



FORRESTER®

# The Total Economic Impact™ Of Microsoft 365 E3

Cost Savings And Business Benefits  
Enabled By E3

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## ABOUT FORRESTER CONSULTING

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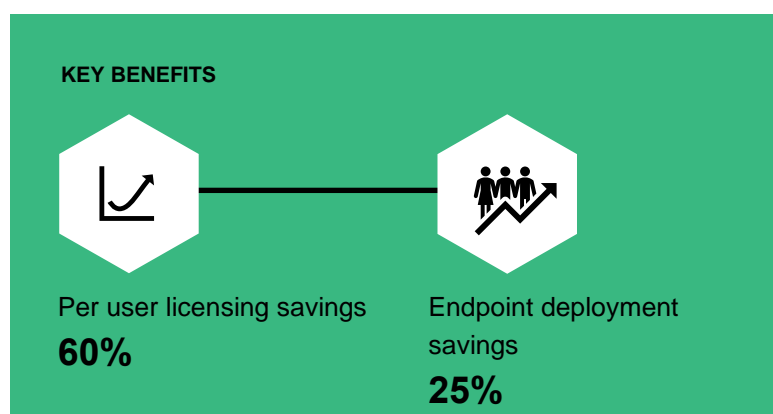
## Executive Summary

Supporting hybrid working models improves employee satisfaction, the ability to collaborate, and productivity.<sup>1</sup> However, hybrid work raises a new set of challenges that traditional, on-premises solutions are ill-equipped to meet. To optimize support of the hybrid working models of the future, organizations must update and consolidate their technology stacks to mitigate security concerns, reduce IT management costs, and eliminate redundant solution spending, allowing them to do more with less.

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying [Microsoft 365 E3](#).<sup>2</sup> The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Microsoft 365 E3 on their organizations. This report is a refresh of the original report commissioned in late 2020. Forrester supplemented this data set with additional interviews, mainly in emerging markets, as well as a global survey.

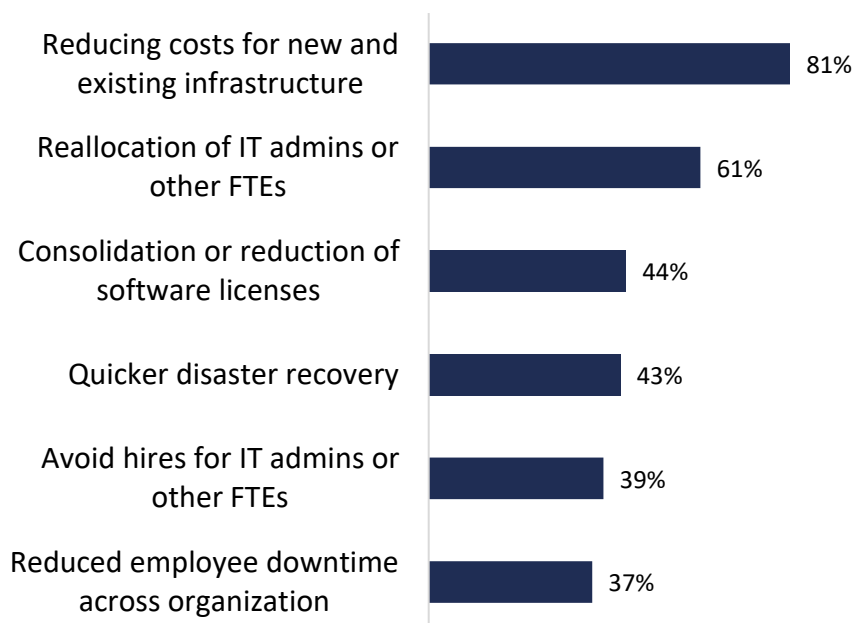
To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed 15 representatives with experience using Microsoft 365 E3 over two years and fielded a survey of 79 IT representatives of organizations that have users who leverage Microsoft 365 E3. For this study, Forrester aggregated the experiences of the interviewees and survey respondents and combined the results into single [composite organization](#).

Prior to using Microsoft 365 E3, the majority of interviewees' organizations maintained a hybrid environment with Microsoft Office (Microsoft 365 Apps) and the remainder of their deployments on-premises. These organizations relied on third-part tools and vendors to provide solutions for communication, file sharing, and device management across their workforces. Management of these environments required IT FTE hours, relationships with several vendors, and the budget to support redundant solutions. Decision-makers hoped that



moving to the cloud and consolidating their organization's solution sets would reduce costs, free up IT resources to focus on more important tasks, and improve IT productivity.

**Figure 1**  
**Top Drivers For Microsoft 365 E3 Implementation**



By moving to Microsoft 365 E3, the interviewed and surveyed customers were able to retire on-premises and now-redundant applications, which freed up IT resources and reduced infrastructure and licensing costs. The new features and functionality provided by Microsoft 365 E3 made it easier for IT teams to manage their environments, while users gained access to a new suite of solutions that made them more effective across office, remote, or hybrid working models. From the 2020 interview set to the 2022 interview set, interviewees collectively reported that user productivity on Microsoft 365 E3 has increased resulting from ascending the learning curve on E3 solutions during the 2020 lockdowns. Users have gained skills that will continue to benefit their productivity and collaboration with the hybrid working models of the future.

## KEY FINDINGS

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

### Cost Savings Through Eliminating Redundant Solutions

- **Decreased per user licensing spend by 60%, an average of \$55 per user per month.** The composite organization consolidates its solution sets under Microsoft 365 E3. This enables it to eliminate now-redundant licenses for **communication, collaboration, file sharing, endpoint management, email, storage, mobile device management, identity and access management, information encryption and labeling, and endpoint protection platforms (EPP)**. The related move to the cloud also reduces hardware and support fees. The composite organization saves a total of \$1,586 in licensing and support costs per user over three years, an average 60% reduction per user.
- **Reduced spending on employee devices by 23%.** Multifactor authentication (MFA) and device

management tools allows the composite to transition employees to a bring-your-own-device (BYOD) model and retire corporate devices. The organization recognizes savings in devices, calling plans, back-office invoicing, and vendor management. The composite organization saves \$40 per user over three years across all employees (\$540 over three years for the 3,000 employees with corporate devices).

### Simplified IT Management

- **Reduced the time spent deploying and managing new software by 25%.** By connecting applications to Azure AD, enabling single sign-on (SSO) and MFA, the composite's IT team reduces the effort required to support new software. Deploying software, managing updates, troubleshooting, and supporting end users all become much easier with Microsoft Intune — the unified management platform that includes Configuration Manager.
- **Decreased endpoint configuration times by 75%.** The low-touch endpoint configuration capabilities provided by Windows Autopilot saves IT administrators at the composite organization significant amounts of time.
- **Reduced the time required to set up a user on a new endpoint by 75%.** By leveraging Microsoft's modern application stack, the composite organization is able to fully set up a user on a new device in a fraction of the time it took before. Connecting apps to Azure Active Directory (Azure AD) reduces the extra work IT needs to do to set up a user on a new device.
- **Eliminated 15% of help desk tickets and decreased the average resolution time by 15%.** The composite organization reduces annual tickets with self-service options and automated fixes for common issues, such as password resets and software installs. The enhanced management capabilities offered through

Microsoft Intune enables IT teams to address issues more quickly than before. These reductions save the composite organization nearly \$79 per user over three years.

### Supporting And Protecting The Hybrid Workforce

- **Improved end user productivity, saving users an average of 60 hours per year.** The composite organization's end users become more productive by combining the communication features of Microsoft Teams with the collaboration and document-sharing capabilities afforded through Microsoft 365 Apps, Teams, OneDrive, SharePoint, and Azure AD SSO. The composite organization's end users save an average of 72 minutes per week, valued at \$2,248 per user over three years.
- **Saved 25% on travel and expenses.** The composited organization shifts onsite meetings to Teams without affecting quality. By conducting these meetings remotely, the organization saves substantial amounts of money on airfare, meals, insurance, and other costs.
- **Reduced the risk of a data breach.** Microsoft 365 E3 has a number of features that enhance organizational security and improve the composite organization's ability to identify, investigate, and remediate threats. The composite reduces exposure with granular conditional access policies, detailed and integrated security logs, MFA, and the overall security of Azure. This reduction in risk is valued at more than \$40 per user over three years.
- **Enhanced security and compatibility benefits (unquantified).** The components of Microsoft 365 E3 are designed to work together with on-premises counterparts, reducing the risks of business disruption and a learning curve for IT.

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

- **Environmental benefits.** Interviewees expressed optimism about improving their organizations' sustainability efforts and carbon footprints in the future as a result of reduced travel.
- **Transitioning from capex to opex.** Microsoft 365 E3 is a pure software-as-a-service (SaaS) offering, affording the flexibility to scale deployment without major investments in support hardware or up-front licensing. Recurring monthly charges also offer a cash flow benefit over up-front licensing.
- **Support of the evolving hybrid workforce.** As organizations experiment with return-to-office, remote work, or hybrid work initiatives, Microsoft 365 E3 may help support effective collaboration in any of these models as they continue to evolve in the future.
- **Moving to the cloud at the speed of the business.** As many organizations including the composite are at various stages of their cloud journeys due to existing dependencies (e.g., tools, existing contracts, policies) of other stakeholders, Microsoft 365 E3 provides the flexibility to adopt cloud at the organization's own pace, without disrupting their businesses.

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

- **Initial implementation and planning costs of \$3.3 million.** The composite organization dedicates internal resources to migrate existing applications to the cloud and to implement new features offered by Microsoft 365 E3. The organization works with a Microsoft partner to create a project roadmap, to assist with the implementation and migration efforts, and to create adoption and change management materials. Microsoft's FastTrack Center comes at no additional cost to the composite organization



providing expert guidance delivered remotely by Microsoft engineers.

- **Microsoft licensing costs of \$32.5 million.** The organization pays license fees of \$36 per user per month for its 30,000 E3 users.
- **Ongoing management costs of \$5.7 million.** The organization incurs labor costs for internal resources managing its deployment.
- **End user training costs of \$1.2 million.** The organization initially trains its existing users on new features and functionality, and it trains new hires annually.

