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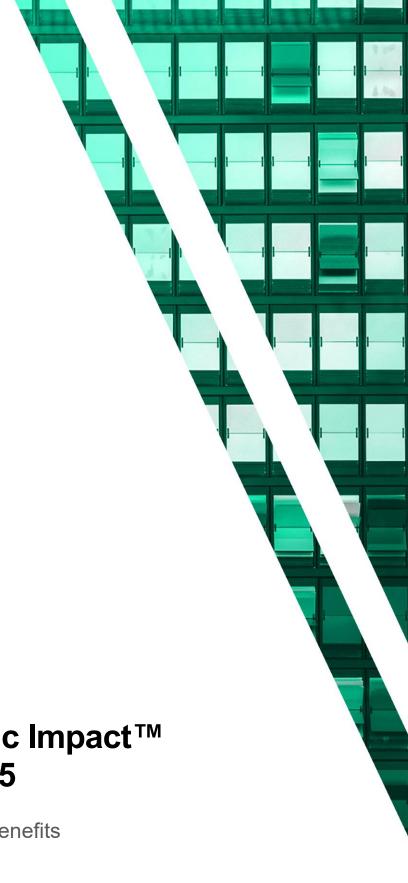
The Total Economic Impact™ Of Microsoft 365 E5
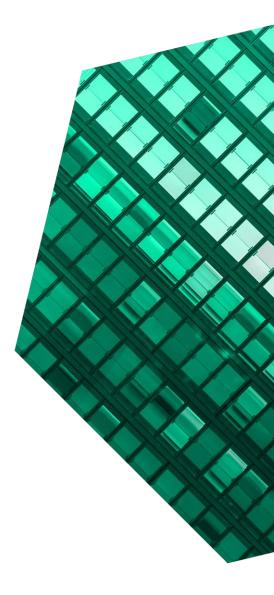
Cost Savings And Business Benefits
Enabled By Microsoft 365 E5

AUGUST 2023

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Consulting Team: Richard Cavallaro
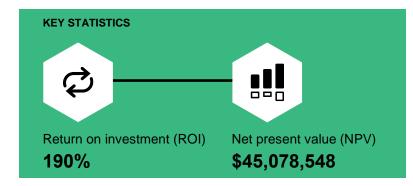*Carmen Serradilla Ortiz*

Executive Summary

> Amid emerging security threats and the new ways employees work, organizations face a difficult balancing act in continuing to deliver high-quality experiences to their customers. They must improve the hybrid experience and tools for their employees, consolidate their ever-growing technology stacks, and reduce IT spending while simultaneously extending security functionality and enabling security teams to be more proactive against emerging threats.

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 E5.[1] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Microsoft 365 E5 on their organizations.

This study is focused on the cost savings and business benefits organizations can achieve with Microsoft 365 E5 through improvement to security posture and reduced risk of a data breach or security incident, optimization of IT and security teams, optimization of solution stacks supporting their employees, and the resulting user productivity benefits.

With Microsoft 365 E5, organizations gain additional telephony, analytics, and security functionality. Microsoft 365 Enterprise E5 is the most feature-rich version of Microsoft 365 and consists of Office 365 applications and Enterprise Mobility + Security (EMS). It provides the collaboration, productivity, automation, and security features enterprise customers may need to support their digital business transformation initiatives under one license while streamlining its deployment and utilization.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed 14 representatives of organizations with experience using Microsoft 365 E5 over three years (most recently in 2023) and surveyed another 920 respondents with experience using the platform. For

KEY STATISTICS

Return on investment (ROI)
190%

Net present value (NPV)
$45,078,548

the purposes of this study, Forrester aggregated the experiences of the interviewees and survey respondents and combined the results into a single composite organization.

Prior to licensing Microsoft 365 E5, interviewees' organizations typically maintained hybrid environments consisting of a mixture of Microsoft Office (Microsoft 365 Apps) and third-party solutions. Managing third-party solutions required significant investments and time from IT and security teams because disparate tools required relationships with multiple vendors and inherently yielded management inefficiencies. Gaps in security functionality were also present given the disparate nature of these solutions, which exposed the organizations to risk.

The interviewees' organizations aimed to reduce costs, free up FTE resources, and improve their users' productivity, all while extending security functionality to improve their security postures.

The interviewees and survey respondents said that after investing in Microsoft 365 E5, their

organizations realized savings by retiring on-premises infrastructure, and they also saved on licensing costs and solutions maintenance and management. The new features and functionality provided by Microsoft 365 E5 improved employee productivity through additional functionality and consolidation of the solutions supporting hybrid work. The organizations accomplished all of this while strengthening their security postures through built-in protections offered by Microsoft 365 E5. This allowed security personnel to shift from reactive to proactive security activities.

KEY FINDINGS

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

- **60% efficiency improvement for teams that manage security.** The composite organization's IT teams use Microsoft 365 E5's improved threat telemetry, automation, and intelligent remediation capabilities to solve issues faster and to address potential threats before they escalate. Entra ID provides further security savings for the organization's identity access management (IAM) teams, including conditional access. The composite organization cuts the time required to manage its security environment in half, saving it a risk-adjusted $4.4 million over three years.

- **Reduced risk of a data breach by 50%.** In addition to helping with compliance and saving time for the composite's IT and security personnel, extension of security functionality within Microsoft 365 E5 also reduces both the likelihood and potential damage of a security breach. The organization realizes savings around remediation, response, and reporting labor as well as fines, damages, compliance costs, customer compensation, and lost revenues. These are worth a risk-adjusted $2.5 million over three years for the composite organization.

- **Per-user licensing savings of $86.25 per month.** The composite organization uses Microsoft 365 E5 to phase out a multitude of legacy solutions, including collaboration tools, telephony, analytics solutions, and security tools. Consolidating these solutions under Microsoft 365 E5 enables the composite organization to retire all these prior solutions while either retaining or improving their capabilities. This saves the composite an estimated $86.25 per E5 user monthly (35% savings per user across all E5 users), which adds up to a three-year, risk-adjusted total of $23.2 million.

- **30% reduction in hours required to deploy and manage software, and a 75% reduction in time to configure endpoints.** Microsoft 365 E5 provides the composite organization with features like single sign-on (SSO), multifactor authentication (MFA), and Microsoft Intune, and this makes it much easier and faster to set up and support software, troubleshoot, and make updates. Windows Autopilot also provides low-touch endpoint configuration capabilities that save the organization even more time. Over the course of three years, this yields a risk-adjusted total of $4.2 million for the composite.

