

The Total Economic Impact Of Microsoft Office 365 For Financial Services Organizations

Financial services organizations are using cloud technologies to create innovative products, provide better customer experiences, manage an ever-increasing regulatory burden, and lower the cost of delivery. Forrester Consulting looked at ways these organizations benefit from Microsoft Office 365 — the cloud-based version of Office Professional Plus, Exchange, Skype for Business (formerly Lync), SharePoint, Yammer, and OneDrive for Business — and found it lowered the solution total cost of ownership (TCO), streamlined and accelerated a wide variety of internal processes, and increased information sharing across the organization. Specifically, financial services organizations shared how Office 365 helped to:

- › Complete loan reviews and origination activities faster and more consistently.
- › Strengthen client relationships with high-net-worth individuals.
- › Improve the effectiveness and productiveness of sales and customer relationship visits to corporate clients.
- › Assist branch and corporate managers in making better decisions based on real-time information.
- › Streamline back-office accounting and auditing processes.

More information on improved business processes can be found in the Appendix, which quantifies benefits defined in Microsoft's Value Discovery Workshop methodology.

To explore the potential benefits of using Office 365 in a financial services organization, Forrester created a composite organization that had the characteristics of the interviewed and surveyed organizations. The composite organization was a regional, European bank with 50 branches, and it moved 2,000 users from an on-premises 2010 version of Microsoft solutions to Office 365 in the cloud. The Total Economic Impact™ study looks at the financial impacts to the composite organization.

METHODOLOGY

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

To achieve these objectives, Forrester conducted two in-depth phone interviews with a European bank and a Middle Eastern bank, along with an online survey of 30 financial services organizations that have migrated to Office 365.

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

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

Key Findings

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

ROI:
168%

IRR:
253%

NPV:
**\$6.7
million**

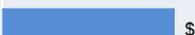
Payback:
**seven
months**

The Five Benefit Pillars And Results Summary

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

Figure 1

Microsoft Office 365 Benefit Pillars And Risk-Adjusted¹ Financial Benefits Three-Year Cumulative Benefits For The 2,000-User Composite Organization

Pillar	How Quantified In Study	Financial Impact	Goal
 Technology	Reduce hardware, software, and IT labor costs.	 \$2,907,466	Reduce technology-related costs across all parts of the organization.
 Mobility	Increase worker efficiency with anytime access.	 \$2,520,117	Enable client relationship managers and other mobile workers to stay productive.
 Control & Compliance	Lower compliance costs.	 \$1,270,500	Maintain compliance with a wide range of regulations at a reasonable cost.
 Business Intelligence	Save money through better decisions from more timely access to data.	 \$1,607,031	Gain insights into bank operations, reserve requirements, and other mission-critical activities.
 Real-time Communication	Improve process efficiency and user productivity.	 \$4,710,266	Better orchestrate processes across the organization to streamline operations.

Source: Forrester Research, Inc.

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

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

Risk-Adjusted Results Summary For The 2,000-User Composite Organization

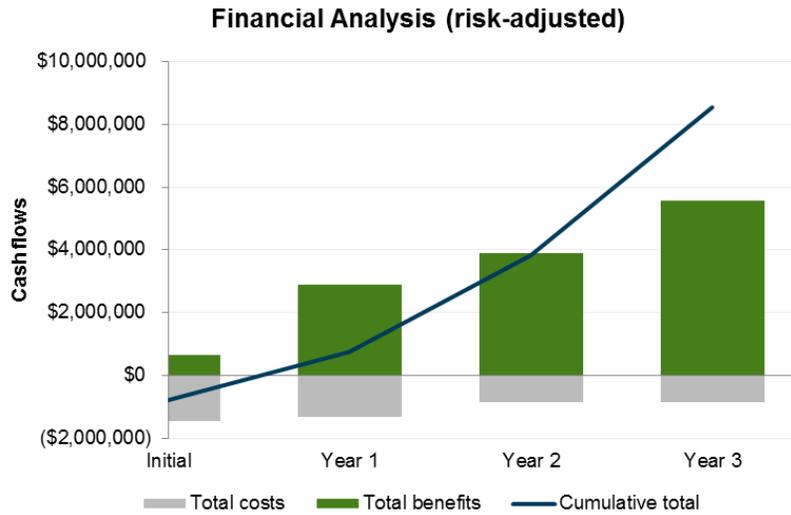
	Initial	Year 1	Year 2	Year 3	Total	PV
Costs	(\$1,448,901)	(\$1,320,862)	(\$849,627)	(\$854,692)	(\$4,474,083)	(\$3,993,999)
Benefits	\$653,673	\$2,884,414	\$3,909,100	\$5,568,193	\$13,015,380	\$10,689,994
Net benefits	(\$795,229)	\$1,563,552	\$3,059,473	\$4,713,501	\$8,541,297	\$6,695,995
ROI	168%					
IRR	253%					
Payback period	seven months (after go-live)					

Source: Forrester Research, Inc.