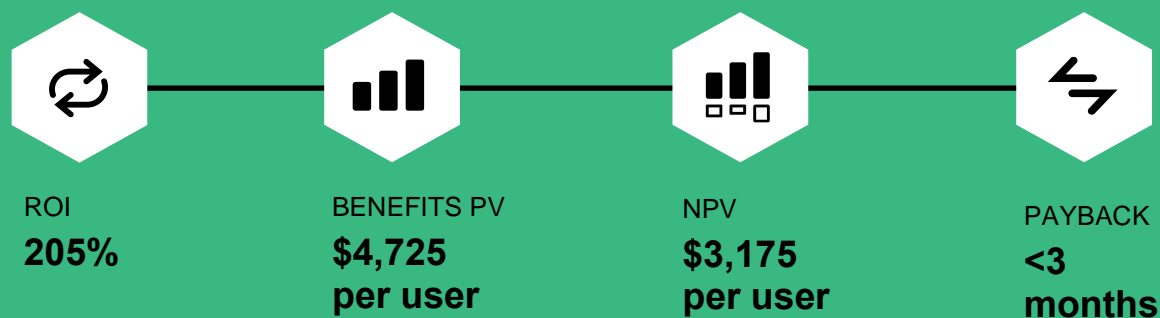
- **Device refresh costs of \$1.3 million.** The composite organization adopts modern endpoint management principles as part of its E3 rollout. As part of this shift, the organization shortens its device refresh cycle, providing newer devices to users more often.

The financial analysis which is based on the interviews and survey found that a composite organization experiences benefits of \$4,725 per user over three years versus costs of \$46.51M, adding up to a net present value (NPV) of \$95.25 million or \$3,175 per user and an ROI of 205%.

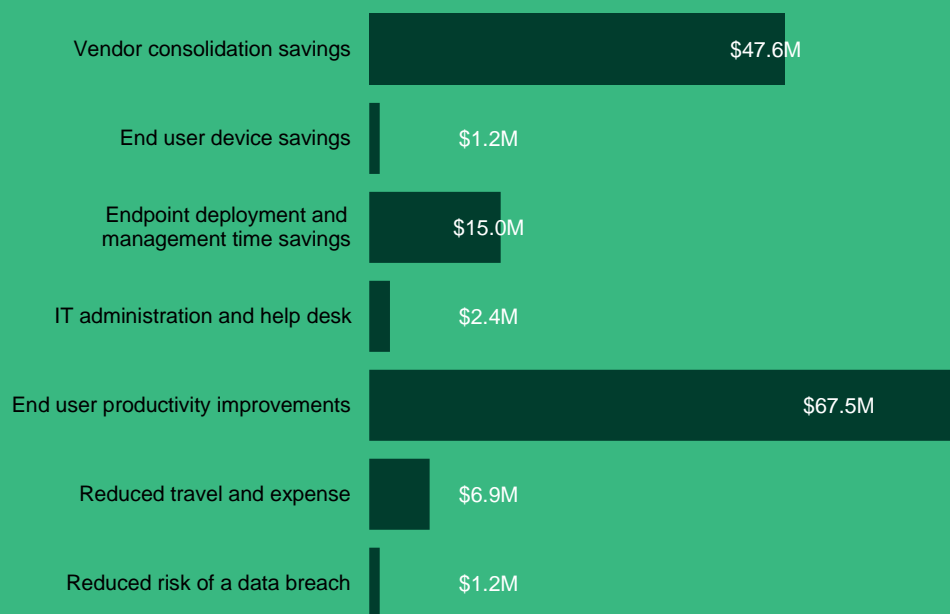
## VOICE OF THE CUSTOMER

Interviewed customers shared:

- “The ability for our employees to work on the same document at the same time has allowed us to **finish tasks in minutes**, when it normally would take days”  
—IT manager, manufacturing
- “With Intune, it’s a lot easier to maintain a standard build — especially with a largely mobile workforce or a work-from-home workforce. **The amount of automation and the ability to synchronize endpoints is significantly enhanced.**”  
-- CTO, professional services
- “**Microsoft is an essential partner** of our transition to **supporting hybrid working models.**”  
— IT manager, manufacturing
- “Microsoft 365 gives us **99.9% availability** across our solutions to the point where we don’t worry about it anymore. We couldn’t say the same in our on-premises environment.”  
— Global CISO, food processing
- “Three years ago, **we had an entire team dedicated to managing vendors** and software licensing contracts for our solutions. Now, **we only have one person** who is responsible for that.”  
—Global CISO, food processing
- “[On Microsoft 365 E3] everything is easier. We can **accommodate hybrid working models**, we can **collaborative in real-time**, and we use less email. We couldn’t do all of this before.”  
— IT manager, manufacturing
- “Even though we implemented [E3] during the pandemic, **we started to realize that there was value to the collaboration solutions and skills we’d honed supporting the organization in the future.**”  
— Director, Windows and corporate systems, telecommunications
- “Microsoft is one of most innovative companies are in the world. Not only do we feel more secure with them, **but we know that if there is some new security threat or technological trend, Microsoft is going to be there.**”  
— Global CISO, food processing



### Benefits (Three-Year)



End users are 3% more productive with Teams, OneDrive, SharePoint, and Microsoft 365 apps.

## TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews and survey, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in E3.

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 E3 can have on an organization.

Forrester Consulting conducted an online survey of 351 cybersecurity leaders at global enterprises in the US, the UK, Canada, Germany, and Australia. Survey participants included managers, directors, VPs, and C-level executives who are responsible for cybersecurity decision-making, operations, and reporting. Questions provided to the participants sought to evaluate leaders' cybersecurity strategies and any breaches that have occurred within their organizations. Respondents opted into the survey via a third-party research panel, which fielded the survey on behalf of Forrester in November 2020.

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Microsoft 365 and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in E3.

Microsoft 365 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 365 provided the customer names for the interviews but did not participate in the interviews.

Forrester fielded the double-blind survey using a third-party survey partner.



### DUE DILIGENCE

Interviewed Microsoft 365 stakeholders and Forrester analysts to gather data relative to E3.



### INTERVIEWS AND SURVEY

Interviewed 15 representatives and surveyed 79 respondents at organizations using E3 to obtain data with respect to costs, benefits, and risks.



### COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees and survey respondents.



### FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews and survey using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees and survey respondents.



### 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 E3 Customer Journey

## ■ Drivers leading to the E3 investment

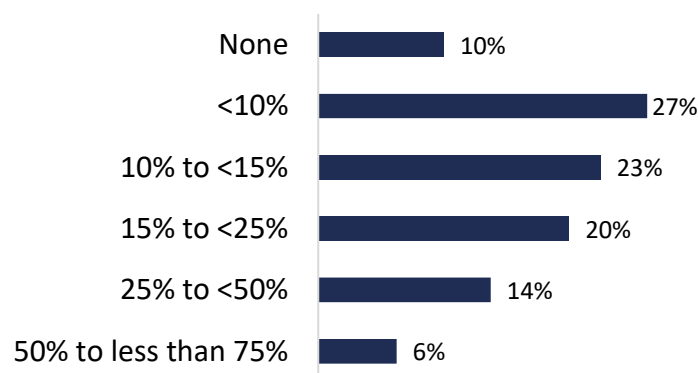
### KEY CHALLENGES

Forrester interviewed 15 representatives and surveyed 79 respondents with experience using E3 at their organizations. For more details on these individuals and the organizations they represent, see [Appendix B](#).

Both interviewees and survey respondents noted how their organizations struggled with common challenges, including:

- **Legacy solutions were expensive to maintain and cumbersome.** Legacy on-premises solutions were expensive to maintain, both from infrastructure and personnel perspectives. Redundant, patchwork sets of solutions and applications across several areas of software drove up costs, increased complexity, and reduced standardization across functional areas of the organizations.
- **The prevalence of “shadow IT.”** Interviewees said departments within their organizations often purchased solutions to meet the specific needs of the departments without informing IT. This exposed the organizations to security risks and further increased the cost of redundant tools.
- **Suboptimal productivity.** End users had hit the limits of productivity with their existing toolsets. Many demanded better tools, and their organizations sought a means to enhance collaboration and improve productivity.
- **Expensive and aging infrastructure.** Some of the interviewees’ organizations were nearing end of life with their existing on-premises infrastructure supporting legacy tools. At this inflection point, interviewees reported taking the opportunity to standardize tools and migrate to cloud solutions where available.
- **Supporting a hybrid workforce.** In 2022, many interviewees noted that their organization is transitioning to a hybrid work model (e.g., office and remote), which poses unique opportunities for solution optimization to support seamless collaboration across colleagues near and far. Twenty-two percent of survey respondents said they expect the number of employees working remotely to increase in the coming years.

**Figure 2**  
**Percentage Of Survey Respondents Who Said Their Organization’s Employees Work Fully Remotely 3 Or More Days Per Week**



- **Security concerns inherent to a hybrid workforce.** With the majority of the organizations’ employees working remotely at least part of their working time, risks associated with increased mobility such as suspect network access, lost and/or stolen devices, and threats from bad actors become more pronounced. Solutions that both protect the employees from these risks and mitigate the damage associated with any breaches are top of mind for IT teams at the interviewees’ organizations.

## INVESTMENT OBJECTIVES

The interviewees' and survey respondents' organizations searched for a solution that could:

- Replace patchwork solutions with a single, easy-to-use product suite across a hybrid workforce.
- Recognize cost savings and IT efficiencies by being on the cloud.
- Provide employees with robust collaboration tools to enhance both in-person and remote work.
- Provide employees with the ability to access applications and files anywhere.
- Consolidate license spending.
- Enable a BYOD work environment.
- Improve security.