- **50% reduction in help desk calls and a 15% decrease in ticket resolution time.** Because Microsoft E5 is easier for the composite to use than previous solutions due to self-service options and automated fixes for the most common issues, it sees a dramatic reduction in help desk calls around many issues over the course of three years. For those issues that still require help from IT, Microsoft Intune enables significantly faster remediation. This saves the composite organization a risk-adjusted total of $1.6 million over three years.

- **40% savings in audit and compliance management.** Microsoft 365 E5's advanced audit and discovery capabilities help the

composite's security and compliance personnel to better understand and implement policies, audit the organization's environment, and comply with increasingly stringent regulations. Consolidating onto the Microsoft platform makes this process faster and smoother, which saves the composite organization a risk-adjusted $2.9 million over three years.

- **Reduced travel and expense budget.** The composite organization was already moving toward hybrid work, but using the hybrid and remote working capabilities of Microsoft 365 E5 helped it further adopt this trend and cut down on travel expenditures. This saves the composite organization a risk-adjusted total of $6.2 million over three years.

- **Improved overall productivity for end users.** Microsoft 365 E5 provides multiple kinds of savings on frequent, repeated actions for the composite organization's end users. In particular, collaborative document-sharing and chat capabilities them work together and communicate, and Entra ID SSO provides savings in logging into multiple services. Over three years, these efficiency gains save the composite organization a risk-adjusted $23.9 million over three years.

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

- **Transitioning from capex to opex.** Because Microsoft 365 E5 is a purely software-as-a-service (SaaS) offering and the composite organization eliminates its legacy and on-premises commitments, this enables the composite to grow or shrink its environment as needed without incurring hardware or labor costs.

- **Reduced likelihood of regulatory fines.** In addition to saving time on preparing for audits and security breaches, Microsoft 365 E5's
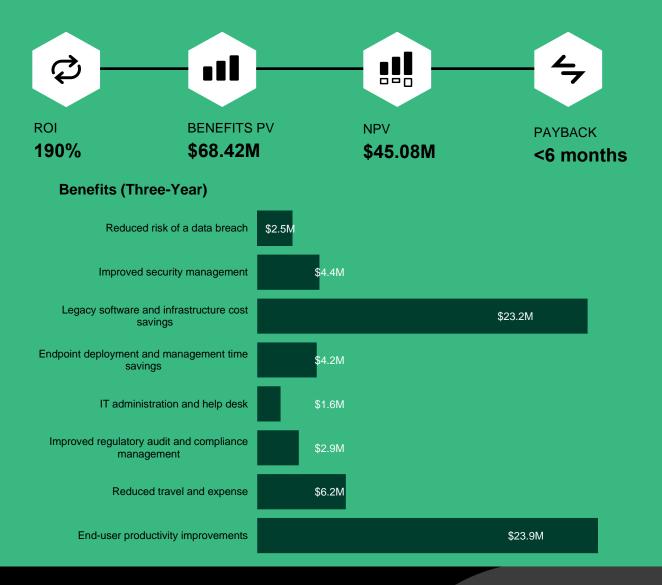
security features also help the composite organization avoid noncompliance penalties and other regulatory issues for failing to comply with increasingly strict regulations.

- **Developer efficiency gains.** Microsoft Authentication Library (MSAL) enables the composite's developers to more easily add identity capabilities to applications, which saves time on authentication. Microsoft Graph API offers developers a single endpoint to access Entra ID APIs.

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

- **Initial implementation and planning costs of $1.2 million.** These costs include both the labor time of a small team that plans and executes the implementation of Microsoft 365 E5 and six months' worth of professional services fees.

- **Microsoft licensing costs of $18 million.** The composite organization pays a monthly fee for its users to use the bulk of the 365 E5 platform. It also pays an additional fee for analytics.

- **Ongoing management costs of $4.2 million.** The composite organization pays ongoing professional services fees for management of 365 E5 along with labor costs for a small team dedicated to ongoing management.

- **Additional bandwidth investment of $410,000.** To accommodate features like Microsoft Teams voice, cloud storage, document sharing, and conferencing solutions, the composite organization invests in additional bandwidth.

The representative interviews and financial analysis found that a composite organization experiences benefits of $68.42 million over three years versus costs of $23.8 million, adding up to a net present value (NPV) of $45.08 million and an ROI of 190%.

ROI
190%

BENEFITS PV
$68.42M

NPV
$45.08M

PAYBACK
<6 months

Benefits (Three-Year)

Benefit	Value
Reduced risk of a data breach	$2.5M
Improved security management	$4.4M
Legacy software and infrastructure cost savings	$23.2M
Endpoint deployment and management time savings	$4.2M
IT administration and help desk	$1.6M
Improved regulatory audit and compliance management	$2.9M
Reduced travel and expense	$6.2M
End-user productivity improvements	$23.9M

"In terms of security capabilities, we now have a far wider and deeper breadth of integrated capabilities. Things aren't piecemeal anymore"

— VP of IT, security, and compliance, holding company

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in Microsoft 365 E5.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Microsoft 365 E5 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 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 Microsoft 365 E5.

Microsoft reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

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

DUE DILIGENCE
Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Microsoft 365 E5.

INTERVIEWS AND SURVEY
Interviewed 14 representatives and surveyed 920 respondents at organizations using Microsoft 365 E5 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 using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.

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.

KEY CHALLENGES

Forrester interviewed 14 representatives and surveyed 920 respondents with experience using Microsoft 365 E5 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:

- **Unsustainable security and communications costs.** Many of the interviewees' organizations struggled with the maintenance and licensing costs of their legacy solutions, especially as hybrid and remote work became more common and on-premises solutions became less viable. This confusing web of redundant, suboptimal solutions led to increased security costs, both in official spending and increased risk from shadow IT as a way to solve departmental problems.

> **"Ultimately, the infrastructure we had prior was highly insufficient and unreliable. … We had a lean staff and technology that didn't work well together."**
>
> *CIO, banking*

- **Disrupted productivity.** Using multiple redundant, aging solutions didn't just produce costs in the form of maintenance and licensing fees, it also made accomplishing basic tasks

frustrating and tedious while reducing productivity without adequately meeting the needs of the organizations. The CIO of a banking organization told Forrester: "I [was tired] of hearing garbage about how you couldn't use Teams on this terminal or you couldn't stream because it's broken or the mics and cameras don't work well." Additionally, using legacy infrastructure meant that making security improvements and empowering and helping users often came at the expense of the other.

