19 pandemic without experiencing any downtime. In contrast, in a recent Forrester survey, only

> ❝ **As our team started to grow, we needed a partner [Microsoft] who we could trust and support our growth, safety and security.** ❞
>
> — Director of programs and operations, non-profit, Microsoft 365 Business Premium

37% of SMBs reported they were prepared for the COVID-19 transition to remote work.[2]

- **All employees use the same version of the Microsoft Office Suite.** With Microsoft 365 for business all employees have the most current and up-to-date version of Office applications, which allows everyone to be on a standard platform. Additionally, Microsoft handles all software updates, saving the IT manager's time.

- **Files are stored securely in the cloud.** OneDrive and SharePoint provide a secure, file-sharing system. Employees can access files from anywhere making it easy to get information from remote locations or when traveling. Employees and the IT managers spend less time retrieving and recreating lost data. Files and data are stored securely in the cloud, which reduces the risk of confidential data loss.

- **Travel time and cost were reduced**. Employees use Microsoft Teams for virtual meetings with employees, partners, contractors, and investors.

Teams helps save travel time and associated expenses.

- **E-mail was more secure through the mitigation of phishing attacks.** Microsoft Defender for Office 365 helped secure e-mails and communications between employees and individuals outside the company.

- **The IT team could spend more time on higher value-added work.** With Microsoft 365 for business, it is easy for the IT manager to set up new employees for access to Microsoft Office applications and e-mail. The IT manager saves time which can be used for higher value tasks.

- **Smaller companies now have an enterprise look and feel.** Microsoft 365 for business gives small businesses enterprise-grade products that help them look and function like a larger enterprise.

> *"Having our own custom domain and e-mail is nice. It gives small businesses the look and feel of an enterprise company."*
>
> Founder, non-profit, Microsoft 365 Business Basic

KEY FINDINGS

Quantified benefits. Risk-adjusted quantified benefits include:

- **Improved business user productivity by 1 hour weekly per employee.** The integrated Microsoft suite of productivity and collaboration tools saved employees 1 hour per week. For an organization of just 70 employees, this amounts to over 3,500 person-hours of productivity added annually.

- **Improved efficiency of IT teams by 4 hours weekly per team member.** Microsoft 365 for business saved IT managers 4 hours weekly. IT managers spent less time managing, updating, and troubleshooting applications with Microsoft's integrated suite of solutions. They also saved time recovering accidentally deleted files.

- **Reduced travel costs by $900.00 annually per traveling employee.** Microsoft 365 for business enabled employees to rely more on virtual conferencing for meetings with both colleagues and customers. This saved organizations the direct travel expenses from previous in-person and on-site meetings.

- **Avoided $29.00 per employee per month on technology costs.** Microsoft's integrated solutions allowed customers to reduce their reliance on multiple tools for productivity and collaboration. By decommissioning legacy solutions for cloud file storage, collaboration, and virtual meetings, the interviewed customers were able to reduce their technology costs.

Avoided monthly technology cost per user

$29 per month

Unquantified benefits. Other benefits the interviewed customers realized that are not quantified for this study include:

- **Reduced total cost of risk.** Microsoft 365 for business improved the customers' security and risk environment. They could better safeguard their intellectual property and sensitive customer data.

- **Cash flow shifted from capex to opex.** Through Microsoft's ongoing, subscription-based investments, customers were able to move away from one-time, upfront technology investments. This made it easier to predict technology-related costs as the organizations scaled.

- **Improved time-to-market.** By using Microsoft 365 for business collaboration tools, customers improved the sharing of data and insights about their go-to-market strategies, executing these up to 50% faster.
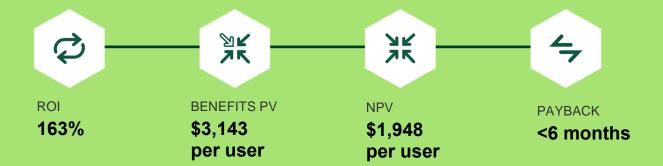
Costs. Risk-adjusted costs include:

- **Initial planning and implementation.** Customers reported having one IT manager (one FTE) spend one month of their time on the planning and implementation of Microsoft 365 for business. Customers used professional services and incurred associated fees to help with the installation.