## COMPOSITE ORGANIZATION

Based on the interviews and survey, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the 15 interviewees and the 79 survey respondents, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

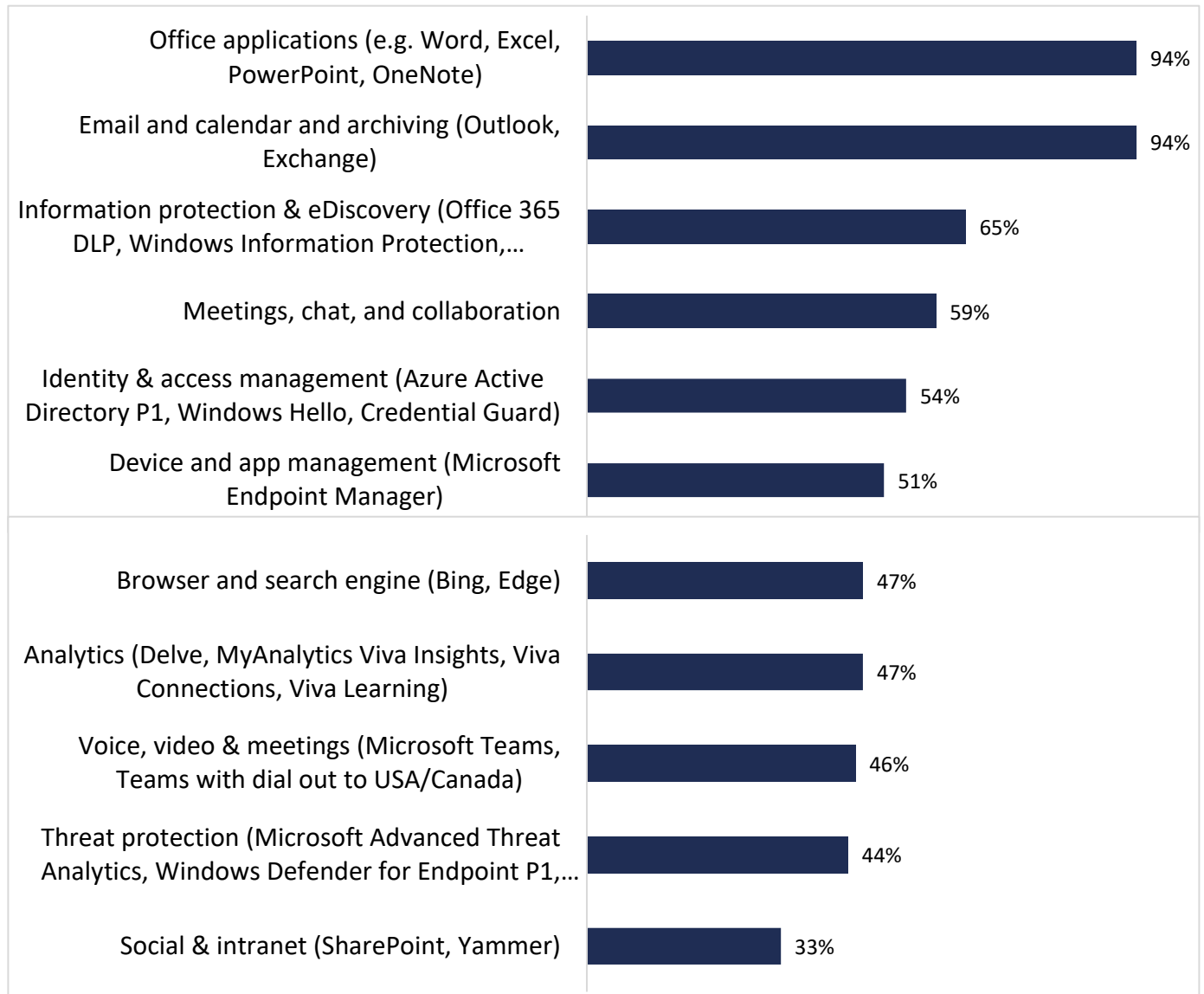
**Description of composite.** The organization is based in the United States, and it has global operations. It employs 30,000 users with Microsoft 365 licenses. Prior to using Microsoft 365 E3, the organization had a hybrid deployment with Microsoft Office in the cloud and the rest of its applications on-premises. It also used numerous third-party chat and video applications, file-sharing services, and basic antivirus and mobile device management tools.

**Deployment characteristics.** The organization deploys the full suite of Microsoft 365 E3 solutions and recognizes benefits over their previous solutions from each of the E3 capabilities.

### Key Assumptions

- **30,000 Microsoft 365 E3 users**
- **\$125,000 average IT worker salary**
- **\$70,000 average knowledge worker salary**
- **10% of workforce is remote with a corporate device and multiple Microsoft licenses**
- **\$25 million annual travel and expense budget**

**Figure 3**  
**Breakdown Of Microsoft 365 E3 Solutions In Wide Usage At Survey Respondents' Organizations**



## Deployed Capabilities And Solutions Of Composite

Capability	Solution(s)
Operating system	<ul style="list-style-type: none"> <li>Windows 11 Enterprise</li> </ul>
Microsoft 365 apps	<ul style="list-style-type: none"> <li>Word, Excel, PowerPoint, OneNote, Publisher (PC only), and Access (PC only)) on up to 5 PCs/Macs, 5 tablets, and 5 mobile devices per person.</li> </ul>
Email and calendar	<ul style="list-style-type: none"> <li>Exchange</li> </ul>
Social and intranet	<ul style="list-style-type: none"> <li>SharePoint</li> <li>Yammer</li> </ul>
Meetings, voice, and collaboration	<ul style="list-style-type: none"> <li>Teams</li> </ul>
Files and content	<ul style="list-style-type: none"> <li>OneDrive for Business</li> <li>Microsoft Stream</li> <li>Sway for Office 365</li> </ul>
Business apps	<ul style="list-style-type: none"> <li>Microsoft Forms</li> <li>To Do</li> <li>Planner</li> </ul>
Power platform	<ul style="list-style-type: none"> <li>Power Apps for Office 365</li> <li>Power Automate for Office 365</li> </ul>
Device and app management	<ul style="list-style-type: none"> <li>Microsoft 365 Administration</li> <li>Microsoft Intune</li> <li>Microsoft Endpoint Configuration Manager</li> <li>Windows Autopilot</li> <li>Fine-tuned user experience</li> <li>Windows Analytics Device Health</li> <li>Mobile Device Management for Office 365</li> </ul>
Security	<ul style="list-style-type: none"> <li>Windows Hello</li> <li>Credential Guard and Direct Access</li> <li>BitLocker</li> <li>Microsoft Defender Antivirus and Device Guard</li> <li>Azure Active Directory Plan 1</li> <li>Microsoft Advanced Threat Analytics</li> <li>Microsoft Information Protection Plan 1</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>eDiscovery content search</li> <li>Manual sensitivity and retention labels</li> <li>Office 365 Data Loss Prevention for email and files</li> <li>eDiscovery Export</li> <li>eDiscovery Hold</li> <li>Litigation Hold</li> <li>In-Place Hold</li> <li>Basic audit</li> <li>Email archiving</li> </ul>
Analytics	<ul style="list-style-type: none"> <li>Viva Insights</li> <li>Delve</li> </ul>

# Analysis Of Benefits

■ Quantified benefit data as applied to the composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
<b>Cost Consolidation Savings</b>						
Atr	Vendor consolidation savings	\$19,134,900	\$19,134,900	\$19,134,900	\$57,404,700	\$47,585,664
Btr	End user device savings	\$486,000	\$486,000	\$486,000	\$1,458,000	\$1,208,610
<b>Simplified IT Management</b>						
Ctr	Endpoint deployment and management time savings	\$5,939,784	\$6,058,579	\$6,179,751	\$18,178,114	\$15,049,832
Dtr	IT administration and help desk savings	\$949,050	\$949,050	\$949,050	\$2,847,150	\$2,360,147
<b>Supporting the hybrid workforce</b>						
Etr	End user productivity improvements	\$26,275,392	\$27,173,135	\$28,096,277	\$81,544,803	\$67,453,005
Ftr	Reduced travel and expense	\$2,250,000	\$2,812,500	\$3,375,000	\$8,437,500	\$6,905,522
Gtr	Reduced risk of a data breach	\$484,327	\$484,327	\$484,327	\$1,452,981	\$1,204,449
Total benefits (risk-adjusted)		\$55,519,453	\$57,098,491	\$58,705,304	\$171,323,248	\$141,767,229

## VENDOR CONSOLIDATION SAVINGS

**Evidence and data.** By replacing aging and patchwork tools under Microsoft, the interviewees' organizations reduced their per-user license spend and support costs. The composite organization eliminates nearly of \$37 per user on third-party licensing and an additional \$18 per user in on-premises hardware and software costs related to supporting legacy solutions.

- Interviewees said their organizations were using as many as three separate communication and chat applications in addition to email.
- A director of Windows and corporate systems at a telecommunications organization said that amid

a 2021 acquisition by a larger organization, their company saw a 70% decrease in solutions costs across its Microsoft 365 users after transitioning to E3.

- A global CISO of a food processing organization said by transitioning to cloud solutions across the Microsoft 365 E3 offering, their company no longer needs to make significant infrastructure investments every five years to support legacy solutions. This lowers organizational IT costs tremendously.
- The IT manager at a manufacturing organization noted that their company saw hardware and license savings associated with collaboration

solutions replaced by Microsoft Teams on Microsoft 365 E3. In addition, users were unable to access legacy collaboration without VPN access, which was not always possible in a hybrid work model.

- The surveyed IT decision-makers said their organizations saw significant licensing and infrastructure cost savings attributed to adopting Microsoft 365 E3 solutions.
- In addition to avoided expenditure, interviewees cited a reduction in hardware maintenance costs across infrastructure supporting end user applications. Forty-two percent of the survey respondents indicated that their organization saves between 10% and 25% of its total infrastructure maintenance expenditure attributable to the Microsoft 365 E3 implementation. Interviewees and respondents also indicated a reduction in costs from power and cooling (73%), and cloud hosting costs for legacy cloud solutions (90%).
- Microsoft 365 E3 includes Microsoft 365 Apps, which includes the ability to install Office applications on up to five PCs, five tablets, and five smartphones per user.