> **"If we were fully on-premises, having an MDM [master data management solution] and being able to say, 'If you want access to that resource, you have to use an approved device even though you just came in through a back door.' … You can't do that at our size. There's just no way."**
>
> *CIO, banking*

- **Difficulty proactively remediating and reducing threats.** Prior security solutions lacked modern capabilities such as providing visibility into telemetry of user activity, threats that could impact data, or timelines for effective remediation. The issue of redundant solutions from multiple vendors also impacted security teams, which made it difficult to consolidate information for triage and analysis. This was especially problematic because security was a high priority for many of the interviewees'

organizations The director of IT for a healthcare organization stated: "From a security perspective, we definitely want to bolster the security offerings within our organization. We recognize that this is something critical for us."

Challenges Related To Vendor License Management Across Multiple Vendors

Software compatibility issues	**55.9%**
High total cost of the licenses	**51.1%**
Employee productivity issues due software inefficiencies	**46.3%**
Time spent on license management and troubleshooting	**40.8%**
Security risks related from disparate software stack	**34.8%**
Communication issues due to software inefficiencies	**27.0%**
Disrupted project workflows due to software inefficiencies	**18.0%**

Base: 920 representatives of organizations with experience using Microsoft 365 E5

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, August 2023

INVESTMENT OBJECTIVES

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

- Replace a patchwork of legacy solutions with a single, easy-to-use product suite.

- Help realize cost savings and IT efficiencies by moving to Cloud.

- Aid security teams by automating tasks, simplifying management, and providing the capabilities needed to protect against breaches and regulatory penalties.

- Aid IT by eliminating the need to maintain a convoluted legacy environment.

- Equip employees with robust collaboration tools, easier day-to-day usage, and better productivity and performance.

COMPOSITE ORGANIZATION

Based on the interviews and survey results, 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 14 interviewees and 920 respondents from two Forrester surveys, 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 composite organization is based in the United States and has global operations. It has 40,000 total employees, including 10,000 with Microsoft 365 E5 licenses and 30,000 with M365 E3 licenses.

Prior to moving to Microsoft 365 E5, the composite organization's users typically had M365 E3 licenses and a combination of on-premises and SaaS calling and security solutions. The composite also used a number of third-party chat, video, and

teleconferencing systems as well as threat-hunting and remediation tools.

Deployment characteristics. The composite organization adopts most of the functionality under Microsoft 365 E5. It leverages all of the security, IAM, analytics, and communication features available through Microsoft 365 E5.

Key Assumptions

- **10,000 E5 users**

- **Average IT worker salary of $130,000 per year**

- **Average knowledge worker salary of $73,000 per year**

- **Six help desk calls per user annually**

Analysis Of Benefits

Quantified benefit data as applied to the composite

Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Total Benefits						
Atr	Reduced risk of a data breach	$999,405	$999,405	$999,405	$2,998,214	$2,485,371
Btr	Improved security management	$1,755,000	$1,755,000	$1,755,000	$5,265,000	$4,364,425
Ctr	Legacy software and infrastructure cost savings	$9,315,000	$9,315,000	$9,315,000	$27,945,000	$23,165,026
Dtr	Endpoint deployment and management time savings	$1,678,758	$1,678,758	$1,678,758	$5,036,275	$4,174,823
Etr	IT administration and help desk	$655,500	$655,500	$655,500	$1,966,500	$1,630,131
Ftr	Improved regulatory audit and compliance management	$1,170,000	$1,170,000	$1,170,000	$3,510,000	$2,909,617
Gtr	Reduced travel and expense	$2,500,000	$2,500,000	$2,500,000	$7,500,000	$6,217,130
Htr	End-user productivity improvements	$9,308,520	$9,626,561	$9,953,600	$28,888,682	$23,896,414
	Total benefits (risk-adjusted)	$27,382,183	$27,700,224	$28,027,263	$83,109,670	$68,842,937

REDUCED RISK OF A DATA BREACH

Evidence and data. Interviewees explained to Forrester that Microsoft 365 E5 significantly improved their organizations' overall security postures and helped mitigate the risk of data breaches due to tools like Entra ID, Microsoft Defender Advanced Threat Protection (ATP), Office 365 ATP, Azure ATP, and Microsoft Cloud App Security. The organizations realized savings around remediation, response, and reporting labor, as well as around fines, damages, compliance costs, customer compensation, and lost revenues.

- The VP of IT, security, and compliance for the holding company said: "[Microsoft 365 E5] has strengthened our security posture because there are things we didn't know that we can now fix. … You see more, [and] the visibility has been a great help."

- The CDO of the restaurant chain told Forrester: "We realized two major benefits. One is the ease

of identification and increased trust. I have more trust than before because I'm actually capturing more of the incidents. The resolution is much better as well, so the breaches are very limited, and it's proven to be working very well."

- The director of IT for a healthcare organization expressed confidence that their organization's

> **"[With Microsoft 365 E5,] our organizational security is night-and-day improved."**
>
> *CIO, banking*

security posture will continue to improve due to further improvements from Microsoft. They said, "Microsoft, of course, is also going to be changing out their features [and] providing more functionality."

- The CIO for the banking organization was especially impressed that Microsoft 365 E5 provided this security without negative impact despite the company's large size: "If we were [still] fully on-premises, [had] an MDM, and [had] to say 'If you want access to that resource, you've got to be on an approved device even though you just came in through a back door,'… there's no way we could [reproduce] that on-premises."

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

- The average data breach value for the composite organization is just over $850,000 across labor, compliance, and business revenue costs.[2]

- The composite organization experiences an average of 2.6 material breaches per year.[3]

- Microsoft 365 E5 security tools reduces the composite's likelihood of a breach by 50%.[4]

Risks. Factors that could affect the impact of this benefit include:

- The organization's average cost of a data breach.

- The organization's inherent risk of a data breach.

- The extent to which the organization can improve on its baseline security posture and capabilities by implementing Microsoft 365 E5.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $2.5 million.