- **Microsoft 365 for business subscription costs.** Microsoft 365 for business is priced on a monthly per-user, per-plan basis. User plans entail either Basic, Standard, or Premium services, with access to Microsoft solutions and services varying by plan.

- **Ongoing Microsoft 365 management.** Customers reported that one FTE spent 1 hour weekly managing Microsoft 365 for business. Customers also used professional services and incurred associated fees.

- **End-user training.** Customers shared that 1 hour of training was needed per user for Microsoft 365 for business.

The customer interviews and financial analysis found that a typical organization experiences benefits of $3,143 per user over three years versus costs of $1,194, adding up to a net present value (NPV) of $1,948 per user and a return on investment (ROI) of 163%. For a company of 70 employees, all using Microsoft 365 for business, this results in a NPV benefit of $136.4K over three years.

> *"We moved a lot of our team to remote home offices. [With Microsoft 365 for business] we haven't missed a beat with communication either in the office or having people work remotely."*
>
> Partner, human resources, Microsoft 365 Business Premium

ROI	BENEFITS PV	NPV	PAYBACK
163%	**$3,143 per user**	**$1,948 per user**	**<6 months**

The ROI, benefits PV per user, NPV, and payback period presented above are based on a three-year period.

Benefits Per User (Three-Year)

Business user automation and process improvements	$1,819
IT team automation and process improvements	$400
Travel cost displacement	$288
Vendor license consolidation	$637

Business user automaton and process improvements account for 58% of the total benefit.

ROI: return on Investment

PV: present value

NPV: net present value

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Microsoft 365 for business.

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 365 for business can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This 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 365 for Business.

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.

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

DUE DILIGENCE
Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Microsoft 365 for business.

CUSTOMER INTERVIEWS
Interviewed nine decision-makers at organizations using Microsoft 365 for business to obtain data with respect to costs, benefits, and risks.

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

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

CASE STUDY
Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Microsoft 365 For Business Customer Journey

■ Drivers leading to the Microsoft 365 for business investment

Interviewed Organizations			
Industry	**Region**	**Interviewee**	**Microsoft 365 For Business Users (Tier)**
Technology	USA	Founding owner	2 users (Microsoft 365 Business Basic)
Technology	USA	CIO	10 users (Microsoft 365 Business Standard)
Human resources	USA	Group business manager	12 users (Microsoft 365 Business Standard)
Human resources	USA	Partner	• 12 users (Microsoft 365 Business Premium) • 1 user (Microsoft 365 Business Basic)
Healthcare	UK	Partner	• 10 users (Microsoft 365 Business Premium) • 5 users (Microsoft 365 Business Standard) • 5 users (Microsoft 365 Business Basic)
Non-profit	USA	Director of programs and operations	• 25 users (Microsoft 365 Business Premium) • 3 users (Microsoft 365 Business Standard)
Agriculture	USA	CEO	• 40 users (Microsoft 365 Business Standard) • 9 users (Microsoft 365 Business Basic)
Technology	USA	Director of IT	• 1 user (Microsoft 365 Business Premium) • 69 users (Microsoft 365 Business Standard)
Non-profit	UK	Head of community	72 users (Microsoft Business 365 Premium)

KEY CHALLENGES

Before investing in Microsoft 365 for business, the interviewed customers relied on a mix of digital and physical processes. For productivity-oriented workstreams, many customers were already using Microsoft products such as Word, Excel, and PowerPoint, whether locally or in the cloud with Office 365. For collaboration-oriented workstreams, customers used a variety of third-party cloud storage, instant messaging, and videoconferencing solutions, as well as analog processes, such as physical file storage, in-person meetings, and phone calls.

The interviewed organizations struggled with common challenges, including:

• **Inefficient and complex workloads for lean IT teams.** Like many small businesses, the interviewed companies had small, lean IT teams.

Often the IT team was just one employee tasked with managing technology. Multiple solutions and versions in concurrent use by employees created needless complexity for these IT managers, who sometimes also had important non-IT jobs to complete. Before, these IT managers spent a lot of time setting up new employees for access to Microsoft applications, managing e-mail and recovering lost documents.