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

- The composite organization eliminates nearly \$37 per user on third-party licensing (email, collaboration, productivity, identity solutions etc.) through capabilities gained on Microsoft 365 E3 and an additional \$18 per user in on-premises hardware and software costs related to supporting legacy solutions.
- The composite's average per-user monthly security tools licensing savings are \$8.80. It primarily replaces existing mobile device management (MDM) solutions.

**“We had people using a combination of web-only apps and then doing one-off purchases for desktop when they wanted that, too. And then, at a team level, we had different departments using different chat or video applications. We decided it was far easier to just have everyone on a level platform.”**

*Head of IT, biotechnology*

- The composite's average per-user monthly file sync license cost is \$13.75. It replaces this functionality with OneDrive and SharePoint.
- The composite previously used a number of different chat and video applications, with the average enterprise price being \$14.40. Microsoft Teams replaces these applications.
- The composite saves \$18 (rounded per user) in hardware and software related to on-premises tools, as well as in cloud hosting costs for now-redundant cloud solutions.
- The composite's previous on-premises licenses did not come with the same install functionality as Microsoft 365 E3 apps, which leads it to purchase additional licenses for a portion of its workforce, like sales representatives who possess multiple work devices. By moving to 365 E3, the composite eliminates this redundant licensing for the 10% of its workforce that it applies to. Legacy licenses are valued at \$12 per user.



**Risks.** Forrester recognizes that vendor license consolidation savings may vary from organization to organization. Specific considerations include:

- Existing legacy solutions and average cost. This may be impacted by organization size and the ability to negotiate discounts.
- Industry and workforce makeup, which will dictate the likelihood of knowledge workers requiring multiple legacy Microsoft licenses.

- The breakdown of on-premises versus cloud solutions now redundant with Microsoft 365 E3 as it relates to potential avoided costs.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$47.5 million.

Vendor Consolidation Savings					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Number of users	Composite	30,000	30,000	30,000
A2	Per user monthly security tools license cost	Interviews	\$8.80	\$8.80	\$8.80
A3	Per user monthly file sync license cost	Interviews	\$13.75	\$13.75	\$13.75
A4	Per user monthly communications tools license cost	Interviews	\$14.40	\$14.40	\$14.40
A5	Thid-party vendor license consolidation	$A1*(A2+A3+A4)$ *1 2	\$13,302,000	\$13,302,000	\$13,302,000
A6	Per user monthly on-premises and cloud hosting costs (hardware and software)	Interviews	\$18	\$18	\$18
A7	Redundant license savings	$(A1*10\%)$ *\$10*12	\$360,000	\$360,000	\$360,000
At	Vendor consolidation savings	$A5+(A6*A1*12)$ +A 7	\$20,142,000	\$20,142,000	\$20,142,000
	Risk adjustment	↓5%			
Atr	Vendor consolidation savings (risk-adjusted)		\$19,134,900	\$19,134,900	\$19,134,900
Three-year total: \$57,404,700			Three-year present value: \$47,585,664		

## END USER DEVICE SAVINGS

**Evidence and data.** Microsoft 365 E3 provided the interviewees' companies with the security and management tools they needed to feel confident in a BYOD environment. Giving employees the choice to use their own devices increased mobile productivity and reduced corporate expenditures on hardware, device plans, and back-office labor.

- With Microsoft Intune, MFA, Azure Active Directory, and Conditional Access, organizations can manage applications that contain corporate

data and enforce policies to keep data protected. Interviewees said MFA for Microsoft 365 is particularly useful in reducing end user risk, and it's a primary element in allowing employees to use their own devices.

- Prior to having Microsoft 365 E3, the interviewees' organizations were limited in how many devices on which they could install their Microsoft 365 applications. A Microsoft 365 E3 license includes installs on up to five PCs, tablets, and smartphones. This allows end users

to have a seamless and secured BYOD experience without the additional cost of acquiring and integrating disparate licenses and tools.

- The global CISO of a food processing company noted that Microsoft Intune helps their organization maintain consistency across BYOD and corporate-owned devices within its environments.
- A chief partner with a retailer estimated a 30% operational cost reduction including corporate-owned devices resulting from their organization's E3 implementation.

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

- 10% of the workforce has a preexisting corporate device and mobile plan. This primarily includes salespeople, managers, and other mobile workers.
- Prior to enabling BYOD, the organization spent \$65 per user per month on corporate mobile devices, including hardware, phone and data plans, and back-office administration.

- As part of its BYOD plan, the organization reimburses users \$50 per month.

**Risks.** End user device savings may vary, and specific considerations include:

- The percentage of workforce-issued corporate devices.
- The corporate BYOD reimbursement plan.
- The organization's security posture and willingness to adopt BYOD.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1.2 million.

Monthly corporate device savings

**\$15** per user



End User Device Savings					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Number of users with corporate devices	B1*10%	3,000	3,000	3,000
B2	Per-employee monthly plan and device cost	Interviews	\$65	\$65	\$65
B3	Per-employee monthly BYOD reimbursement	Composite	\$50	\$50	\$50
B4	Per-employee monthly savings	B2-B3	\$15	\$15	\$15
Bt	End user device savings	B1*B4*12	\$540,000	\$540,000	\$540,000
	Risk adjustment	↓10%			
Btr	End user device savings (risk-adjusted)		\$486,000	\$486,000	\$486,000
Three-year total: \$1,458,000			Three-year present value: \$1,208,610		

## ENDPOINT DEPLOYMENT AND MANAGEMENT TIME SAVINGS

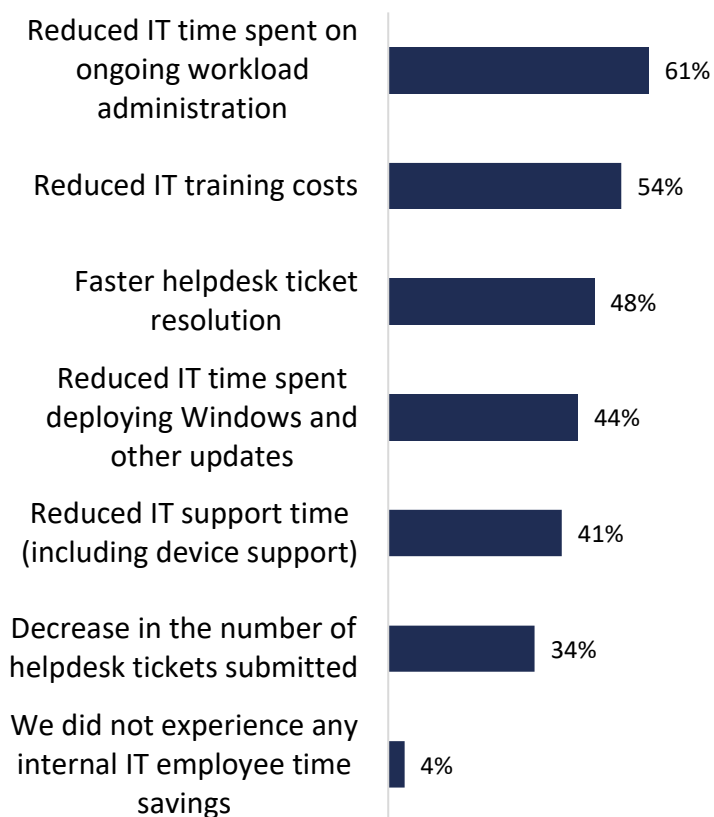
**Evidence and data.** Microsoft 365 E3 includes Microsoft Intune, a unified endpoint management tool for organizations to deploy, manage, and secure all of their corporate-owned and BYOD devices. Microsoft Intune includes Configuration Manager. With Microsoft Intune, interviewees said their organizations easily deploy and manage new software, security updates, and operating systems to managed devices. And with Windows Autopilot, their organizations can procure, preconfigure, and ship Windows devices that are enterprise-ready and fully secure from their OEM or reseller partner directly to the end user.

- Connecting applications with Azure AD, enabling SSO and MFA, and migrating their files to SharePoint enabled end users to get up and running on new devices much faster than they could before, reducing the frequency of additional support tickets. Meanwhile, Conditional Access and the configuration capabilities within Microsoft Intune reduced the extra configuration work IT administrators had to perform to address department or user-specific needs.
- Interviewees said their organizations reduced the resources required to manage and support updates across solutions. The chief partner at the retailer told Forrester that updates across users' solutions that would typically take months (and IT personnel resources) can now be managed almost instantaneously.
- Interviewees said their organizations recognized time savings regardless of device, noting the ease of managing a myriad of mobile devices, PCs, and Macs. For most of the interviewees' and survey respondents' organizations, this is now fully automated with Microsoft 365 E3.
- The global CISO of a food processing organization described a significant shift of FTE

resources required to support legacy email servers, collaboration solutions, and file sharing solutions. More than five IT FTEs have been repurposed into other areas of IT as the personnel requirement to manage these solutions has decreased by more than 75% on Microsoft 365 E3.

- The director of Windows and corporate systems at a telecommunications company said that by reducing the burden on IT personnel to deploy and manage endpoints, their organization's IT personnel who are no longer required for these tasks are tackling higher-value IT initiatives, such as upskilling for the organization's greater cloud transformation goals. Before the Microsoft 365 E3 implementation, additional IT personnel and skills were required for these tasks and, in some cases, there was simply no time for in-house personnel to develop these skills. Since implementation, the organization has reallocated five IT personnel to these higher-value tasks.
- Ninety-seven percent of survey respondents reported efficiency gains for IT personnel specific to deploying endpoint updates, while 74% indicated greater than 10% efficiency gains across the IT organization related to training costs.

**Figure 4**  
**Detailed Breakdown Of Areas Of IT Time Savings**



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

- On legacy solutions, the composite organization spent an average of 0.55 hours per user managing new software. Admins spent an additional 0.68 hours on user support related to new software, and they spent 0.32 hours troubleshooting during updates. Furthermore, admins spent 0.32 hours per user on general IT. In total, IT spent 1.87 hours per user per year.
- Administrators use Microsoft Intune to manage the configuration and deployment of software and

updates to end users. These tools save administrators 25% of their time managing new software.