> **"We valued the reduced risk of a security breach due to adopting [Microsoft 365] E5 in the tens of millions of dollars a year, which was enough to justify our investment in E5 by itself."**
>
> *Director, manufacturing*

> **"We can use Defender all the way through. We're using Defender for endpoints. We're using Defender for cloud. We're using Defender for storage. Now we have a single platform where we have visibility into everything we do."**
>
> *CIO, banking*

Reduced Risk Of A Data Breach					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Users	Composite	10,000	10,000	10,000
A2	Average remediation and reporting labor cost per material breach	Forrester research	$199,346	$199,346	$199,346
A3	Average cost of response and notification, fines, damages, compliance costs, and customer compensation per material breach	Forrester research	$269,550	$269,550	$269,550
A4	Average lost business revenues and additional costs to acquire customers per material breach	Forrester research	$385,296	$385,296	$385,296
A5	Total estimated cost of a significant material breach	A2+A3+A4	$854,192	$854,192	$854,192
A6	Average annual incidence of significant material data breaches	Forrester research	2.6	2.6	2.6
A7	Annualized cost of data breaches	A5*A6	$2,220,899	$2,220,899	$2,220,899
A8	Reduction in likelihood of a data breach	Interviews	50%	50%	50%
At	Reduced risk of a data breach	A7*A8	$1,110,450	$1,110,450	$1,110,450
	Risk adjustment	↓10%			
Atr	Reduced risk of a data breach (risk-adjusted)		$999,405	$999,405	$999,405
	Three-year total: $2,998,214		**Three-year present value: $2,485,371**		

IMPROVED SECURITY MANAGEMENT

Evidence and data. Interviewees and survey respondents said one of the key features of Microsoft 365 E5 is its expanded suite of security tools that includes tools for identity and threat protection (Microsoft 365 Defender, Microsoft Defender for Endpoint, Microsoft Defender for Office 365, Microsoft Defender for Identity, Microsoft Cloud App Security, and Entra ID), and tools for information protection and compliance (Microsoft Advanced Compliance and Microsoft Information Protection). These tools both improved organizational security postures by reducing the threat of security incidents and saved time and effort for security teams by eliminating redundant tools.

- The CIO for the banking organization told Forrester: "Microsoft 365 E5 simplified our entire security stack and made it so I didn't have to hire 15 different people to manage all of these different services. I can just find a Microsoft IT professional and solve all of those problems."

- The CDO for a restaurant chain explained how Entra ID helped simplify their organization's security management: "Conditional access has been great for our security team. Managing our users is much easier with Entra ID Premium and Power Apps. We've been able to automate our provisioning and deprovisioning efforts, reducing the burden on our IT team considerably. [Before,] we had around 25 people working only on access management. [With Entra ID,] we only have four or five people doing this work. Everyone else is now focused on other security activities."

- The director of IT for a healthcare organization told Forrester: "[Microsoft 365 E5] helps take care of some easy wins from a security perspective. … You can save money by taking recommended actions yourself so you don't have to hire a third-party company to do mediation of validation."

- The director of IT for a manufacturing organization broke down how these tools helped improve overall security posture: "The benefit [Microsoft 365 E5 provides] from a security perspective is enhanced visibility — especially when it comes to the end user. Because the user is your biggest security risk, the closer I can get to telemetry off of user behavior, the more secure I feel we are."

- The VP of IT, security, and compliance for the holding company told Forrester: "[Because of Microsoft 365 E5,] we're spending more time [and] more focus on things like user awareness. We've changed the dynamics of the team. The resources that were [previously] involved in triage have been reduced. We have fewer open tickets."

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

- The composite organization has a team of 25 FTEs that manages security operations.

- The average annual salary of a security team member is $130,000.

- Efficiency gains with automatic threat detection and remediation, along with reduced research and implementation time for security changes reduces the time the FTEs spend managing the environment by 60%.

Risks. Factors that could affect the impact of this benefit include:

- The size of the organization's security team.

- Labor rates.

- The organization's security posture.

- The organization's existing security automations.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $4.4 million.

> **"Our security teams are a lot more proactive. We're now spending more time on security awareness for users. We've changed the dynamic of the team. The resources that have traditionality been dedicated to incident triage have been reallocated."**
>
> *VP of IT, security, and compliance, holding company*

M365 E5 Contributions To Increase In Accuracy And/Or Speed Of Security Audits

Automation of patch roll outs and security	69.7%
Moving from on-prem to cloud services	65.0%
Secure score and compliance score	50.0%
Threat intelligence	39.0%
Identity and access management	26.5%

Base: 920 representatives of organizations with experience using Microsoft 365 E5

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, August 2023

Improved Security Management					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	FTEs dedicated to managing the security environment	Composite	25	25	25
B2	Average annual salary of a security FTE	TEI standard	$130,000	$130,000	$130,000
B3	Reduction in time required to manage the security environment due to M365 E5	Survey and interviews	60%	60%	60%
Bt	Improved security management	B1*B2*B3	$1,950,000	$1,950,000	$1,950,000
	Risk adjustment	↓10%			
Btr	Improved security management (risk-adjusted)		$1,755,000	$1,755,000	$1,755,000
	Three-year total: $5,265,000		Three-year present value: $4,364,425		

LEGACY SOFTWARE AND INFRASTRUCTURE COST SAVINGS

Evidence and data. Interviewees said one of the largest benefit areas for their organizations was saving on retiring previous solutions and consolidating with Microsoft 365 E5. These savings were around productivity, communication, security, telephony, and analytics tools. Retired solutions ranged from video conferencing solutions, antivirus and security monitoring subscriptions, Microsoft Exchange servers, and more. Additionally, the organizations also saved time on the management of these licenses because they only needed manage one vendor partner (Microsoft). Additionally, connectivity between these solutions (e.g. security tools working in concert with one another impacting security staff as quantified in benefit B) increases the impact of and user experience for these solutions.

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

- Before using Microsoft 365 E5, the composite organization held licenses for several redundant enterprise chat and web conferencing solutions. With Microsoft 365 E5, the composite cancels these licenses and standardizes under Teams. This saves $17.50 per user per month.

- The composite organization previously paid substantial telephony costs. But by switching to Microsoft 365 E5 and encouraging employees to switch to Teams and its voice over internet protocol (VoIP) features, it saves $12 per user per month.

> **"When you break it down, it is more affordable [to license Microsoft 365 E5] than to manage the independent licenses."**
>
> *Director of IT, healthcare*

- For the 10% of the composite organization's users with paid analytics licenses, Microsoft 365 E5 enables monthly per-user savings of $8.75 due to Power BI.

- By migrating its security and communication applications from on-premises deployment to the cloud, the composite organization saves $8 per user per month. This includes spending on server software, hardware replacements, energy costs, and FTE management time.

Risks. Factors that could affect the impact of this benefit include:

- The cost associated with the organization's existing security and communication solutions.

- The size of the organization and its ability to negotiate discounts.