> *"When we jumped into Microsoft 365 it became one package for everybody. It was cloud-based with no more disks that you had to load into your computer or upgrades to worry about."*
>
> CEO, agriculture, Microsoft 365 Business Basic

- **Poor security posture.** Employees often stored important files with confidential information on their personal computers. Some employees reserved copies of their files via insecure cloud backup services. This increased the risk of losing intellectual property or confidential customer data to a data breach. Employees often lost or deleted files and had to work with the IT team to find and recover the lost information. Lastly, employees were subject to phishing attacks aimed at gaining access to sensitive information or installing malware.

> *"Before, our IT person had to do a lot of work on our server making sure everything stayed connected and linked on our network. That's gone by the wayside since we switched to 365. We don't have issues with people getting dropped off the network."*
>
> Group business manager, human resources, Microsoft 365 Business Standard

- **Difficult collaboration.** Most customers relied on a traditional process for collaboration, such as phone calls or in-person meetings. These would need proper scheduling, which would lead to delays and possible reductions in productivity for collaborating employees. Digital collaboration occurred mostly via e-mail, which inefficiently involved a lot of back-and-forth communication. Some companies did not have tools to facilitate remote work or live video meetings, meaning that employees would have to travel regularly for face-to-face meetings with other employees, customers, and partners. This was both time-consuming and expensive.

> *"Before we were e-mailing each other Word documents and had various versions of a document going around. Now we have one live document that everyone edits and adds comments to."*
>
> Partner, healthcare, Microsoft 365 Business Premium

COMPOSITE ORGANIZATION

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

Description of composite. The composite organization is a small business that generates $10 million in revenue annually. It employs a total of 70 full-time employees, including one employee who is responsible for IT workloads. Of these employees, 10 regularly travel for business purposes.

Deployment characteristics. All 70 employees use Microsoft 365 for business. The employees use different versions of Microsoft 365 for business based on their roles and responsibilities. Five employees use Microsoft 365 Business Basic; 25 employees use Microsoft 365 Business Standard; and 40 employees use Microsoft 365 Business Premium. Employees such as administrative staff who just need access to Word, Excel, and Outlook use the Basic version. Employees who collaborate extensively with colleagues and customers, such as salespeople, use the Standard version. While employees with expanded responsibilities, including executives, managers, and IT team members, use the Premium version.

Microsoft 365 Business Basic includes web and mobile versions of Word, Excel, PowerPoint, Teams, Exchange, OneDrive, and SharePoint. Microsoft 365 Business Standard includes web, mobile, and desktop versions of Word, Excel, PowerPoint; and desktop versions of Publisher and Access, Teams, Exchange, OneDrive, and SharePoint. Microsoft 365 Business Premium includes everything in Standard plus advanced cyberthreat protection with Microsoft Defender 365 for Office, rights management and document encryption with Azure Information

Protection, identity and access management with Azure Active Directory (Premium Plan 1), and device management with Intune.

Key assumptions
- **$10 million in revenues**
- **70 FTEs using Microsoft 365 for business**
  - **5 Microsoft 365 Business Basic**
  - **25 Microsoft 365 Business Standard**
  - **40 Microsoft 365 Business Premium**
- **1 IT employee**
- **10 FTEs travel regularly**

The composite organization collaborated with a Microsoft solution provider on the initial Microsoft 365 for business installation, and it continues to retain the Microsoft solution provider on an ad hoc basis.

Analysis Of Benefits

Quantified benefit data as applied to the composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Business user automation and process improvements	$51,188	$51,188	$51,188	$153,563	$127,296
Btr	IT management automation and process improvements	$11,251	$11,251	$11,251	$33,752	$27,979
Ctr	Travel cost displacement	$8,100	$8,100	$8,100	$24,300	$20,144
Dtr	Vendor license consolidation	$10,962	$21,924	$21,924	$54,810	$44,556
	Total benefits (risk-adjusted)	$81,500	$92,462	$92,462	$266,425	$219,975

BUSINESS USER AUTOMATION AND PROCESS IMPROVEMENTS

Evidence and data. As compared with their prior technology environment, interviewed customers shared that Microsoft 365 for business improved their employees' productivity. Before Microsoft 365 for business, employees had limited access to the files they needed to complete their daily work. They would often store files locally on their individual machines and then share them via e-mail. This required added back-and-forth communication. In addition, with customers' previous third-party, cloud-storage solutions, employees got into the habit of infrequently uploading files. This would force them to hunt down the most recent version from a colleague. If employees either lost files or accidentally deleted them this work would need to be recreated; that is, if IT was unable to restore the lost data.