- One-third of employees require a new endpoint configuration annually, which averages 1 hour of required labor. With Microsoft 365 E3, this time is reduced by 75%.
- Prior to deploying Microsoft 365 E3, the average required time for a new laptop setup was 6 hours for both IT and end users. With Microsoft 365 E3, this time is reduced by 90%.
- The composite organization pays its IT resources \$120,000 annually with 2% annual increases due to inflation.
- The average end user salary is \$73,000 annually with 2% inflation.

**Risks.** Forrester recognizes that IT software deployment savings may vary from organization to organization. Specific considerations include:

- Benchmark effort required for management and deployment.
- End user specifics as it relates to baseline deployment and update effort required for IT personnel.
- IT salaries.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$15 million.

Endpoint Deployment And Management Time Savings					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Hours dedicated to new software deployment and management	A1*1.87	56,100	56,100	56,100
C2	Reduction due to efficiency gains provided by M365 E3	Interviews and 2022 survey data	25%	25%	25%
<b>C3</b>	<b>Hours reallocated from software management</b>	<b>C1*C2</b>	<b>14,025</b>	<b>14,025</b>	<b>14,025</b>
C4	Hours spent configuring new endpoints	A1/3*1 hour	10,000	10,000	10,000
<b>C5</b>	<b>Reduced endpoint configuration due to M365</b>	<b>Interviews</b>	<b>7,500</b>	<b>7,500</b>	<b>7,500</b>
C6	Time required to setup a user on a new laptop before M365	Interviews	6	6	6
<b>C7</b>	<b>IT end user setup time savings</b>	<b>C4*C6*90%</b>	<b>54,000</b>	<b>54,000</b>	<b>54,000</b>
<b>C8</b>	<b>End user setup time savings</b>	<b>C4*C6*90%</b>	<b>54,000</b>	<b>54,000</b>	<b>54,000</b>
C9	IT salary	Assumption	\$120,000	\$122,400	\$124,848
C10	End user salary	Assumption	\$73,000	\$74,460	\$75,949
<b>C11</b>	<b>Total IT time savings</b>	<b>(C3+C5+C7)/2080 *C9</b>	<b>4,357,211.54</b>	<b>4,444,355.77</b>	<b>4,533,242.88</b>
<b>C12</b>	<b>End user savings</b>	<b>Composite</b>	<b>1,895,192.31</b>	<b>1,933,096.15</b>	<b>1,971,758.08</b>
Ct	Endpoint deployment and management time savings		\$6,252,404	\$6,377,452	\$6,505,001
	Risk adjustment	↓5%			
Ctr	Endpoint deployment and management time savings (risk-adjusted)		\$5,939,784	\$6,058,579	\$6,179,751
<b>Three-year total: \$18,178,114</b>			<b>Three-year present value: \$15,049,832</b>		

## IT ADMINISTRATION AND HELP DESK

**Evidence and data.** Interviewees and survey respondents highlighted the potential for reduction in help desk calls and shortened ticket resolution times after implementing Microsoft 365 E3. Factors influencing the reduction in ticket volume include the ability to build robust corporate intranets with SharePoint, providing solutions to common problems for users to help themselves, self-service password resets, and Microsoft Teams bots that quickly provide links to resources when prompted. Furthermore, interviewees said their organizations' IT personnel found it much easier to resolve issues for a diverse

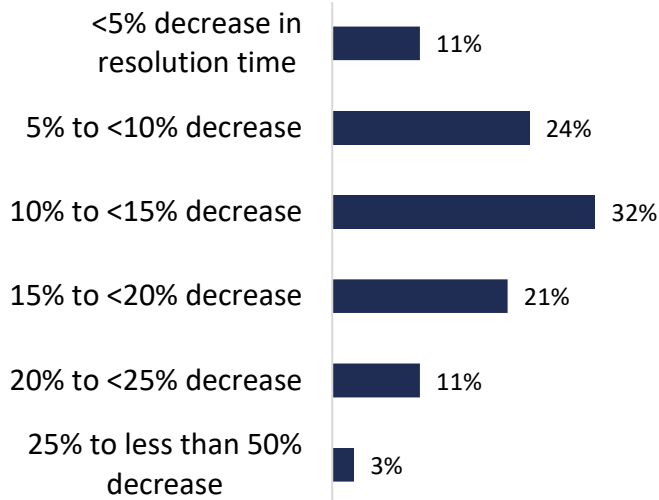
ecosystem of devices (e.g., mobile, PC, Mac) with Microsoft Intune.

- Interviewees stated that having Microsoft 365 E3 deployed as a SaaS offering allowed their organizations to easily ensure users were up to date on updates and able to stay current on upgrades. Having users on a consistent and current platform further reduced IT administration time. Interviewees also noted that E3 allowed their organizations to reduce the number of customizations across their solutions, both reducing the potential for issues and shortening resolution time for any that may arise.

- The 79 surveyed IT decision-makers said help-desk ticket volume attributable to legacy solutions replaced by Microsoft 365 E3 functionality was reduced by an average of 25.8%. Sixty-seven percent indicated that their organization's help-desk personnel reclaimed more than 10% of their working hours, while nearly 10% of their organizations' help-desk personnel reclaimed nearly 50% of their working hours, inherently reducing the need for additional hires.
- A global CISO of a food processing company said their organization realized a 20% reduction in help desk tickets attributable to implementation of Microsoft 365 E3.
- Of the tickets that were submitted on Microsoft 365 E3, resolution time across the surveyed IT decision makers was reported to be significantly improved.

**Figure 5**

**Resolution Times With Microsoft 365 E3**



**Reduction in help desk ticket volume**

**15%**



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

- Each user makes an average of six help desk calls a year, and 15% of those calls are about issues fixed through self-service tools.
- Non-self-service issues are less time-consuming on SaaS deployments. This, in addition to using tools like Intune, allows the help desk to resolve tickets 15% faster.
- The average help desk call costs \$20 in help-desk labor and end user productivity.

**Risks.** IT administration and help desk savings may vary, and specific considerations include:

- Preexistence of self-service tools.
- The baseline skill and capacity of an organization's end users as it relates to their ability to self-service.
- Baseline IT productivity.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$2.4 million.



IT Administration And Help Desk					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Annual help desk calls	A1*6	180,000	180,000	180,000
D2	Percent of calls eliminated with automation	Interviews and survey	15%	15%	15%
D3	Reduction in ticket resolution time for remaining tickets	Interviews and survey	15%	15%	15%
D4	Average cost per call	Assumption	\$20	\$20	\$20
Dt	IT administration and help desk	$(D1*D2*D4) + ((D1*(1-D2)*D3*D4)$	\$999,000	\$999,000	\$999,000
	Risk adjustment	↓5%			
Dtr	IT administration and help desk (risk-adjusted)		\$949,050	\$949,050	\$949,050
Three-year total: \$2,847,150			Three-year present value: \$2,360,147		

## END USER PRODUCTIVITY IMPROVEMENTS

**Evidence and data.** Microsoft 365 E3 includes a wide range of integrated collaboration and communication solutions to improve end user efficiency across a variety of common tasks required for collaboration in a hybrid work environment. Interviewees and survey respondents highlighted the importance of the ability of their organizations' users to communicate and collaborate anytime, anywhere, and in a secure manner.

- Interviewees spoke to the importance of Microsoft Teams on their organizations' enterprise collaboration effectiveness since its implementation. Workflows across in-office and remote employees can be completed regardless of the users' locations on any given day. An IT manager at a manufacturing organization with operations heavily distributed across South America noted that users can seamlessly collaborate on key tasks and projects without any geographic limitations. The chief partner of an Asia Pacific-based retailer told Forrester that Microsoft Teams has greatly facilitated

communication among their organization's teams distributed throughout the region.

- Prior to having Teams, users and business units within the interviewees' organizations often leveraged different chat applications, which fostered communications silos and hindered cross-team collaboration. Having entire organizations on a single communication platform ensures consistency in communication and collaboration approaches.
- Interviewees said faster boot times, fewer crashes, and faster performance of the devices managed by Microsoft 365 E3 enabled users to be more productive than they were with their previous devices.
- Collaborative document sharing was also a major productivity booster for the interviewees' organizations. Using Microsoft 365 Apps with OneDrive and SharePoint, multiple users could work simultaneously on important documents, all while ensuring strict version control. Work groups created channels for enhanced document and knowledge sharing. The chief partner at the

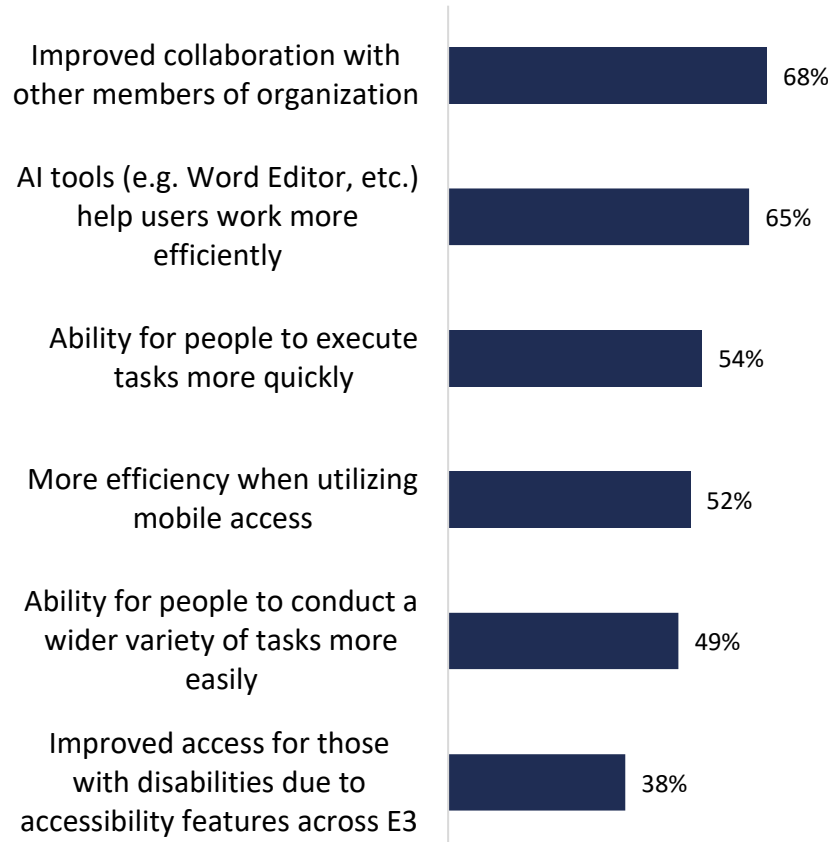
retailer estimated a 70% productivity improvement for their organizations' users in tasks related to locating, accessing, and sharing key files on SharePoint and OneDrive. This was very consistent with the 2020 interview insights, as one CTO at a professional services firm indicated a similar level of impact for their organization's users.