- The organization's adoption rate of Microsoft 365 E5 solutions.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $23.2 millio

	Legacy Software And Infrastructure Cost Savings				
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	End users	Composite	10,000	10,000	10,000
C2	Per user monthly collaboration license cost	Survey and interviews	$17.50	$17.50	$17.50
C3	Monthly telephony license cost per user	Survey and interviews	$12.00	$12.00	$12.00
C4	Monthly security tools license cost per user	Survey and interviews	$40.00	$40.00	$40.00
C5	Monthly analytics license cost per user	Composite	$8.75	$8.75	$8.75
C6	Monthly on-premises costs per user for hardware and software	Composite	$8.00	$8.00	$8.00
C7	Total legacy software and infrastructure cost savings	C2*(C4+C5+C6+C7)*12	$86.25	$86.25	$86.25
Ct	Legacy software and infrastructure cost savings	C1*C7*12	$10,350,000.00	$10,350,000.00	$10,350,000.00
	Risk adjustment	↓10%			
Ctr	Legacy software and infrastructure cost savings (risk-adjusted)		$9,315,000	$9,315,000	$9,315,000
	Three-year total: $27,945,000		**Three-year present value: $23,165,026**		

ENDPOINT DEPLOYMENT AND MANAGEMENT TIME SAVINGS

Evidence and data. Microsoft Endpoint Manager — a unified endpoint management tool that allows organizations to deploy, manage, and secure all employee corporate and personal devices — is included with Microsoft 365 E5. The platform also includes Microsoft Intune, which simplifies the deployment and management of software and security updates to managed devices, and Windows Autopilot, which lets organizations procure, preconfigure, and ship secure, enterprise-ready Windows devices directly to end users from both manufacturers and reseller partners.

- Interviewees and survey respondents told Forrester that these features reduced the number of resources required for managing and supporting new software.

- In addition, interviewees took advantage of Entra ID and SharePoint migration to onboard users on new devices faster than before Microsoft 365 E5.

- Microsoft Endpoint Manager also features Conditional Access and configuration capabilities, which further reduce configuration work for IT

> **"With Intune, we can associate a user not just with their laptop, but with their phone and other devices…so there's expansion from the endpoint. Before, we didn't have any visibility."**
>
> *VP of IT, security, and compliance, holding company*

administrators, both for user-level and departmental-level requests.

- Interviewees and survey respondents told Forrester that these savings extended across devices, with no difference in difficulty whether the devices were mobile, PC, or Macs.

"Which of the following categories of software applications did your organization eliminate or reduce expenditure on since switching to Microsoft 365 E5?"

Category	Percentage
Security management	61.5%
Web conferencing	52.4%
Information protection	46.0%
Identity and access	42.1%
Malware protection	41.5%
Threat protection	37.8%
Device and app management	36.9%
Antivirus	36.2%
Compliance	33.8%
Data loss prevention (DLP)	33.2%
Advanced analytics	30.0%
Telephony	26.9%

Base: 920 representatives of organizations with experience using Microsoft 365 E5

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, August 2023

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

- The composite organization previously spent an average of 18,700 hours per year managing new software with its legacy solutions.

- Microsoft Endpoint Manager lets the composite's administrators manage configuration and deployment of software and updates to end users, which saves 30% of their time.

- One-third of employees need to spend 1 hour of labor on new endpoint configurations each year. Microsoft 365 E5 reduces this time by 75%.

- The composite's IT and end users previously needed to spend an average of 6 hours to set up a new laptop. Microsoft 365 E5 reduces this time by 75%.

- The average fully loaded hourly salary of an IT resource is $58.

- The average hourly salary of an end user is $35.

Risks. Factors that could affect the impact of this benefit include:

- Prior effort required for management and deployment.

- Degree of time savings realized by Microsoft 365 E5.

- Employee salaries.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $4.2 million.

Endpoint Deployment And Management Time Savings

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Time dedicated to new software deployment and management (hours)	Survey	18,700	18,700	18,700
D2	Reduction due to efficiency gains provided by M365 E5	Survey and interviews	30%	30%	30%
D3	Time reallocated from software management (hours)	D1*D2	5,610	5,610	5,610
D4	Time spent configuring new endpoints (hours)	Composite	3,333	3,333	3,333
D5	Reduced endpoint configuration due to M365	Interviews	2,500	2,500	2,500
D6	Time required to setup a user on a new laptop before M365 (hours)	Composite	6	6	6
D7	IT end-user setup time savings	C1/3*D6*75%	14,999	14,999	14,999
D8	End-user setup time savings	C1/3*D6*75%	14,999	14,999	14,999
D9	Fully loaded hourly salary of an IT end user	Assumption	$58	$58	$58
D10	Fully loaded hourly salary of an end user	Assumption	$35	$35	$35
D11	**Total IT time savings**	**(D3+D5+D7)*D9**	**$1,340,322**	**$1,340,322**	**$1,340,322**
D12	**End-user savings**	**D8*D10**	**$524,965**	**$524,965**	**$524,965**
Dt	Endpoint deployment and management time savings	D11+D12	$1,865,287	$1,865,287	$1,865,287
	Risk adjustment	↓10%			
Dtr	Endpoint deployment and management time savings (risk-adjusted)		$1,678,758	$1,678,758	$1,678,758
	Three-year total: $5,036,275		**Three-year present value: $4,174,823**		

IT ADMINISTRATION AND HELP DESK

Evidence and data. Both interviewees and survey respondents told Forrester that Microsoft 365 E5 significantly reduced help desk calls and shortened the resolution times for the remaining calls and tickets via self-service and automation.

- Interviewees told Forrester that security-related support tickets decreased due to fewer technical issues around security solutions and fewer false positives. Many incidents that did occur were automatically detected and remediated by Microsoft 365 E5. The VP of IT, security, and compliance for a holding company told Forrester:

"[With Microsoft 365 E5,] we have fewer open tickets. Before, we always struggled with a backlog of open and unresolved tickets."

- The CDO at a restaurant chain concurred and stated, "Microsoft 365 E5 reduces the number of tickets you receive."

- Interviewees said using these new methods of management, including Intune, significantly improved the remote work experiences at their organizations. One told Forrester that support tickets from remote workers decreased by 40%, while another said: "[We] probably spent 25% more time supporting remote workers than the

office workers. Now that we have a standard suite of tools that can be controlled and managed across endpoints and geographies, we've seen a reduction in the support needs of our remote workers."

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

- The composite organization processes 60,000 annual help desk calls, and 50% are resolved via self-service and automation.

- Calls that can't be resolved by self-service are resolved 15% faster due to expanded security tools like Microsoft Endpoint Manager.

- An average support ticket takes 30 minutes of IT and user time to resolve.

- The fully loaded salary of an IT admin or end user is $40 per hour.

- This means a support ticket leads to $20 in internal costs for the composite.

- IT administrators and end users recapture the time they previously lost while resolving tickets.