Employees had limited collaboration options. Most customers relied on in-person events with travel to both employer and customer meetings. When employees used digital tools, collaboration often happened inefficiently via e-mail. This would increase the time needed to complete tasks requiring teamwork.

With Microsoft 365 for business, employees were able to store files securely in the cloud. SharePoint and OneDrive allowed them to access files from anywhere. This gave individual business users immediate access to the most up-to-date versions from any location and any device. In the case of business users either losing or deleting files stored on personal hard drives, Microsoft 365 for business would save them time previously spent recreating that lost data. Lastly, Microsoft Teams provided an integrated collaboration tool with chat, audio, video, and calendaring. Customers saved time using Teams for real-time collaboration and replacing in-person and on-site meetings with virtual ones.

In a recent Forrester survey, information workers at SMBs shared their preference for Microsoft 365 for business vs. the standalone Office 2019 offering:

- Fifty-six percent found Microsoft 365 for business easier to use than Office 2019.

- Fifty-eight percent agreed that Microsoft 365 for business makes them more productive at work.

- Fifty-nine percent reported that Microsoft 365 for business is better than Office 2019 for collaboration with colleagues, partners, and clients.[3]

Modeling and assumptions. Based on the customer interviews, Forrester assumes:

- Seventy employees use Microsoft 365 for business.

- Thirty minutes are saved per user per week on cloud file storage.

- Thirty minutes are saved per user per week on collaboration tools.

- The average hourly rate including benefits (fully loaded) per employee is $31.25.

- The productivity recapture rate is 50%.

Risks. The improvement in business user automation and processes will vary with:

- The total number of employees that are affected.

- The time saved per employee from cloud file storage and collaboration tools.

- The fully loaded hourly rate per employee.

- The amount of productivity recaptured.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total present value (PV, discounted at 10%) of $127,296.

> *"With SharePoint, we are able to work on documents together and edit in real time. We can see the edits without having to sort through a trickling of e-mails. That saves us lots of time and is really helpful for the team dynamic too."*
>
> Partner, healthcare, Microsoft 365 Business Premium

Business User Automation And Process Improvements

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Microsoft 365 for business users		70	70	70
A2	Cloud file storage, hours saved per week per user		0.5	0.5	0.5
A3	Collaboration tools, hours saved per week per user		0.5	0.5	0.5
A4	Knowledge worker fully loaded salary per hour	$65,000 salary/ 2,080 hours	$31.25	$31.25	$31.25
A5	Productivity recapture		50%	50%	50%
At	Business user automation and process improvements	A1*(A2+A3)*52 weeks*A4*A5	$56,875	$56,875	$56,875
	Risk adjustment	↓10%			
Atr	Business user automation and process improvements (risk-adjusted)		$51,188	$51,188	$51,188
	Three-year total: $153,563		**Three-year present value: $127,296**		

IT MANAGEMENT AUTOMATION AND PROCESS IMPROVEMENTS

Evidence and data. Customers reported that employees tasked with managing technology were able to save time using Microsoft 365 for business. These employees often wore multiple hats, and they sometimes had important non-IT jobs to complete in addition to managing the technology infrastructure. Before Microsoft 365 for business, customers' technology environments were an amalgamation of multiple productivity and collaboration solutions. The tools lacked integration, and as such, they required additional time from the already overworked, employees who had to manage, troubleshoot, and update them. In addition, the employees tasked with managing technology spent too much time onboarding new employees, provisioning them with access to applications and e-mail, as well as, recovering files erroneously deleted by business users.