¹ See Methodology sidebar on page one.

The graph below shows the risk-adjusted cash flow.

Figure 2
Risk-Adjusted Cash Flow For The 2,000-User Composite Organization



Source: Forrester Research, Inc.

Benefits

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

Technology Benefits

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

- An 11.1% reduction in Microsoft licensing costs.
- A 13.5% reduction in third-party license and software costs, e.g., other email solutions and antispy solutions.
- A 12.2% reduction in IT support costs for legacy systems.

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

- › **The financial services organization avoided adding new infrastructure hardware.** The move from the 2010 version of the Microsoft solutions to the Office 365 cloud-based solution meant that new infrastructure did not need to be purchased, installed, and maintained for the different branches and offices. In total, 22 highly virtualized physical servers were not added over the life of the study, and storage area network (SAN) requirements were reduced by half. The total three-year risk-adjusted savings to purchase, maintain, and host the hardware amounted to \$560,138.
- › **Server licenses for various Microsoft solutions were no longer needed.** An on-premises solution comparable to Office 365 would have required 120 Windows Server licenses, nine Exchange Server licenses, four Skype for Business Server licenses, and six SharePoint Server licenses. The total three-year risk-adjusted avoided purchase cost plus annual maintenance totaled \$48,911.
- › **The implementation effort was 46% less than for a comparable on-premises solution.** Had a traditional on-premises deployment of the 2013 version of the Microsoft products been implemented within the financial

services organization, the internal effort and professional services fees would have been 50% and 40% greater, respectively. This total three-year risk-adjusted savings across all phases equaled \$777,417.

› **The manpower required to support the solution was reduced.** The total number of resources required to maintain and grow the Microsoft solutions — Office Professional Plus, Exchange, Skype for Business, SharePoint, Yammer, and OneDrive for Business — was reduced. Much of this was in the form of avoiding additional hires as well as redeploying an existing system administrator who could focus on other, higher-value activities. The total three-year risk-adjusted associated savings was \$1,521,000.

In the interviews, Forrester heard more specifics about some of the technology benefits achieved, such as lower IT administration costs, reduced infrastructure costs, and less time troubleshooting problems. As one organization told us: “We used to have a lot of interruptions in our email service. It usually took two or three IT resources to find and fix the problem. Sometimes it took as many as eight.” We also heard that IT user support for email went from 80% of a full-time equivalent (FTE) down to 5% of an FTE.

“We used to run Exchange on six physical servers. We had 1.2 TB of storage for 1,200 mailboxes. Our costs for hardware, support, data center hosting, and electricity have been cut by 50%. We also eliminated our tape backups.”

~CTO, retail bank

Table 1 below highlights the total quantified technology benefits for our composite financial services organization. The sum of these years’ total benefits in the table below is equal to the total technology benefits number shown in Figure 1.

Table 1
Total Technology Benefits For The 2,000-User Composite Organization

Ref.	Benefit Category	Initial	Year 1	Year 2	Year 3
Atr	Avoided back-end hardware	\$211,838	\$87,390	\$124,200	\$136,710
Btr	Avoided Microsoft Server licenses	\$20,669	\$10,105	\$8,759	\$9,378
Ctr	Reduced implementation effort	\$421,167	\$261,250	\$47,500	\$47,500
Dtr	Reduced IT support effort	\$0	\$234,000	\$585,000	\$702,000
	Total technology benefits	\$653,673	\$592,745	\$765,459	\$895,588

Source: Forrester Research, Inc.

Mobility Benefits

Mobility for financial services organizations can be very important to grow topline revenue, especially in commercial and investment banking activities. Mobility is also very important for managers and executives who travel between offices and branches. Employees in the financial services sector are paid higher than in most other industries, so keeping them productive while on the road is very important.

Fifty percent of the surveyed organizations said mobile access has created greater end user productivity due to improved communications and knowledge sharing; 53% said it has led to a decrease in the time it takes to conduct daily business; and 47% reported faster time-to-market with new products and services.