Risks. Factors that could affect the impact of this benefit include:

- The self-service tools the organization used before switching to Microsoft 365 E5.

- The organization's benchmark IT productivity.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of $1.6 million.

> **"We've reduced the time it takes to audit our IT infrastructure by 50%."**
>
> *Director of technology, licensing, and business development, media*

IT Administration And Help Desk					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
E1	Help desk calls	C1*6	60,000	60,000	60,000
E2	Percent of calls eliminated due to E5 tools and automations	Composite	50%	50%	50%
E3	Tickets deflected due to E5	E1*E2	30,000	30,000	30,000
E4	Reduction in ticket resolution time for remaining tickets	Composite	15%	15%	15%
E5	Cost per call	Composite	$20	$20	$20
Et	IT administration and help desk	(E3*E5) +(E1*(1-E2) *E4*E5)	$690,000	$690,000	$690,000
	Risk adjustment	↓5%			
Etr	IT administration and help desk (risk-adjusted)		$655,500	$655,500	$655,500
	Three-year total: $1,966,500			**Three-year present value: $1,630,131**	

IMPROVED REGULATORY AUDIT AND COMPLIANCE MANAGEMENT

Evidence and data. Data privacy regulations have continued to tighten, which impacts how the interviewees' and survey respondents' organizations do business with the threat of fines and harsh penalties. Interviewees and respondents told Forrester that Microsoft 365 E5's compliance and data retention tools were an important factor in their company's decision to adopt the platform.

- The director of IT for the healthcare organization told Forrester: "[I value Microsoft 365 E5's] retention capabilities, auditing capabilities, [and] eDiscovery. … It's huge for financial and regulatory landscape plans. … Microsoft's AI capabilities [are] able to tell us how secure our environment is, what sort of changes [we] need to make, [and] how to make sure [we're] up to date."

- The director at a manufacturing firm explained how Microsoft 365 E5's ability to retain and recall documentation reduced audit time and improved accuracy: "Microsoft Secure Score reduced the time it took us to be compliant with the CCPA and GDPR And Entra ID and [Microsoft 365] E5 really enhance our security capabilities. They've helped reduce the cost to perform our twice-yearly security audits by hundreds of thousands of dollars in internal labor and consulting costs."

- The director of the manufacturing firm stated, "The security and compliance features [within Microsoft 365 E5] really appealed to us [as a method to protect proprietary information]."

- In addition to time savings, the organizations also realized savings on licensing and third-party reviews. The head of collaboration cloud

> ## "We can unify compliance and security. … From a visibility and discovery perspective, it gives us the insight to try different policies."
>
> *Director of IT, healthcare*

technologies for an energy company told Forrester, "[Because of Microsoft 365,] we've been able to sunset some legacy data repositories because we can now store them on [SharePoint]."

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

- The composite requires 25 FTEs to perform work related to regulator and compliance audits.

- These FTEs are a mixture of IT, legal, and business employees who earn average loaded salaries of $130,000 per year.

- Microsoft 365 E5 saves the composite organization 40% of the time spent on regulatory audit and compliance management.

Risks. Factors that could affect the impact of this benefit include:

- The organization's industry, region, and size.

- The amount of labor the organization requires to meet compliance.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $2.9 million.

Improved Regulatory Audit And Compliance Management

Ref.	Metric	Source	Year 1	Year 2	Year 3
F1	FTEs dedicated to performing regulatory and compliance audits	Composite	25	25	25
F2	Average annual salary of an audit and compliance FTE	TEI standard	$130,000	$130,000	$130,000
F3	Improved audit and compliance management	Survey and interviews	40%	40%	40%
Ft	Improved regulatory audit and compliance management	F1*F2*F3	$1,300,000	$1,300,000	$1,300,000
	Risk adjustment	↓10%			
Ftr	Improved regulatory audit and compliance management (risk-adjusted)		$1,170,000	$1,170,000	$1,170,000
	Three-year total: $3,510,000		Three-year present value: $2,909,617		

REDUCED TRAVEL AND EXPENSE

Evidence and data. The improved telephony and communication features of Microsoft 365 E5 enabled interviewees' and survey respondents' organizations to reduce their spend on travel and expenses while retaining high levels of productivity. These expenses included airfare and meals for employees and clients.

- An interviewee from a manufacturing firm said, "Our CIO initially forecast $12 million a year in savings from reduced travel for board members, our C-suite, and officers."

- The CIO for the professional services firm told Forrester that during the first year of their organization's E5 migration, it reduced its travel costs by 10%.

- The head of architecture at a media firm told Forrester: "Travel is very expensive for us; we spend millions on travel. Our initial estimates are to reduce travel for internal meetings by 30% to 50%, which will result in undeniably large savings for us."

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

- The composite organization's annual travel expense budget is $25 million, or 10% of its annual budget.

- The composite organization reduces its activities that incur travel expenses by 25%.

- These savings come from varying sources, including reduced internal and regional meetings, fewer sales calls, and fewer conferences.

- 50% of these savings are attributed to Microsoft 365 E5.

Risks. Factors that could affect the impact of this benefit include:

- The organization's location and size.

- The organization's industry and its capability for remote work.

- The organization's workforce makeup and benchmark travel expenses.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of $6.2 million.

Reduced Travel And Expense

Ref.	Metric	Source	Year 1	Year 2	Year 3
G1	Total travel and expense budget	Composite	$25,000,000	$25,000,000	$25,000,000
G2	Percent reduction due to increased remote work	Survey and interviews	25%	25%	25%
G3	Attribution percentage	Survey and interviews	50%	50%	50%
Gt	Reduced travel and expense	G1*G2*G3	$3,125,000	$3,125,000	$3,125,000
	Risk adjustment	↓20%			
Gtr	Reduced travel and expense (risk-adjusted)		$2,500,000	$2,500,000	$2,500,000
	Three-year total: $7,500,000		**Three-year present value: $6,217,130**		

END-USER PRODUCTIVITY IMPROVEMENTS

Evidence and data. Interviewees and survey respondents told Forrester that Microsoft 365 E5 provides a wide suite of collaboration and communication solutions that helped boost productivity by making communication and collaboration easier, regardless of location. They cited efficiency-driving access to Power BI Pro (which is included in E5 licensing) as a significant reason for investment for select users.

- The director of IT for a manufacturing firm said Teams' enhanced collaboration tools were transformative for their organization: "When [users] realize what they have at their disposal, there's this lightbulb that goes off, and people really understand this collaboration within a team [and] within a context, and then all of the files and everything related to that conversation are all being captured in one spot. Those are fun moments because typically, they would be running things back and forth with emails."