After investing in Microsoft 365 for business, the employees in charge of technology no longer needed to manage and integrate a variety of products. Instead, they were able to save time, since Microsoft 365 for business is a single, integrated solution that is managed and updated entirely by Microsoft. Customers found that with Microsoft 365 for business it was easy to add users, saving time previously

spent onboarding new hires. Secure storage with Microsoft 365 for business prevented the accidental deletion of files, saving time previously spent recovering lost information.

Modeling and assumptions. For the composite organization, Forrester assumes:

- One FTE is responsible for managing technology.

- Four hours are saved per FTE per week.

- The average salary for an IT management employee with benefits (fully loaded) per hour is $60.10.

Risks. The improvement in IT team automation and processes will vary with:

- The number of employees that are responsible for managing technology.

- The time saved per employee.

- The fully loaded salary per hour per employee.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $27,979

IT Management Automation And Process Improvements					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Employees managing technology (FTE)		1	1	1
B2	Hours saved per week		4	4	4
B3	Fully loaded salary per hour	$125,000 salary/2,080 hours	$60.10	$60.10	$60.10
Bt	IT management automation and process improvements	B1*B2*B3*52 weeks	$12,501	$12,501	$12,501
	Risk adjustment	↓10%			
Btr	IT management automation and process improvements (risk-adjusted)		$11,251	$11,251	$11,251
	Three-year total: $33,752		Three-year present value: $27,979		

TRAVEL COST DISPLACEMENT

Evidence and data. The interviewed organizations decreased travel costs thanks to Microsoft 365 for business. Microsoft 365 for business includes Teams, which is an integrated collaboration solution with chat, audio, and videoconferencing platforms combined. Teams not only helped employees collaborate with each other more efficiently, it also allowed them to replace on-site and in-person employer and customer meetings with virtual meetings. The virtual meetings directly reduced business travel expenses. Most of the avoided trips were both lower cost and shorter in time.

Modeling and assumptions. Based on the customer interviews, Forrester estimates:

- Ten FTEs regularly travel for business purposes.

- Three business trips are avoided per employee per year.

- A $300 average cost per business trip is avoided.

Annual reduction in travel cost per traveling employee

$900

Risks. The displacement of travel costs will vary with:

- The number of employees who regularly travel.

- The number of business trips that are avoided annually.

- The average cost of these business trips.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $20,144.

Travel Cost Displacement					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Microsoft 365 users who travel for business		10	10	10
C2	Avoided trips per employee per year		3	3	3
C3	Average cost per business trip		$300	$300	$300
Ct	Travel cost displacement	C1*C2*C3	$9,000	$9,000	$9,000
	Risk adjustment	↓10%			
Ctr	Travel cost displacement (risk-adjusted)		$8,100	$8,100	$8,100
	Three-year total: $24,300		Three-year present value: $20,144		

VENDOR LICENSE CONSOLIDATION

Evidence and data. Customers experienced a direct cost savings from the integrated suite of solutions that is offered in Microsoft 365 for business. Microsoft 365 for business combines Word, Excel, PowerPoint, OneNote, Teams, SharePoint, and OneDrive into a single, manageable solution. The integrated offering allowed the customers to reduce their reliance on multiple solutions, eventually to the degree where they were able to completely decommission them and save on technology costs.

Modeling and assumptions. For the composite organization, Forrester assumes:

- Seventy employees are using Microsoft 365 for business.

- A $12.50 monthly cost per user was required for the prior cloud storage solution.

- A $16.50 monthly cost per user was required for the prior collaboration and virtual meeting tool.

- Fifty percent of these costs are decommissioned in Year 1, with full decommissioning being completed by Years 2 and 3.

Risks. Vendor license consolidation will vary with:

- The number of Microsoft 365 for business users.

- The monthly cost of prior cloud storage and collaboration tools.

- The rate at which these prior tools are decommissioned.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $44,556.