For the financial analysis, Forrester looked at improved productivity for 200 mobile professionals (increasing to 275 by Year 3 of the study), which includes customer relationship managers, branch managers, and bank executives. Their productivity is improved by reducing time to access systems, as Office 365 means they can get information without having to log in via VPNs or travel to a company location.

In Year 1 of the study, the daily time savings is a half an hour. This increases to 75 minutes per day by Year 3 as Skype for Business and SharePoint are fully integrated and users become more comfortable working in this new paradigm. This productivity gain can be used to support growth, or it can be a source of cost savings through avoided additional hiring. Forrester discounted this benefit by 50% since not all productivity gains translate into additional work.

As there are a variety of forces that could affect productivity outcomes within a financial services organization, this benefit was risk-adjusted and reduced by 15%. The risk-adjusted total benefit resulting over the three years was \$2,520,117. Table 2 highlights how this benefit was calculated.

“Our mobile workers are now much more productive. They have easy, reliable access to email, files, and systems. These workers make up 20% of our workforce.”

~CTO, retail bank

Table 2
Increased Mobile Worker Productivity For The 2,000-User Composite Organization

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
E1	Number of affected mobile workers		200	250	275
E2	Hours per day saved with use of Office 365		0.50	0.50	0.75
E3	Average hourly fully burdened cost	\$110,000/2,000 hours	\$55	\$55	\$55
E4	Number of work days per year		250	250	250
E5	Percent of benefit realized		50%	50%	50%
Et	Increased worker productivity	E1*E2*E3*E4*E5	\$687,500	\$859,375	\$1,417,969
	Risk adjustment	↓15%			
Etr	Increased mobile worker productivity (risk-adjusted)		\$584,375	\$730,469	\$1,205,273

Source: Forrester Research, Inc.

Control And Compliance Benefits

Compliance is critically important to financial services organizations. This is one of the most highly regulated industries, and fines from compliance failures can be extremely high. There is also the risk of losing a charter

and not being able to operate in a geography. Fifty-three percent of survey respondents said that it is easier to manage policies across all devices, and 43% reported lower costs because of best practices built into Office 365. Further analysis of the online survey findings showed that, on average, the respondents reduced compliance costs by 10.8% and reduced time spent on eDiscovery efforts by 7.9%.

The most frequently cited regulations in the survey included data processing agreements (DPAs), Sarbanes-Oxley (SOX), and PCI. Improved IT and data security was also very important to the interviewed organizations. An interviewed CIO said: “The ability to retain and discover data across the organization is essential to ensure internal and regulatory compliance. These compliance and security features are built into Office 365, which makes it the best solution for [us].”

“With Office 365, we met our company requirements for security and compliance.”

~CIO, financial services organization

For the ROI analysis, Forrester included two examples of cost savings. The first is reduced labor costs on the part of the IT organization to support financial regulatory compliance activities. In Year 1 of the study, the IT organization was able to reduce effort equivalent to \$225,000. By Year 3 of the study, this increased to \$425,000 as more activities were streamlined and automated. The absolute size of the benefit will vary based on the size of the organization

and the amount of time spent on regulatory compliance. To compensate for this variance, this benefit was risk-adjusted and reduced by 10%. The risk-adjusted total benefit over the three years was \$900,000.

Table 3
Reduced Regulatory Compliance Effort For The 2,000-User Composite Organization

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
F1	Reduced compliance costs		\$225,000	\$350,000	\$425,000
Ft	Reduced regulatory compliance effort	=F1	\$225,000	\$350,000	\$425,000
	Risk adjustment	↓10%			
Ftr	Reduced regulatory compliance effort (risk-adjusted)		\$202,500	\$315,000	\$382,500

Source: Forrester Research, Inc.

Performing eDiscovery activities to comply with lawsuits and regulatory requests for information can be very time consuming. One interviewee said: “There were plenty of reasons for moving to a social, collaborative, and intuitive platform. Since we are a financial institution, we need to comply with a lot of norms in terms of archiving, storage of information, and security.” Forrester calculated an example of reduced effort on the part of the IT organization to search email accounts for requested information. The composite organization received 175 requests in Year 1, and this increased to 325 by Year 3, which requires the IT team to search through multiple employees’ email accounts and OneDrive storage. The time to accomplish this was cut from 10 hours per request down to 2 hours. While the nature of eDiscovery efforts may vary, Forrester believes that most organizations would need to do some of these activities. To compensate for this variance, this benefit was risk-adjusted and reduced by 5%. The risk-adjusted total benefit over the three years was \$370,500.