- Power BI further boosted productivity by uncovering insights that organizations never had access to before. The CIO for the banking organization elaborated: "It's been absolutely fantastic. I'm surprised to see my president on a regular basis will grab his cellphone and pull up a report right there in a meeting. There's no fluffing anything. He can find hard numbers for anything right there."

- The VP of digital workplace at a financial services firm concurred, stating: "The growth in adoption for Power BI is phenomenal. Power BI has been really good for our businesspeople who aren't technical. We've used Power BI to visualize data and make better decisions. … We're seeing people creating forms very quickly. People are able to put a form together and send it out to the entire organization to analyze the data with Power BI very quickly. This allows people to be more efficient. We've seen security teams, HR, and others use Power Apps to automate tasks and save time."

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

- The composite organization sees a productivity improvement of 3% due to Microsoft 365 E5, which equals weekly savings of 62 minutes per worker.

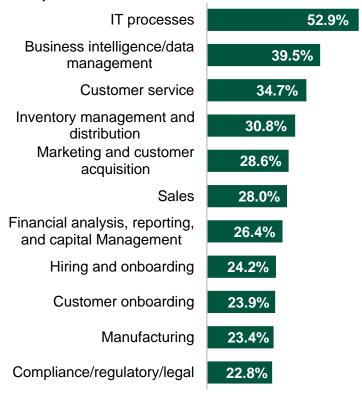- Seamless SSO saves an additional 10 minutes per worker per week.

- Users experience less downtime, fewer stability issues due to security products, and easier remote work.

Risks. Factors that could affect the impact of this benefit include:

- The organization's number of users.

- Average labor rates.

- Cultural and organizational change management barriers.

- The organization's preexisting solutions and benchmark productivity.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $23.9 million.

"Since moving to Microsoft 365, has your organization automated workflows for any of the following business processes?"

IT processes	52.9%
Business intelligence/data management	39.5%
Customer service	34.7%
Inventory management and distribution	30.8%
Marketing and customer acquisition	28.6%
Sales	28.0%
Financial analysis, reporting, and capital Management	26.4%
Hiring and onboarding	24.2%
Customer onboarding	23.9%
Manufacturing	23.4%
Compliance/regulatory/legal	22.8%

Base: 920 representatives of organizations with experience using Microsoft 365 E5. Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, August 2023

End-User Productivity Improvements					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
H1	End users	C1	10,000	10,000	10,000
H2	Weekly improved efficiency with collaborative document sharing and chat (minutes)	Composite	62	63	64
H3	Weekly time savings from Entra ID SSO	Composite	10	10	10
H4	Efficiency gain per user (hours)	((H2+H3)/60)*52	62.4	63.3	64.1
H5	Average hourly rate of a knowledge worker	TEI standard	35.10	35.80	36.50
H6	Productivity recapture	TEI standard	50%	50%	50%
Ht	End-user productivity improvements	H1*H4*H5*H6	$10,951,200	$11,325,366	$11,710,118
	Risk adjustment	↓15%			
Htr	End-user productivity improvements (risk-adjusted)		$9,308,520	$9,626,561	$9,953,600
	Three-year total: $28,888,682			**Three-year present value: $23,896,414**	

UNQUANTIFIED BENEFITS

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

- **Transitioning from capex to opex.** Because Microsoft 365 E5's is a purely SaaS offering, it allows organizations the flexibility to scale their deployments without worrying about making or abandoning major investments in hardware or licensing costs.

- **Reduced likelihood of regulatory fines.** Using better tools around compliance, audit preparation, and security reduces the risk of experiencing events that could result in violations of compliance regulations and paying the accompanying fines and legal costs.

- **Developer efficiency gains.** Microsoft Authentication Library (MSAL) enables the composite's developers to more easily add identity capabilities to applications, which saves time on authentication. Microsoft Graph API offers developers a single endpoint to access Entra ID APIs.

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Microsoft 365 E5 and later realize additional uses and business opportunities, including:

- **Increased business agility.** The improved collaboration provided by Microsoft 365 E5 along with the regular additional features and upgrades Microsoft releases and the reduced need to manage infrastructure can make an organization more able to quickly adjust to changing business realities, seize new opportunities, and improve overall agility.

- **Faster adoption of the newest offerings from Microsoft 365.** By subscribing to Microsoft 365 E5, organizations can utilize innovations to existing Microsoft 365 products and new releases

on the platform much more quickly than they could otherwise.

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
Itr	Initial planning and implementation	$1,168,750	$0	$0	$0	$1,168,750	$1,168,750
Jtr	Microsoft licensing cost	$0	$7,244,937	$7,244,937	$7,244,937	$21,734,811	$18,017,086
Ktr	Ongoing management costs	$0	$1,760,000	$1,628,000	$1,628,000	$5,016,000	$4,168,595
Ltr	Additional bandwidth investment	$0	$164,850	$164,850	$164,850	$494,550	$409,958
	Total costs (risk-adjusted)	$1,168,750	$9,169,787	$9,037,787	$9,037,787	$28,414,111	$23,764,389

INITIAL PLANNING AND IMPLEMENATION

The interviewees and survey respondents told Forrester that implementing Microsoft 365 E5 required their organizations to use internal teams that worked part-time alongside professional services partners.

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

- Five FTEs spend six months planning and executing the implementation.

- The blended average annual salary for an implementing FTE is $125,000.

- The composite organization also pays for professional services.

Risks. Factors that could affect the impact of this cost include:

- The quantity and roles of the FTEs who work on the organization's implementation.

- The length of the implementation

- The organization's need for and cost of professional services.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1.2 million.

Initial Planning And Implementation

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
I1	FTEs involved with implementation	Composite	5			
I2	Average annual salary of an FTE involved with implementation	TEI standard	$125,000			
I3	Percent of time dedicated to implementation	Composite	50%			
I4	Professional services	Composite	$750,000			
It	Initial planning and implementation	(I1*I2*I3) +I4	$1,062,500	$0	$0	$0
	Risk adjustment	↑10%				
Itr	Initial planning and implementation (risk-adjusted)		$1,168,750	$0	$0	$0
	Three-year total: $1,168,750			**Three-year present value: $1,168,750**		

MICROSOFT LICENSING COST

Evidence and data. Microsoft charges for 365 E5 on an ongoing per-user monthly fee for usage and also charges an additional fee for analytics.

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

- The composite organization pays $57 per user per month for Microsoft 365 E5.

- The composite pays an additional monthly fee of $4,995 for access to analytics.

Risks. Factors that could affect the impact of this cost include:

- The organization's number of Microsoft 365 E5 users.