Avoided monthly technology cost per user

$29 per month

Vendor License Consolidation					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
D1	Number of Microsoft 365 users		70	70	70
D2	Cloud file storage cost per user per month		$12.50	$12.50	$12.50
D3	Collaboration and virtual meeting tool cost per user per month		$16.50	$16.50	$16.50
D4	Phased decommissioning		50%	100%	100%
Dt	Vendor license consolidation	D1*(D2+D3)*12 months*D4	$12,180	$24,360	$24,360
	Risk adjustment	↓10%			
Dtr	Vendor license consolidation (risk-adjusted)		$10,962	$21,924	$21,924
	Three-year total: $54,810		Three-year present value: $44,556		

UNQUANTIFIED BENEFITS

Other benefits that customers experienced but were not quantified include:

- **Reduction in total cost of risk.** Customers reported an improvement in their overall risk profile after investing in Microsoft 365 for business. SharePoint and OneDrive provide secure file storage for business users. These solutions provide added security over competing cloud or on-premises storage methods, which reduces the risk of exposing corporate intellectual property or potentially sensitive customer data. Customers shared that they experienced fewer successful phishing attacks with Microsoft Defender for Office 365. Potential financial benefits may include a reduced risk of any regulatory fines or legal actions stemming from exposure of sensitive company data.

> *"We recognized that having financial data and personnel records protected, particularly since we were in different locations, was important. Security was a big impetus for the move to Microsoft 365 Premium."*
>
> Director of programs and operations, non-profit, Microsoft 365 Business Premium

> **"We have adopted a cloud-first mentality. We look for subscription services for end-user services if possible. We don't like expending capex for unknown requirements and prefer to purchase on a seat-by-seat basis."**
>
> *Director of IT, technology, Microsoft 365 Business Standard*

- **Cash flow shifted from capex to opex.** Customers reported benefits from shifting their technology investments from a capital expenditure model to an operating expense model. In the prior technology environment, the customers purchased certain technologies upfront and outright as a capital expenditure. When switching to Microsoft 365 for business, these investments became subscriptions and, therefore, a single operating expense. Customers shared that the switch from capex to opex for their technology improved the predictability of costs as their organizations scaled.

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Microsoft 365 for business and later realize additional uses and business opportunities, including:

- **Improved time-to-market.** Interviewed organizations experienced improved time-to-market by using the collaboration tools included in Microsoft 365 for business. For example, one customer from the technology industry strategically shifted their sales from brick-and-mortar stores to e-commerce outlets in response to the COVID-19 pandemic. By using Teams for chat, audio, and videoconferencing, this customer was able to improve the collaboration among its internal employees and external consultants, to share data and associated insights more quickly, and reduce its time to launch on e-commerce by 50%.

"With COVID-19 we had to switch directions quickly, and we weren't prepared. We had to race to get into e-commerce stores. Without a doubt, Teams helped us effectively launch and get there 50% faster."

CIO, technology, Microsoft 365 Business Standard

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
Etr	Initial planning and implementation	$21,394	$0	$0	$0	$21,394	$21,394
Ftr	Microsoft 365 for business subscription cost	$0	$15,015	$15,015	$15,015	$45,045	$37,340
Gtr	Ongoing Microsoft 365 for business management	$0	$8,938	$8,938	$8,938	$26,813	$22,227
Htr	End-user training	$2,297	$131	$131	$131	$2,691	$2,623
	Total costs (risk-adjusted)	$23,691	$24,084	$24,084	$24,084	$95,943	$83,584

INITIAL PLANNING AND IMPLEMENTATION

Evidence and data. The customers reported that their internal IT managers spent time planning and implementing Microsoft 365 for business. The internal planning and implementation required a single month of effort from one FTE. Customers relied on a Microsoft Solutions Provider to help with installation, incurring associated professional services fees.

> **"The biggest benefit of Microsoft 365 is that everything integrates well with each other."**
>
> Founder, non-profit, Microsoft 365 Business Basic

Modeling and assumptions. For the composite organization, Forrester assumes:

- One month of effort is required from a single internal FTE at a fully loaded salary of $125,000.

- The one-time professional services fee is $10,000.

Risks. The cost of implementation and planning may vary with:

- The number of internal employees that are tasked with planning and implementation.

- The total time and labor cost of these internal employees.

- The professional services fees that are associated with any use of these services.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $21,394.