Table 4
eDiscovery IT Team Savings For The 2,000-User Composite Organization

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
G1	Number of eDiscovery requests		175	250	325
G2	Time savings per request (hours)	10 hours -> 2 hours	8	8	8
G3	Total IT team savings (hours)	G1*G2	1,400	2,000	2,600
G4	Hourly average fully burdened IT salary	\$130,000/2,000 hours	\$65	\$65	\$65
Gt	eDiscovery IT team savings	G3*G4	\$91,000	\$130,000	\$169,000
	Risk adjustment	↓5%			
Gtr	eDiscovery IT team savings (risk-adjusted)		\$86,450	\$123,500	\$160,550

Source: Forrester Research, Inc.

Business Intelligence Benefits

The importance of business intelligence and the value of data within a financial services organization have become more important over the past several years. As customer demands increase, companies need to be more responsive to their needs. Additionally, the entire industry has become much more competitive since the economic downturn of 2008.

Fifty-three percent of survey respondents said that “improved use of the Excel program has helped uncover better, more valuable insights.” Fifty percent reported reduced time-to-decision because of better access to information. Employee performance improved at 43% of the surveyed organizations because “they have access to company portals and actionable information anytime, anywhere.”

One organization gave the following example: “Before we launched a new marketing campaign, our field salesforce was giving us feedback on Yammer on which [consumer loan] models are more popular. This gave us the ability to tweak our promos. Whereas last season, getting this feedback would take us five to 10 days after a campaign was launched.” This is an example of using real-time business intelligence to improve sales campaigns. For the composite organization, Forrester looked at how market and financial analysts can save time by having easy access to company and customer information. Beginning in Year 1 of the study, 150 analysts save 15 minutes per day searching for information in multiple systems. This increased to 45 minutes per day by Year 3 as more information was made available via SharePoint. This time savings can be used to support growth and provide better service, or it can lead to cost reductions. Because not all time savings result in added work, Forrester discounted this benefit by 50%. Table 5 shows how this was calculated.

Since the number of affected workers and the time saved vary greatly from one organization to another, this benefit was risk-adjusted and reduced by 15%. The risk-adjusted total benefit over the three years was \$1,607,031.

Table 5
Reduced Analysis Effort For The 2,000-User Composite Organization

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
H1	Number of affected analysts		150	175	200
H2	Hours saved per day		0.25	0.50	0.75
H3	Workdays per year		250	250	250
H4	Total man-days saved	$H1*H2/8 \text{ hours}*H3$	1,171.9	2,734.4	4,687.5
H5	Average daily salary	$\$110,000/250$ workdays	\$440	\$440	\$440
H6	Total potential savings	$H4*H5$	\$515,625	\$1,203,125	\$2,062,500
H7	Percent of benefit realized		50%	50%	50%
Ht	Reduced analysis effort	$H6*H7$	\$257,813	\$601,563	\$1,031,250
	Risk adjustment	↓15%			
Htr	Reduced analysis effort (risk-adjusted)		\$219,141	\$511,328	\$876,563

Source: Forrester Research, Inc.

Real-Time Communications Benefits

The way individuals live their personal lives in terms of using online social interaction services and other real-time communication tools is affecting how people communicate and collaborate in the workplace. A major component of Office 365 is enabling these interactions to improve knowledge sharing, collaboration, and productivity.

The interviewed organizations shared with us the variety of ways they are using these features to improve their operations. For example, we heard: "With Office 365, all our staff, whether working in the field with the sales force or in back-office areas such as administration, finance, and personnel management, works with the same tools. This speeds up operations, simplifies tasks, and creates a much better working environment. The migration has helped us to achieve a substantial change in our productivity levels." Another financial services company said: "The migration has helped us to achieve a substantial change in our productivity levels." Skype Click to Call is a significant improvement over many other solutions in which bankers need to type in a series of passwords.

"Office 365 has made a big difference. Loan officers and our credit card teams are now all much more productive."

~CTO, bank

Additionally, the investment in Office 365 eliminated the need for the composite organization to continue to invest in webconferencing solutions and voice telecom provided by other vendors. Instead, scheduled and ad hoc meetings are completed using Skype and Yammer. These cost savings should be realizable by all organizations previously using other solutions for webconferencing or audioconferencing. Because costs vary based on usage and geographic reach, this benefit was risk-adjusted and reduced by 10%. The risk-adjusted total benefit over the three years was \$400,500.