- The organization's need for analytics.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $18 million.

Microsoft Licensing Cost						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
J1	Microsoft 365 E5 users	Composite		10,000	10,000	10,000
J2	Monthly licensing costs for Microsoft 365 E5	Microsoft		$57	$57	$57
J3	Additional analytics licensing costs	$4,995*12 months		$59,940	$59,940	$59,940
Jt	Microsoft licensing cost	J1*(J2*12)+J3	$0	$6,899,940	$6,899,940	$6,899,940
	Risk adjustment	↑5%				
Jtr	Microsoft licensing cost (risk-adjusted)		$0	$7,244,937	$7,244,937	$7,244,937
	Three-year total: $21,734,811			**Three-year present value: $18,017,086**		

ONGOING MANAGEMENT COSTS

Evidence and data. The interviewees and survey respondents explained to Forrester that managing Microsoft 365 E5 requires ongoing effort from a small team of FTEs and ongoing professional services.

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

- Five IT FTEs work full-time on management in Year 1. This number decreases to four FTEs in years 2 and 3.

- The composite pays ongoing professional services fees of $1 million per year.

Risks. Factors that could affect the impact of this cost include:

- The number and types of FTEs required for ongoing management.

- The amount of professional services the organization requires.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $4.2 million.

Ongoing Management Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
K1	IT FTEs dedicated to ongoing management	Composite	0	5	4	4
K2	Average annual salary of an IT FTE	TEI standard		$120,000	$120,000	$120,000
K3	Ongoing professional services costs	Composite		$1,000,000	$1,000,000	$1,000,000
Kt	Ongoing management costs	K1*K2+K3	$0	$1,600,000	$1,480,000	$1,480,000
	Risk adjustment	↑10%				
Ktr	Ongoing management costs (risk-adjusted)		$0	$1,760,000	$1,628,000	$1,628,000
Three-year total: $5,016,000			**Three-year present value: $4,168,595**			

ADDITIONAL BANDWIDTH INVESTMENT

Evidence and data. Interviewees and survey respondents said to take full advantage of the additional telephony and communications capabilities of Microsoft 365 E5, their organizations invested in additional bandwidth.

Modeling and assumptions. Forrester assumes the composite organization pays $157,000 per year for additional bandwidth.

Risks. A factors that could affect the impact of this cost is the amount of additional bandwidth the organization requires to fully use Microsoft 365 E5.
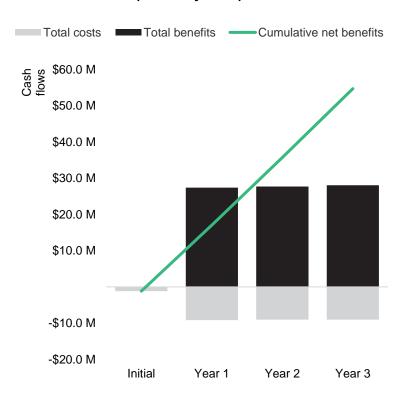
Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $410,000.

Additional Bandwidth Investment

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
L1	Additional bandwidth investment	Composite		$157,000	$157,000	$157,000
Lt	Additional bandwidth investment	L1		$157,000	$157,000	$157,000
	Risk adjustment	↑5%				
Ltr	Additional bandwidth investment (risk-adjusted)		$0	$164,850	$164,850	$164,850
Three-year total: $494,550			**Three-year present value: $409,958**			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)

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

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

Cash Flow Analysis (Risk-Adjusted Estimates)						
	Initial	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Total costs	($1,168,750)	($9,169,787)	($9,037,787)	($9,037,787)	($28,414,111)	($23,764,389)
Total benefits	$0	$27,382,183	$27,700,224	$28,027,263	$83,109,670	$68,842,937
Net benefits	($1,168,750)	$18,212,396	$18,662,437	$18,989,476	$54,695,559	$45,078,548
ROI						190%
Payback						<6 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%.
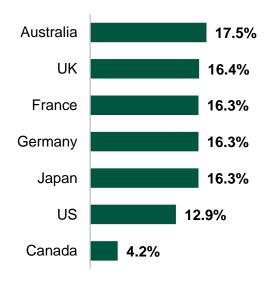
PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.
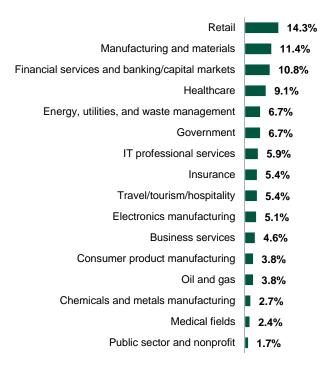
Appendix B: Interview And Survey Demographics

Interviews				
Role	**Industry**	**Region**	**E5 Users**	**Interview Year**
Director of IT	Healthcare	US	15,000	2023
CIO	Banking	US	180	2023
Director of IT	Manufacturing	US	400	2023
VP of IT, security, and compliance	Holding company	US	8,000	2023
Head of collaboration cloud technologies	Energy	Global	50,000	2020
Head of architecture	Media	US	20,000	2020
CIO	Professional services	US	400	2020
CTO	Government	Middle East	2,000	2020
CDO	Restaurant	Global	17,000	2020
Technology infrastructure decision-maker	Government	US	750	2020
SVP of IT	Clothing	Global	3,800	2020
VP of digital workplace	Financial services	US	12,500	2020
Director	Manufacturing	US	2,750	2020
Director of technology, licensing, and business development	Media	US	500	2020

"What geographic region are you located in?"

Region	Percentage
Australia	17.5%
UK	16.4%
France	16.3%
Germany	16.3%
Japan	16.3%
US	12.9%
Canada	4.2%

"What industry are you in?"

Industry	Percentage
Retail	14.3%
Manufacturing and materials	11.4%
Financial services and banking/capital markets	10.8%
Healthcare	9.1%
Energy, utilities, and waste management	6.7%
Government	6.7%
IT professional services	5.9%
Insurance	5.4%
Travel/tourism/hospitality	5.4%
Electronics manufacturing	5.1%
Business services	4.6%
Consumer product manufacturing	3.8%
Oil and gas	3.8%
Chemicals and metals manufacturing	2.7%
Medical fields	2.4%
Public sector and nonprofit	1.7%

Base: 920 representatives of organizations with experience using Microsoft 365 E5

Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, August 2023

Appendix C: Endnotes

[1] 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.

[2] Source: Forrester Consulting Cost Of A Cybersecurity Breach Survey, Q1 2021.

[3] Ibid.

[4] Ibid.

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