- User productivity was not limited to internal work. Interviewees highlighted the ability to create groups within Teams and include outside vendors or clients. The chief partner at the retailer specifically highlighted the ability to leverage Microsoft Teams to communicate and collaborate with business partners around the world.
- Microsoft 365 E3 provided end users with productivity benefits outside of collaborative tools. With Azure Active Directory, users experienced seamless single sign-on from any device or location. Azure Active Directory has more than 3,000 Microsoft and third-party SaaS applications preintegrated, and it allows organizations to configure them for single sign-on with just a few clicks.
- Interviewees highlighted the stability of Windows 11 and indicated that platform consistency across their whole organizations improved stability, reduced the potential for security vulnerabilities, and ultimately reduced the downtime end users experienced.
- Interviewees said their organizations average an end user productivity improvement of 3% with fully integrated, cloud-based chat and file sharing solutions. This amounts to a weekly savings of 62 minutes per worker. From the 2020 interviews to the 2022 interviews and survey, respondents indicated an improvement to end user productivity on Microsoft 365 E3 solutions as more users become accustomed to using these tools across their workstreams in an increasingly hybrid environment.

- Survey respondents reported the following end-user productivity improvements related to their organization's Microsoft 365 E3 implementation:

- **Reduction of solution downtime-related business disruption.** Forty-one percent of respondents indicated a greater than 5% downtime improvement and 32% reported a greater than 10% downtime improvement for their organization's users.
- **Improved speed of disaster recovery.** Sixty-five percent of respondents reported cost savings of greater than 10% for all incidents from faster disaster recovery efforts attributable to Microsoft 365 E3.
- **Other user productivity improvements.** See below chart for detailed breakdowns from survey.

**Figure 6**  
**Productivity Improvements With 365 E3**



**“It takes [users] one-fifth less time to get the same job done because they’re not exchanging documents via email or having update and version control issues.”**

*CTO, professional services*

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

- Based on the interviews, the composite organizations average an end user productivity improvement of 3% with fully integrated, cloud-based chat and file sharing solutions. This amounts to a weekly savings of 62-64 minutes per worker in years one to three respectively.
- Seamless single sign-on saves the composite’s end users 10 minutes per week.
- The average knowledge worker using cloud-based chat and file sharing solutions has a fully loaded salary of \$73,000, which grows at 2% each year.
- A 50% productivity capture rate is included since not all-time savings translate into additional value-add work.

Improved user efficiency with collaborative document sharing and chat

**3%**



**Risks.** End user productivity improvements may vary, and specific considerations include:

- The number of users and average labor rates.
- The skill and capacity of an organization’s end users to learn and take advantage of E3 solutions in their daily workflows.
- Cultural and organizational change management barriers.
- Preexisting solutions and benchmark productivity.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of \$67.5 million.

End User Productivity Improvements					
Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	End users	A1	30,000	30,000	30,000
E2	Improved efficiency with collaborative document sharing and chat (in weekly minutes)	Composite	62	63	64
E3	Weekly time savings from Azure AD SSO (weekly minutes)	Interviews	10	10	10
E4	Annual efficiency gain per user (in hours)	$((E2+E3)/60) * 52$ weeks	62.40	63.27	64.13
E5	Average hourly knowledge worker rate	(\$73k with 2% inflation)/2080	\$35.09	\$35.79	\$36.51
E6	Productivity recapture	Assumption	50%	50%	50%
Et	End user productivity improvements	$E1 * E4 * E5 * E6$	\$32,844,240	\$33,966,418	\$35,120,346
	Risk adjustment	↓20%			
Etr	End user productivity improvements (risk-adjusted)		\$26,275,392	\$27,173,135	\$28,096,277
Three-year total: \$81,544,802			Three-year present value: \$67,453,005		

## REDUCED TRAVEL EXPENSE

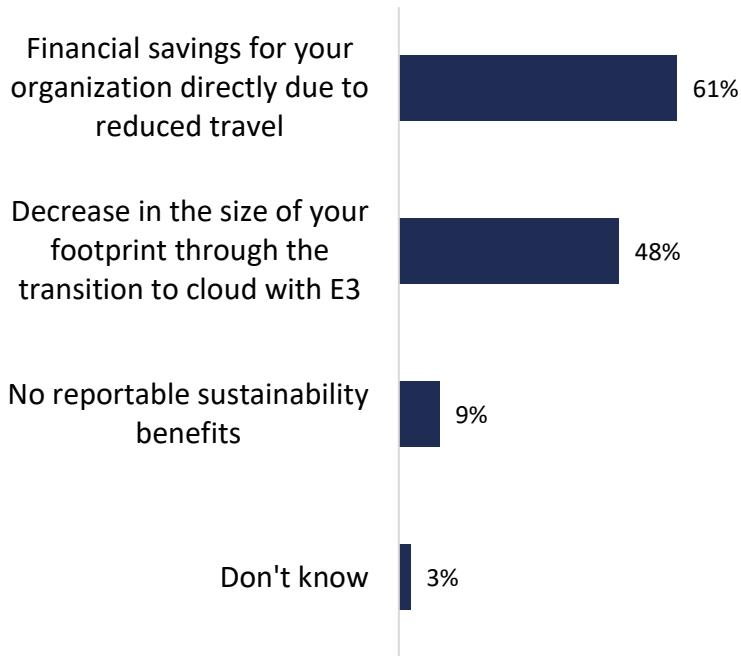
**Evidence and data.** As hybrid work becomes the new normal across many types of organizations, the collaboration benefits delivered by Microsoft 365 E3 continue to support a reduced requirement business-related travel to and from meetings, as decision-makers have seen how their respective organizations can conduct many meetings remotely without any loss in productivity.

- Several interviewees said their organizations look to the features of Microsoft Teams to reduce travel where possible. A restaurant SVP of global technology explained: “We have a mandate to reduce our travel spending by 5% to 10%. [Microsoft Teams] has been amazing because it’s enabled us to drive down our travel costs without investing in additional tools or infrastructure.”
- The IT manager with a manufacturing organization told Forrester that their company has offset many of the costs associated with in-person client meetings and conferences,

including transportation expense, printing of physical materials, and the expense of venues hosting the events themselves and lodging for personnel. The interviewee also attributed a wider attendance of their organization’s events to its ability to host remotely.

- Interviewees highlighted the environmental sustainability benefits associated with reducing travel. A senior systems developer at an automotive organization stated: “We’ve reduced our travel [thanks to Teams], which is good from an environmental point of view. This is possible because the features in [Teams] make it easier for our users to collaborate remotely.” In addition, 88% of the interviewed IT decision-makers indicated sustainability benefits related to the Microsoft 365 E3 deployment.

**Figure 7**  
**Sustainability Benefits Related To Microsoft 365 E3**



- The composite sees a 25% reduction of travel expense through reduced internal and regional meetings, fewer in-person sales appointments, and fewer in-person conferences.
- Not all travel savings are attributable to Microsoft 365 E3. As such, Forrester applied a 40% attribution factor in Year 1, increasing to 60% in Year 3.

**Risks.** Travel expense savings will vary based on:

- Location and enterprise size.
- The organization's industry and the ability to conduct work remotely.
- The organization's workforce makeup and benchmark travel expenses.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$6.9 million.

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

- The composite's annual travel expense budget is \$25 million.

#### Reduced Travel Expense

Ref.	Metric	Source	Year 1	Year 2	Year 3
F1	Total travel and expense budget	Composite	\$25,000,000	\$25,000,000	\$25,000,000
F2	Percent reduction due to increased remote work	Survey and interview data	25%	25%	25%
F3	Attribution percentage	Survey and interview data	40%	50%	60%
Ft	Reduced travel and expense	$F1 \times F2 \times F3$	\$2,500,000	\$3,125,000	\$3,750,000
	Risk adjustment	↓10%			
Ftr	Reduced travel and expense (risk-adjusted)		\$2,250,000	\$2,812,500	\$3,375,000
Three-year total: \$8,437,500			Three-year present value: \$6,905,522		

## REDUCED RISK OF A DATA BREACH

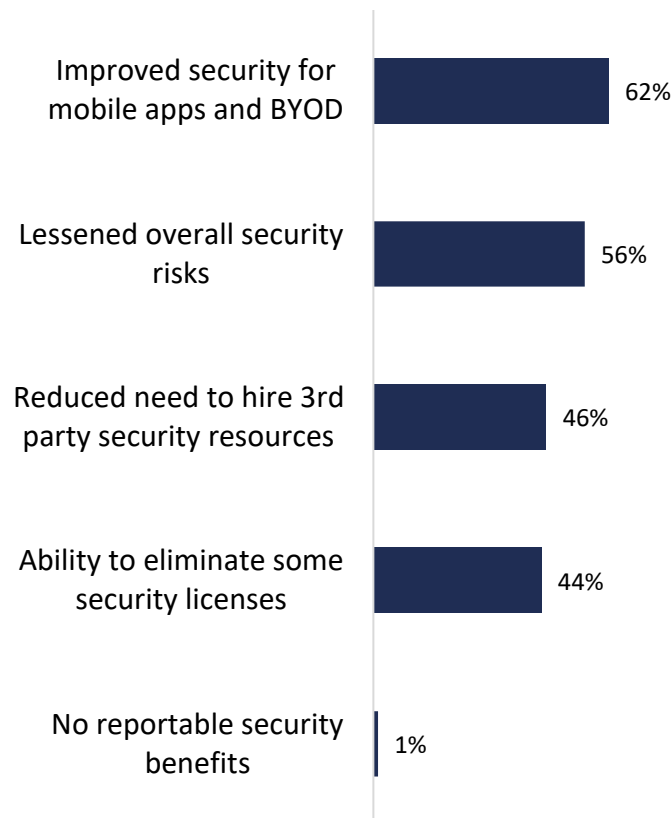
**Evidence and data.** Each of the interviewees highlighted Microsoft's reputation for providing secure solutions as a key part of their organization's investment. They said Microsoft 365 E3 provided their organizations with robust access management tools, reduced shadow IT, and secured remote work.