Table 6
Eliminated Communication Technology For The 2,000-User Composite Organization

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
I1	Eliminated webconferencing solutions		\$50,000	\$75,000	\$75,000
I2	Eliminated long-distance call charges		\$65,000	\$90,000	\$90,000
I _t	Eliminated communication technology	I1+I2	\$115,000	\$165,000	\$165,000
	Risk adjustment	↓10%			
I_{tr}	Eliminated communication technology (risk-adjusted)		\$103,500	\$148,500	\$148,500

Source: Forrester Research, Inc.

There are many ways that the real-time communication features of Office 365 can have an impact on an organization. For the quantified portion of the real-time communication benefits pillar, Forrester looked solely at the improvement in one area — a loan origination process. The model assumes that 250 loan officers and underwriters save 16.5 hours per month. This is primarily achieved through having better access to documentation and the ability to ask questions/collaborate across the team using the real-time communication tools built into Office 365 — Skype for Business, Yammer, and Office 365 groups. The time savings increases in Year 3 as processes become more efficient, and the number of affected users increases as the organization grows. Because not all time savings result in added work, Forrester discounted this benefit by 50%.

The amount of time spent on these activities can vary greatly, so the benefit was risk-adjusted and reduced by 15%. The risk-adjusted total benefit over the three years was \$4,309,766.

Table 7
Reduced Loan Processing Time For The 2,000-User Composite Organization

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
J1	Number of loan officers and underwriters		250	300	325
J2	Hours saved per day		0.75	0.75	1.00
J3	Workdays per year		250	250	250
J4	Total man-days saved		5,859	7,031	10,156
J5	Average daily salary	\$110,000/2,000 250 days	\$440	\$440	\$440
J6	Total potential savings	J4*J5	\$2,578,125	\$3,093,750	\$4,468,750
J7	Percent of benefit realized		50%	50%	50%
Jt	Reduced loan processing time	J6*J7	\$1,289,063	\$1,546,875	\$2,234,375
	Risk adjustment	↓15%			
Jtr	Reduced loan processing time (risk-adjusted)		\$1,095,703	\$1,314,844	\$1,899,219

Source: Forrester Research, Inc.

Total Quantified Benefits

The total quantified benefits, as well as present values (PVs) discounted at 10%, are shown in the table below. Over three years, the composite financial services organization expects risk-adjusted total benefits to be a PV of under \$10.7 million.

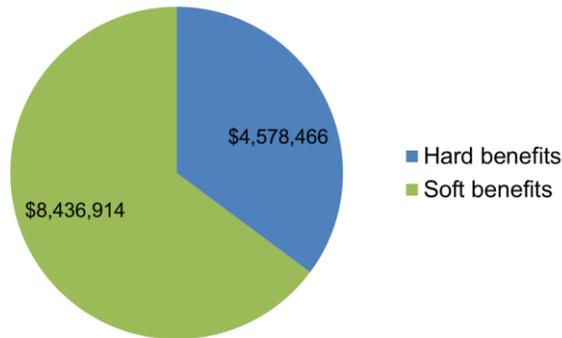
Table 8
Total Quantified Benefits (Risk-Adjusted) For The 2,000-User Composite Organization

Ref.	Benefit Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Atr	Avoided back-end hardware	\$211,838	\$87,390	\$124,200	\$136,710	\$560,138	\$496,640
Btr	Avoided Microsoft Server licenses	\$20,669	\$10,105	\$8,759	\$9,378	\$48,911	\$44,140
Ctr	Reduced implementation effort	\$421,167	\$261,250	\$47,500	\$47,500	\$777,417	\$733,610
Dtr	Reduced IT support effort	\$0	\$234,000	\$585,000	\$702,000	\$1,521,000	\$1,223,621
Etr	Increased mobile worker productivity	\$0	\$584,375	\$730,469	\$1,205,273	\$2,520,117	\$2,040,483
Ftr	Reduced regulatory compliance costs	\$0	\$202,500	\$315,000	\$382,500	\$900,000	\$731,799
Gtr	eDiscovery IT team savings	\$0	\$86,450	\$123,500	\$160,550	\$370,500	\$301,281
Htr	Reduced analysis effort	\$0	\$219,141	\$511,328	\$876,563	\$1,607,031	\$1,280,378
Itr	Eliminated communication technology	\$0	\$103,500	\$148,500	\$148,500	\$400,500	\$328,388
Jtr	Reduced loan origination processing time	\$0	\$1,095,703	\$1,314,844	\$1,899,219	\$4,309,766	\$3,509,653
Total benefits (risk-adjusted)		\$653,673	\$2,884,414	\$3,909,100	\$5,568,193	\$13,015,380	\$10,689,994

Source: Forrester Research, Inc.