Initial Planning And Implementation

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
E1	Internal team (FTEs)		1			
E2	Percent of time dedicated to implementation	One month	8.3%			
E3	Average annual salary full loaded		$125,000			
E4	Professional services		$10,000			
Et	Initial planning and implementation	(E1*E2*E3)+E4	$20,375	$0	$0	$0
	Risk adjustment	↑5%				
Etr	Initial planning and implementation (risk-adjusted)		$21,394	$0	$0	$0
	Three-year total: $21,394		**Three-year present value: $21,394**			

MICROSOFT 365 FOR BUSINESS SUBSCRIPTION COST

Evidence and data. Microsoft 365 for business is priced monthly per user by plan. User plans consist of Basic, Standard, and Premium levels, with access to Microsoft solutions and services varying by plan. The interviewed organizations consisted of a mix of Microsoft 365 for business customers, some of which only had one plan for their entire employee base, while others chose to deploy multiple plans among their employees.
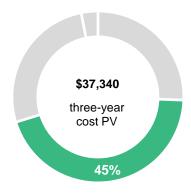
Modeling and assumptions. For the composite organization, Forrester assumes:

- Five Microsoft 365 Business Basic users at a monthly cost of $5.00 each.

- Twenty-five Microsoft 365 Business Standard users at a monthly cost of $12.50 each.

- Forty Microsoft 365 Business Premium users at a monthly cost of $20.00 each.

Risks. The cost of Microsoft 365 for business subscriptions will vary with:

- The number of users and their pricing plan.

- The current monthly price per user by plan.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $37,340.

$37,340
three-year cost PV

45%

Microsoft 365 for business subscription cost

	Microsoft 365 Business Basic	Microsoft 365 Business Standard	Microsoft 365 Business Premium
Microsoft Office applications	Word, Excel, PowerPoint (web and mobile versions)	Word, Excel, PowerPoint (web, mobile, and desktop versions)	Word, Excel, PowerPoint (web, mobile, and desktop versions)
E-mail and calendaring	Exchange	Exchange	Exchange
File storage and sharing	OneDrive and SharePoint	OneDrive and SharePoint	OneDrive and SharePoint
Teamwork and communications	Microsoft Teams	Microsoft Teams	Microsoft Teams
Desktop publishing		Publisher	Publisher
Database management		Access	Access
Advanced security			Azure Information Protection and Microsoft Defender for Office 365
Device management			Intune
Identity and access			Azure Active Directory, Premium Plan 1

Microsoft 365 For Business Subscription Cost

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
F1	Microsoft 365 Business Basic users			5	5	5
F2	Cost per month per Basic user			$5.00	$5.00	$5.00
F3	Microsoft 365 Business Standard users			25	25	25
F4	Cost per month per Standard user			$12.50	$12.50	$12.50
F5	Microsoft 365 Business Premium users			40	40	40
F6	Cost per month per Premium user			$20.00	$20.00	$20.00
Ft	Microsoft 365 for business subscription cost	((F1*F2)+(F3*F4)+(F5*F6))* 12 months	$0	$13,650	$13,650	$13,650
	Risk adjustment	↑10%				
Ftr	Microsoft 365 for business subscription cost (risk-adjusted)		$0	$15,015	$15,015	$15,015
	Three-year total: $45,045		**Three-year present value: $37,340**			

ONGOING MICROSOFT 365 FOR BUSINESS MANAGEMENT

Evidence and data. Customers reported both internal time costs and external direct costs associated with the ongoing management of Microsoft 365 for business. Per customer interviews, internal costs consisted of 1 hour weekly from a single FTE. In addition, customers reported relying on a Microsoft Solutions Provider for ongoing management, incurring the associated professional services fees.

"Very little time is spent maintaining [Microsoft 365] to the point where I don't even measure it. Things come up on an ad hoc basis, but there isn't routine maintenance or support needed on our part."

Director of IT, technology, Microsoft 365 Business Standard

Modeling and assumptions. For the composite organization, Forrester assumes:

- A single FTE is tasked with ongoing management.

- One hour per week is spent on ongoing management of Microsoft 365 for business.

- The fully loaded hourly salary of an IT management employee is $60.10.

- A $5,000 annual fee is associated with professional services for ongoing management.

Risks. The cost of ongoing management will vary with:

- The number and labor cost of internal FTEs that are tasked with ongoing management.