- Decision-makers gained visibility into what was deployed and being used across their organizations and discovered that users were adopting unsanctioned apps to meet needs — especially in chat and document sharing. Microsoft 365 E3 provided users with the tools to meet user needs, giving IT the insights and justification to reduce shadow IT.
- While streamlining their tool sets under a single, integrated set of offerings, the interviewees' organizations also streamlined their security teams to use their time more effectively in combating security threats. The IT manager with

the manufacturing organization noted that E3 has been helpful in maintaining a consistent security posture for their company across all users' regions.

- By securing all applications with Azure AD, the interviewees' organizations were able to: improve visibility; implement password strength rules; implement granular access policies to ensure that employees only had access to the applications that they needed; and prevent specific types of attacks from penetrating the network (with MFA) even if a user's account was compromised.

**Figure 8**  
**Security Benefits Attributable To Microsoft 365 E3**



In a review of Forrester and notable third-party data sources, both attack volume and security breach severity appear to be rising for organizations that lack mature, modern security culture and tooling.<sup>3</sup>

Forrester's Total Economic Impact practice estimates that firms are faced with an average of 1.8 material breaches per year with an average cost including 3,437 labor hours, \$269,550 in direct costs, and \$385,296 in business losses.

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

- The average cost of a single material data breach is \$854,192, based on Forrester consulting data.



- The annualized average number of material data breaches at the composite organization is 1.8 per year.
- By deploying and building security capabilities around Azure AD and enabling SSO and MFA, the composite organization significantly reduces its risk exposure. This improvement to security posture is modeled at 35% annually for the composite organization.

**Risks.** Data breach avoidance savings may vary, and specific considerations include:

- The baseline risk of a data breach based on the organization's security posture prior to its Microsoft 365 E3 implementation.
- The skill and capacity of the organization's security personnel to improve security posture and capabilities through the investment in Azure AD.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1.2 million.

Reduced Risk Of A Data Breach					
Ref.	Metric	Source	Year 1	Year 2	Year 3
G1	Number of users	Composite	30,000	30,000	30,000
G2	Average remediation and reporting labor cost per material breach	Forrester research	\$199,346	\$199,346	\$199,346
G3	Average costs of response and notification, fines, damages, compliance costs, and customer compensation per material breach	Forrester research	\$269,550	\$269,550	\$269,550
G4	Average lost business revenues and additional costs to acquire customers per material breach	Forrester research	\$385,296	\$385,296	\$385,296
G5	Total estimated cost of a significant material breach	G2+G3+G4	\$854,192	\$854,192	\$854,192
G6	Average annual incidence of significant material data breaches	Forrester research	1.8	1.8	1.8
G7	Annualized cost of data breaches	G5*G6	\$1,537,546	\$1,537,546	\$1,537,546
G8	Reduction in likelihood of data breach	Interviews	35%	35%	35%
Gt	Reduced risk of a data breach	G4*G5	\$538,141	\$538,141	\$538,141
	Risk adjustment	↓10%			
Gtr	Reduced risk of a data breach (risk-adjusted)		\$484,327	\$484,327	\$484,327
Three-year total: \$1,452,981			Three-year present value: \$1,204,449		

- The average cost of a data breach for the organization given industry, customers, and other factors.

## UNQUANTIFIED BENEFITS

Interviewees and survey respondents mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Additional security enhancements with Windows 11.** Windows 11 Enterprise comes with several advanced security features to help organizations combat malware. Organizations that used Windows 11 security features instead of third-party point solutions or legacy versions of Windows experienced improved system resource usage and device performance
- **Transitioning capex to opex.** Microsoft E3 is a pure SaaS offering, affording the flexibility to scale deployments without major investments in support hardware or up-front licensing. Organizations pay a monthly per user fee instead of paying for an up-front license. They can easily scale by adding more licenses without investment in support infrastructure.

## FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Microsoft 365 E3 and later realize additional uses and business opportunities, including:

- **Supporting the evolving hybrid workforce.** As organizations experiment with return to office, remote work, or hybrid work initiatives, interviewees expressed optimism that Microsoft 365 E3 will help support effective collaboration in any of these models as they continue to evolve in the future. The IT manager at the manufacturing organization summarized these sentiments to Forrester, noting that although their company is giving employees a choice to transition to remote roles or hybrid roles, Microsoft 365 E3 will continue to support their organization's working models. They said: "Microsoft is an essential partner of our transition to supporting hybrid working models."

- **Moving to the cloud at the speed of the business.** Many interviewees and respondents' organizations are at various stages of their cloud journeys due to existing dependencies (e.g., tools, existing contracts, policies) of other stakeholders. Microsoft 365 E3 provides the flexibility to adopt cloud while remaining on-premises in some areas.

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

# 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
Htr	Initial planning and implementation	\$3,346,875	\$0	\$0	\$0	\$3,346,875	\$3,346,875
Itr	Microsoft licensing cost	\$0	\$12,096,000	\$13,608,000	\$13,608,000	\$39,312,000	\$32,466,536
Jtr	E3 ongoing management	\$0	\$3,248,438	\$3,297,656	\$3,347,859	\$9,893,953	\$8,193,757
Ktr	End user training	\$1,105,335	\$55,267	\$57,500	\$58,650	\$1,276,751	\$1,247,162
Ltr	Device refresh	\$1,260,000	\$0	\$0	\$0	\$1,260,000	\$1,260,000
	Total costs (risk-adjusted)	\$5,712,210	\$15,399,704	\$16,963,156	\$17,014,509	\$55,089,579	\$46,514,330

## INITIAL PLANNING AND IMPLEMENTATION

Interviewees said their organizations incurred several months' worth of planning and implementation labor costs before deploying Microsoft 365 E3. Firms worked with professional services partners to plan and execute their deployments. Those organizations coming from legacy on-premises deployments required time and effort to migrate files and decommission hardware. The composite has access to Microsoft FastTrack for Microsoft 365 at no additional cost, which provides expert guidance from Microsoft engineers and a network of approved FastTrack Ready Partners at no additional cost.

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

- The composite organization engages with a professional services firm for three months of planning and design.

- The composite organization dedicates 15 FTEs to implementing Microsoft 365 E3, migrating files from legacy solutions, and decommissioning legacy software and hardware. The team allocates 50% of its time during six months to this process.

**Risks.** Initial planning and implementation costs will vary based on size of deployment and the solution components deployed. Organizational agility and internal IT capabilities will also impact speed.

**Results.** To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$3.3 million.

### Initial Planning And Implementation

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
H1	FTEs involved in implementation	Composite	15			
H2	Average annual salary of FTE	Assumption	\$125,000			
H3	Percent of time dedicated to implementation (year)	Composite	50%			
H4	Professional services	Composite	\$2,250,000			
Ht	Initial planning and implementation	$(G1 \cdot G2 \cdot G3) + G4$	\$3,187,500	\$0	\$0	\$0
	Risk adjustment	↑5%				
Htr	Initial planning and implementation (risk-adjusted)		\$3,346,875	\$0	\$0	\$0
Three-year total: \$3,346,875			Three-year present value: \$3,346,875			

### MICROSOFT LICENSING COST

Microsoft 365 E3 is priced as a monthly as-a-service license per user.

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

- The composite organization has 30,000 users and pays a monthly list price of \$32 per user in Year 1, moving to list pricing of \$36 per user in Year 2 and Year 3.

**Results.** While Forrester used a standard list price, a risk adjustment of 5% has been applied to account for any regional or inflationary impacts yielding a three-year, risk-adjusted total PV of \$32.5 million.

### Microsoft Licensing Cost

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
I1	Number of users	A1		30,000	30,000	30,000
I2	Monthly license cost per user	Microsoft		\$32	\$36	\$36
It	Microsoft licensing cost	$I1 \cdot I2$	\$0	\$11,520,000	\$12,960,000	\$12,960,000
	Risk adjustment	↑5%				
Itr	Microsoft licensing cost (risk-adjusted)		\$0	\$12,096,000	\$13,608,000	\$13,608,000
Three-year total: \$39,312,000			Three-year present value: \$32,466,536			

### E3 ONGOING MANAGEMENT

**Evidence and data.** Interviewees said the ongoing management of Microsoft 365 E3 is significantly less labor-intensive than prior legacy solutions, but it still requires some administrative support. As a result, their organizations frequently redeployed FTEs previously assigned to managing these deployments to other valuable projects, such as security enhancement and modernization efforts.

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

- The composite organization engages 15 FTEs who spend 75% of their time supporting the Microsoft 365 E3 suite of products.

- The composite organization engages with professional services firms for two months per year working on new development and roadmapping.