While all of the benefits included in the ROI analysis are very important, Forrester looked at the soft benefits versus hard benefits delivered by Office 365. Hard benefits include specific, external cost savings such as reduced license payments to Microsoft and discreet labor savings such as reduced implementation time. Soft savings include general process efficiency gains that can improve the productivity of many workers; this included Etr, Htr, and Jtr in Table 8 above. Approximately 35% of the benefits included fall into the hard category.

Figure 3
Hard Versus Soft Benefits For The 2,000-User Composite Organization



Source: Forrester Research, Inc.

Costs

The quantified costs for the 2,000-user composite organization include:

- › **Internal implementation labor.** The full deployment of Office 365 was undertaken in two phases. Phase one, completed in the initial period, consisted of standing up the Office 365 solution; migrating all email accounts and users to Exchange Online from Exchange 2010 on-premises; moving all users to Office 365 Professional Plus from Office Professional Plus 2010 local clients; and deploying OneDrive for Business for all users. Seven internal FTEs worked on this for eight months. Phase two, completed in Year 1, consisted of a completely new deployment of Skype and Yammer, as well as migrating from SharePoint 2010 on-premises to the latest version of SharePoint Online. Six FTEs worked on this for six months. The total internal implementation labor, risk-adjusted up 10%, was \$1,096,333.
- › **Professional services.** The composite organization used Microsoft Consulting Services during both phases of deployment as well as some additional professional services in subsequent years. These professional services were used to properly set up the solutions and help with any especially challenging areas such as data migration. The amount of professional services required was higher than what is required for some other industries because of the increased complexity as a result of regulations and data security. The total professional services cost, risk-adjusted up 10%, was \$880,000.
- › **Training.** Training was required for the IT team on the new and updated solutions being deployed, as well as on the differences in administering Office 365 compared with on-premises versions. Eighty days of IT training took place in the initial period, with an additional 50 days of training in Year 1 and 30 days in years 2 and 3. Additionally, two internal employees provided user training to the rest of the composite organization during the initial period and Year 1, and one FTE provided training in years 2 and 3. In total, the external training charges for IT and the internal costs for user training, risk-adjusted up 10%, amounted to \$788,700.
- › **Ongoing system administration.** The Benefits section describes the number of system administrator positions that did not need to be added or could be reassigned. The remaining system administration team consisted of two FTEs in Year 1, and the team grew to three FTEs in Year 2 to handle additional requirements with the overall greater usage and additional users. The three-year associated costs, risk-adjusted up 10%, were \$1,144,000.
- › **Incremental Microsoft licenses.** For individual user licenses, Office 365 was compared with the Software Assurance (SA) pricing model to provide the best apple-to-apple comparison of a solution that always has users on the latest version of Microsoft technologies. Office 365 cost \$24.12 more per year for each user

compared with the Software Assurance licenses. The accumulated additional cost over three years, risk-adjusted up 5%, was \$200,920.

- › **Federation hardware.** The composite organization desired to use identity federation for improved single sign-on (SSO) internally and with partner organizations. This required the installation and ongoing maintenance of four Active Directory Federation Services (ADFS) servers. Two servers were installed at both a primary and a DR data center for full redundancy. The three-year cost to purchase, maintain, and host the servers, risk-adjusted up 5%, was \$82,530.
- › **Additional bandwidth.** Moving to Office 365 resulted in a net increase of bandwidth required. Some areas, such as Exchange, saw a reduction, while other areas, such as a new deployment of Skype, saw an increase. There was also additional bandwidth required during the initial data migrations. Over three years, the additional bandwidth required, risk-adjusted up 10%, cost \$281,600.

Total Costs

The total costs, as well as present values (PVs) discounted at 10%, are shown in the table below. Over three years, the composite financial services organization expects risk-adjusted total costs to be a PV of approximately \$4 million.

Table 9
Total Costs (Risk-Adjusted) For The 2,000-User Composite Organization

Ref.	Cost Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Ktr	Internal implementation labor	\$667,333	\$429,000	\$0	\$0	\$1,096,333	\$1,057,333
Ltr	Professional services fees	\$385,000	\$220,000	\$137,500	\$137,500	\$880,000	\$801,942
Mtr	Training costs	\$268,400	\$258,500	\$130,900	\$130,900	\$788,700	\$709,929
Ntr	Ongoing system administration	\$0	\$286,000	\$429,000	\$429,000	\$1,144,000	\$936,860
Otr	Incremental Microsoft licenses	\$33,768	\$50,652	\$55,717	\$60,782	\$200,920	\$171,529
Ptr	Federation hardware	\$50,400	\$10,710	\$10,710	\$10,710	\$82,530	\$77,034
Qtr	Additional bandwidth	\$44,000	\$66,000	\$85,800	\$85,800	\$281,600	\$239,372
	Total costs (risk-adjusted)	\$1,448,901	\$1,320,862	\$849,627	\$854,692	\$4,474,083	\$3,993,999

Source: Forrester Research, Inc.