- The time needed from these FTEs for ongoing management.

- The use of professional service providers for ongoing management and their associated costs.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $22,227.

26%

$22,227
three-year
cost PV

Ongoing Microsoft 365 for business management cost

Ongoing Microsoft 365 For Business Management						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
G1	Internal team (FTE)			1	1	1
G2	Time spent, hours per week			1	1	1
G3	Average annual salary per hour	B3		$60.10	$60.10	$60.10
G4	Internal cost	G1*G2*52 weeks*G3		$3,125	$3,125	$3,125
G5	Ongoing professional services			$5,000	$5,000	$5,000
Gt	Ongoing Microsoft 365 for business management	G4+G5	$0	$8,125	$8,125	$8,125
	Risk adjustment	↑10%				
Gtr	Ongoing Microsoft 365 for business management (risk-adjusted)		$0	$8,938	$8,938	$8,938
	Three-year total: $26,813			**Three-year present value: $22,227**		

END-USER TRAINING

Evidence and data. Customers spent time training users on Microsoft 365 for business. Only limited training was needed, as many employees were already familiar with Microsoft applications.

> *"Our employees like the ease of use [of Microsoft 365]. They've used Microsoft products in the past, and it helps with the training learning curve."*
>
> Partner, human resources, Microsoft 365 Business Premium

Modeling and assumptions. For the composite organization, Forrester assumes:

- One hour of training is required needed per employee.

- In each year, four employees leave the organization and another four, which require training, are hired.

- The fully loaded salary per hour of a knowledge worker is $31.25.

Training per user

1 hour

Risks. The cost of end-user training will vary with:

- The total number of employees.

- The number of employees that are onboarded each year.

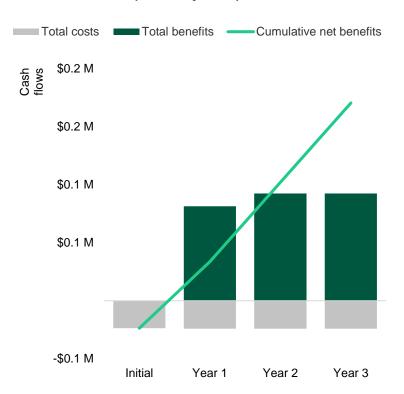- These employees' familiarity with Microsoft products.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $2,623.

	End-User Training					
Ref.	**Metric**	**Calculation**	**Initial**	**Year 1**	**Year 2**	**Year 3**
H1	Number of users trained	H1 and H1*5% in out years for churn	70	4	4	4
H2	Training time (hours per user)		1	1	1	1
H3	Knowledge worker salary per hour	A4	$31.25	$31.25	$31.25	$31.25
Ht	End-user training	H1*H2*H3	$2,188	$125	$125	$125
	Risk adjustment	↑5%				
Htr	End-user training (risk-adjusted)		$2,297	$131	$131	$131
	Three-year total: $2,691		**Three-year present value: $2,623**			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)

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

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

Cash Flow Analysis (Risk-Adjusted Estimates)						
	Initial	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Total costs	($23,691)	($24,084)	($24,084)	($24,084)	($95,943)	($83,584)
Total benefits	$0	$81,500	$92,462	$92,462	$266,425	$219,975
Net benefits	($23,691)	$57,416	$68,378	$68,378	$170,482	$136,391
ROI						163%
Payback period (months)						<6

The cash flow analysis shown above is for a representative composite organization with 70 employees who all use Microsoft 365 for business.

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."

PRESENT VALUE (PV)

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

NET PRESENT VALUE (NPV)

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

RETURN ON INVESTMENT (ROI)

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

DISCOUNT RATE

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

PAYBACK PERIOD

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

Appendix B: Endnotes

[1] Source: Forrester Analytics Business Technographics® Workforce Survey, 2020 and Forrester Analytics Global Business Technographics Workforce Benchmark Survey, 2019.

[2] Source: Forrester Analytics Business Technographics Priorities and Journey COVID-19 Recontact Survey, 2020.

[3] Source: Forrester Analytics Business Technographics Workforce Survey, 2020.

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