**Risks.** Ongoing management costs will vary based on the number of users and solution components in use.

**Results.** To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$8.2 million.

E3 Ongoing Management						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
J1	Internal management staff	A1/1,200		25	25	25
J2	Percent of time spend managing E3 deployment	Assumption		75%	75%	75%
J3	Average annual salary of internal management staff	Assumption		\$125,000	\$127,500	\$130,050
J4	Internal costs	I1*I2*I3		\$2,343,750	\$2,390,625	\$2,438,438
J5	Ongoing professional services	Composite		\$750,000	\$750,000	\$750,000
Jt	E3 ongoing management	J4+J5		\$3,093,750	\$3,140,625	\$3,188,438
	Risk adjustment	↑5%				
Jtr	E3 ongoing management (risk-adjusted)		\$0	\$3,248,438	\$3,297,656	\$3,347,859
Three-year total: \$9,893,953			Three-year present value: \$8,193,757			

### END USER TRAINING

**Evidence and data.** While the interviewees said their organizations found Microsoft 365 E3 to be intuitive and easy to use for most employees, decision-makers dedicated a limited amount of time to train them on new features and tools. Some of the organizations created materials for self-guided

learning like webinars instead of offering formal training.

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

- All users attend a 1-hour training session during the initial rollout of Microsoft 365 E3 to understand the new tools and capabilities.

- The organization has 5% turnover, with new hires going through the 1-hour training process.

**Risks.** Training costs may vary based on company size and existing knowledge of Microsoft solutions.

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

End User Training						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
K1	Number of users trained	Initial: A1 Years 1 to 3: A1*5% in for churn	30,000	1,500	1,500	1,500
K2	Time allocated for directed training (hours)	Composite	1	1	1	1
K3	Average hourly rate	E5	\$35.09	\$35.09	\$36.51	\$37.24
Kt	End user training	K1*K2*K3	\$1,052,700	\$52,635	\$54,761	\$55,857
	Risk adjustment	↑5%				
Ktr	End user training (risk-adjusted)		\$1,105,335	\$55,267	\$57,500	\$58,650
Three-year total: \$1,276s,751			Three-year present value: \$1,247,162			

## DEVICE REFRESH

Interviewees said their organizations assessed which devices did not meet the minimum specifications for their move to Windows 11. While this upgrade coincided with the device refresh cycle at most firms, some had to refresh a small portion of devices off of the normal refresh cycle.

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

- 5% of users have a device that is not on the current refresh cycle and does not meet minimum specifications.
- The average device is valued at \$800.

**Risks.** Device refresh costs will vary based on current refresh rates and the size of the organization.

**Results.** To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$1.3 million.



Device Refresh						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
L1	Number of users	A1	30,000			
L2	Percent of user devices requiring upgrade	Composite	5%			
L3	New device cost	Assumption	\$800			
Lt	Device refresh	L1*L2*L3	\$1,200,000	\$0	\$0	\$0
	Risk adjustment	↑5%				
Ltr	Device refresh (risk-adjusted)		\$1,260,000	\$0	\$0	\$0
Three-year total: \$1,260,000			Three-year present value: \$1,260,000			

# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS



Cash Flow Analysis (Risk-Adjusted Estimates)						
	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$5,712,210)	(\$15,399,704)	(\$16,963,156)	(\$17,014,509)	(\$55,089,579)	(\$46,514,330)
Total benefits	\$0	\$55,519,453	\$57,098,491	\$58,705,304	\$171,323,248	\$141,767,229
Net benefits	(\$5,712,210)	\$40,119,748	\$40,135,335	\$41,690,796	\$116,233,669	\$95,252,899
ROI						205%
Payback						<3 months

# Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

## TOTAL ECONOMIC IMPACT APPROACH

**Benefits** represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

**Costs** consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

**Flexibility** represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

**Risks** measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



## PRESENT VALUE (PV)

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



## NET PRESENT VALUE (NPV)

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



## RETURN ON INVESTMENT (ROI)

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



## DISCOUNT RATE

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



## PAYBACK PERIOD

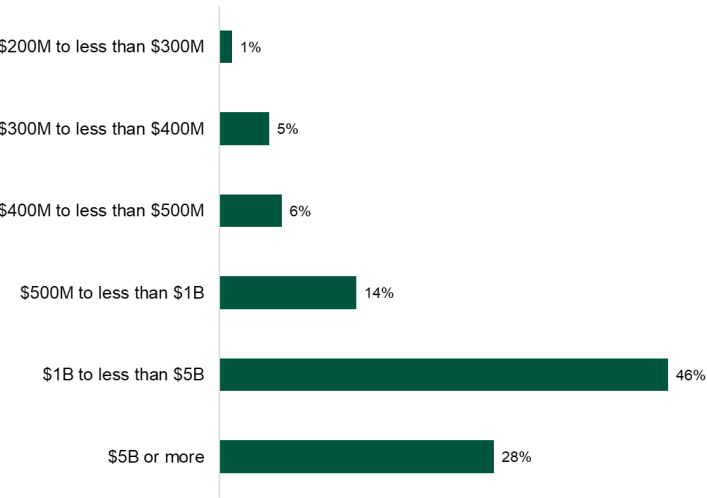
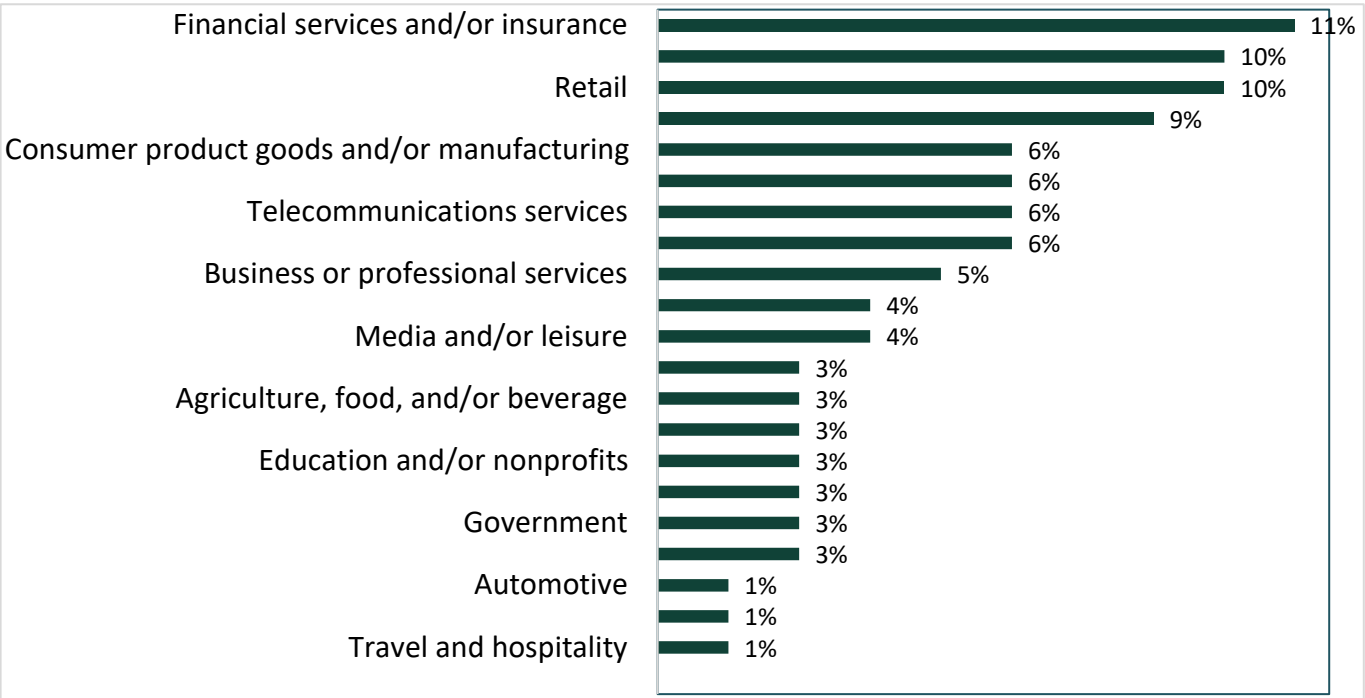
The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

## Appendix B: Interview And Survey Demographics

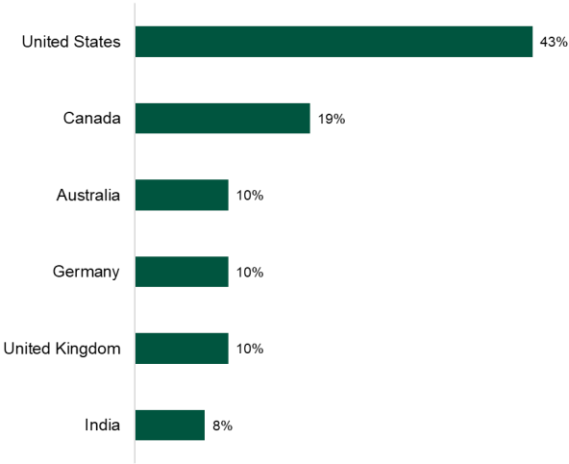
Interviews				
Role	Industry	Region	E3 users	Interview year
IT director	Agriculture	Asia Pacific	6,000	2022
Global CISO	Food processing	North America	8,000	2022
IT manager	Manufacturing	South America	6,200	2022
Chief partner	Retail	Asia Pacific	6,200	2022
Director of Windows and corporate systems	Telecommunications	United States	2,000	2022
CFO	Food service	North America	10,000	2020
SVP of global technology	Restaurant	Global	20,800	2020
Managing director	Financial services	North America	1,500	2020
Head of IT	Biotechnology	United States	1,100	2020
CIO, North America	Nonprofit	Global	75,000	2020
CISO	Professional services	United States	17,000	2020
Senior director of IT	ISP	Canada	5,000	2020
Senior systems developer	Automotive	Europe	37,000	2020
CTO	Professional services	North America	135,000	2020
SVP of information security	Financial services	United States	20,000	2020

Survey Demographics

Which of the following best describes the industry to which your company belongs?



Using your best estimate, what is your organization's annual revenue (USD)?



In which country are you located?

Source: Microsoft/Forrester Total Economic Impact - Microsoft E3 Survey, 2022

Base: 79 IT Managers+ Software Solutions Decision Makers

## Appendix C: Endnotes

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<sup>1</sup> Source: “The Future Of The Office,” Forrester Research, Inc., September 7, 2022.

<sup>2</sup> 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.

<sup>3</sup> Source: Forrester Consulting Cost Of A Cybersecurity Breach Survey, Q1 2021.

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