About Microsoft Office 365

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

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

Specific feature-related benefits include:

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

DISCLOSURES

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

GLOSSARY

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

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

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

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

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

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

ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

ABOUT TEI

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

<http://www.forrester.com/marketing/product/consulting/tei.html>

Appendix — Value Discovery Workshop

According to Microsoft, the Value Discovery Workshop is “a tool to help [companies] make the business case for Office 365. This tool will help create a step-by-step assessment of process improvement opportunities tied to business objectives/needs, identify the relevant Office 365 capabilities, and automatically generate the right set of customized workshop content.”² Forrester surveyed more than 500 organizations across multiple industries to assess how these processes have improved and define specific KPI and financial impacts. Specifically, Forrester looked at the impact that Office 365’s capabilities have on the time and labor involved with each process. Below is a summary of the findings.

For financial services organizations, Microsoft specifically investigated the relationship manager, investment analyst, compliance officer, and product manager roles. Microsoft identified benefits across 10 process areas. Tables 10 to 13 show the mean results for each process improvement by role.

Table 10
Summary Value Of Discovery Workshop Improvements — Relationship Manager

Process	Hours Per Week Before Office 365	Percent Reduction In Hours	Number Of FTEs Before Office 365	Percent Reduction In FTEs	Financial Impact (Risk-Adjusted)
Discover insights to identify trends	6.0	9.3%	65	17.6%	\$135,967
Discover content and context to quickly make informed decisions	4.6	14.3%	67	14.9%	\$115,130
Conduct meetings from anywhere, anytime to get work done	6.0	8.0%	113	6.9%	\$134,246
Communicate securely to ensure privacy	12.9	9.4%	154	14.7%	\$622,821
Manage client privacy and security	11.6	12.9%	122	17.2%	\$544,513
Secure access to work from anywhere	9.9	7.9%	158	14.0%	\$448,858
Collaborate in real time on document development and review	17.4	14.2%	264	14.9%	\$1,710,574
Find and leverage collective intelligence to produce higher-impact deliverables	12.9	11.2%	96	16.9%	\$452,544
Protect sensitive client information to ensure compliance	14.5	18.7%	175	14.7%	\$744,626
Maximize sales to have an impact on your bottom line	6.0	4.9%	89	8.1%	\$92,875

Source: Forrester Research, Inc.

Survey respondents shared the following specific statements about how processes improve:

- › “Using charts to calculate which customers need financial help or loans.”
- › “Easier to send protected emails and other information over a secure network without having to protect at the application level.”
- › “Microsoft 365 helps me improve my financial banking with my clients and helps me move faster on the services that they need.”
- › “Being heavily regulated we must be able to store, archive and retrieve data and client communications, which we are able to do now automatically.”

² More information on Microsoft’s Value Discovery Workshop methodology and deliverables can be found at www.valuediscoveryworkshop.com.

Table 11
Summary Value Of Discovery Workshop Improvements — Investment Analyst

Process	Hours Per Week Before Office 365	Percent Reduction In Hours	Number Of FTEs Before Office 365	Percent Reduction In FTEs	Financial Impact (Risk-Adjusted)
Discover insights to identify trends	10.6	8.6%	146	9.3%	\$365,207
Discover content and context to quickly make informed decisions	4.7	12.3%	29	19.5%	\$55,302
Conduct meetings from anywhere, anytime to get work done	6.9	10.4%	42	3.9%	\$55,567
Communicate securely to ensure privacy	12.4	7.6%	63	10.0%	\$181,545
Manage client privacy and security	5.7	8.8%	77	9.3%	\$104,672
Secure access to work from anywhere	8.1	12.9%	88	14.5%	\$251,125
Collaborate in real time on document development and review	16.5	20.1%	225	23.8%	\$2,004,021
Find and leverage collective intelligence to produce higher-impact deliverables	6.1	13.5%	53	7.8%	\$90,333
Protect sensitive client information to ensure compliance	8.1	9.5%	106	12.2%	\$243,384
Maximize sales to have an impact on your bottom line	5.8	7.8%	45	6.0%	\$48,019

Source: Forrester Research, Inc.

Survey respondents shared the following specific statements about how processes improve:

- › “Pivot tables in excel allow us to identify and analyze data more quickly.”
- › “Microsoft office 365 has helped our firm conduct meetings easier by retrieving the data we need instantly in order to present data and important information to be shared with business associates and partners no matter where they are.”
- › “Microsoft has a great security platform so that I am not concerned about hackers or viruses.”
- › “Microsoft Office 365 offers the latest features that enable the user to take the right steps with the various tools provided and ready to use (Microsoft 365) in managing client privacy and security.”
- › “I have used it for important meetings to attain specific key information for business transactions with important clients, and for business meetings.”
- › “It has really helped me connect with all important business partners no matter where they are, and we can all communicate and give each other feedback with not much delay thanks to real time collaboration document development and review.”

Table 12
Summary Value Of Discovery Workshop Improvements — Compliance Officer

Process	Hours Per Week Before Office 365	Percent Reduction In Hours	Number Of FTEs Before Office 365	Percent Reduction In FTEs	Financial Impact (Risk-Adjusted)
Discover insights to identify trends	8.6	20.9%	225	18.4%	\$946,739
Discover content and context to quickly make informed decisions	8.4	17.2%	142	14.8%	\$484,838
Conduct meetings from anywhere, anytime to get work done	4.9	6.1%	224	17.8%	\$345,564
Communicate securely to ensure privacy	7.7	3.8%	153	5.1%	\$141,543
Manage client privacy and security	7.0	8.5%	146	11.6%	\$269,576
Secure access to work from anywhere	8.8	7.6%	128	12.1%	\$291,929
Collaborate in real time on document development and review	3.0	5.7%	57	9.4%	\$34,369
Find and leverage collective intelligence to produce higher-impact deliverables	NA	NA	NA	NA	NA
Protect sensitive client information to ensure compliance	15.0	9.8%	156	11.3%	\$645,601
Maximize sales to have an impact on your bottom line	NA	NA	NA	NA	NA

Source: Forrester Research, Inc.

Survey respondents shared the following specific statements about how processes improve:

- › “I consistently use Excel data and identify potential issues within my company.”
- › “It allows me to be able to log all complaints received by my organization in one centralized location.”
- › “I am able to quickly communicate with other colleagues and receive the information required to effectively conduct audits.”
- › “When we are data mining we use various excel spreadsheets and the numbers are vast. The new product allows us to ensure we are capturing the correct information.”
- › “My work is very sensitive and confidential. Office 365 has made it easier to work anywhere, anytime but in a secure environment.”
- › “Client privacy and security is our highest focus. With Office 365 my firm is able to work with no worries of hacking, or failing to provide security”

Table 13
Summary Value Of Discovery Workshop Improvements — Product Manager

Process	Hours Per Week Before Office 365	Percent Reduction In Hours	Number Of FTEs Before Office 365	Percent Reduction In FTEs	Financial Impact (Risk-Adjusted)
Discover insights to identify trends	4.0	13.8%	22	8.7%	\$25,866
Discover content and context to quickly make informed decisions	11.5	12.4%	29	14.8%	\$116,736
Conduct meetings from anywhere, anytime to get work done	7.4	8.8%	33	4.9%	\$44,715
Communicate securely to ensure privacy	8.1	6.3%	112	6.7%	\$157,467
Manage client privacy and security	7.8	4.0%	18	6.5%	\$19,840
Secure access to work from anywhere	5.9	7.8%	119	7.7%	\$144,360
Collaborate in real time on document development and review	7.6	5.7%	43	3.3%	\$39,740
Find and leverage collective intelligence to produce higher-impact deliverables	11.5	8.0%	53	13.0%	\$167,886
Protect sensitive client information to ensure compliance	10.3	9.7%	31	10.3%	\$83,724
Maximize sales to have an impact on your bottom line	3.5	13.0%	31	38.0%	\$68,966

Source: Forrester Research, Inc.

Survey respondents shared the following specific statements about how processes improve:

- › “We use the data to identify which products are selling best at different times of month and year to adjust personnel accordingly.”
- › “Monitoring and reporting tools have provided insight in to usage and trends.”
- › [Office 365 helps create seamless collaboration among geographically disbursed offices.]
- › “We can now access privileged information from home to work more efficiently.”
- › [Office 365] provides collaborative tools that are necessary when teams are co-located. It also allows me to access my email from wherever I am.”
- › “Sharing screens allows product managers to discuss findings.”