

A Forrester Total Economic
Impact™ Study

Commissioned By
Microsoft

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The Total Economic Impact™ Of Microsoft Office 365, Online Meetings

Small And Medium-Sized Businesses

FORRESTER®

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Executive Summary

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) organizations may realize by deploying Office 365. The purpose of the study was to provide readers at small and medium-size businesses (SMBs) (one to 250 users) with a framework to evaluate the potential financial impact of Office 365 and Skype for Business on their organizations.

To better understand the benefits, costs, and risks associated with an Office 365 implementation, Forrester interviewed four existing customers with multiple years of experience using Office 365 and conducted an online survey with 204 organizations also using the solution. Office 365 is the software-as-a-service (SaaS) version of Microsoft business products such as Exchange, Skype for Business, SharePoint, Yammer, and OneDrive. The financial impact of the transition from on-premises email and productivity tools to one unified suite is detailed in the report, “The Total Economic Impact™ Of Microsoft Office 365.” The financial summary is highlighted in Figure 1.

A key enabler of the customers’ ability to receive these financial benefits was their use of Skype for Business. This paper outlines the specific benefits that small and medium-sized businesses receive by having online meetings, presentation/desktop sharing, videoconferencing, instant messaging, and audio and video calls all in one place. Prior to using Skype for Business, customers used a combination of PBX phone systems, IP telephony tools, webconferencing solutions, and personal mobile devices for their employees to host calls and meetings. Initially, this combination was sufficient to manage the business, but as it grew, they had to find better ways to make their mobile workers optimally productive, reduce capital and operational costs, and increase the efficiency of meetings. With Skype for Business, customers were able to eliminate travel between office locations and increase productivity and collaboration for their mobile workforce, while avoiding infrastructure and ongoing webconferencing and long-distance phone costs. One customer reported: “Data, meetings, email, and chat are all in one place, which brings the groups literally closer. And the virtual meetings and seamless sharing help people stay up to date if they were in a meeting or not.”

OFFICE 365 LOWERS TOTAL COST OF OWNERSHIP WHILE IMPROVING MOBILE AND IT WORKER PRODUCTIVITY

Our survey responses from 204 small and medium-size businesses that have Office 365 deployed, interviews with four customers, and subsequent financial analysis found that a composite organization with 90 employees and 35 user licenses experienced the risk-adjusted ROI and benefits shown in Figure 1.¹ See the Composite Organization Description section for a description of the composite organization.

Skype for Business provided immediate relief to the technology growing pains of small and medium-sized businesses while increasing productivity and satisfaction of their mobile workforce and reducing technology costs.

The key benefits of Skype for Business include:

- **Increased mobile worker productivity, including \$22,000 in savings from reduced travel time for managers.**
- **Over \$40,000 in avoided hardware upgrades and software costs, with the potential to reduce PBX costs by \$20,000.**
- **A 19% reduction in third-party software and services costs for webconferencing and long-distance phone service.**

FIGURE 1
Financial Summary Showing Three-Year Risk-Adjusted Results

Summary Of Benefits

Through interviews, surveys, and data aggregation, Forrester concluded that Office 365 has the following financial impact on an organization with one to 250 users:



ROI
154%



Payback
5.1 months



NPV
\$103,651

More importantly, the TEI study looked at benefits and related costs across five areas:

Net Present Value THREE-YEAR ANALYSIS

Benefits:
\$170,816

Costs:
\$67,164



Technology



\$89,789

In hardware, software, and IT labor savings



Mobility



\$76,098

In worker efficiency with anytime access



Control & Compliance



\$4,929

In lower compliance costs



Business Intelligence

17%

Decrease in time-to-decision since implementing Office 365



Enterprise Social

\$9K

Average reduction in webconferencing and long-distance phone charges due to Office 365

Source: Forrester Research, Inc.

Online Meetings and Office 365 — Interview Highlights

For this study, Forrester surveyed 204 Microsoft customers and conducted a total of four interviews with representatives from several industries. These representatives are Microsoft customers based in the US (see the Composite Organization Description section for more detail). These small and medium-sized customers cited three primary areas of benefit related to Skype for Business: technology, collaboration, and mobility. Within those areas, they experienced cost savings and productivity gains for their organization. One of the biggest impacts of Skype for Business was its ability to change the culture and increase collaboration opportunities and activities. Employees can collaborate seamlessly and without disruption as they move between the office, home, customer sites, and coffee shops with Wi-Fi along the way.

TECHNOLOGY BENEFITS OF SKYPE FOR BUSINESS

The customers interviewed were in search of a complete, unified messaging solution that integrated within the Microsoft Office tool set. Because Skype for Business integrates audio, video and screen sharing technologies, it provides employees a one-stop shop for their communication and collaboration. Every employee has access to the same thing in one location. Layered on top of Office 365, Skype for Business can help employees share critical company documents and presentations in support of driving sales, increasing efficiency, and improving customer satisfaction. Furthermore, the ease of use of the tools, combined with the reliability and security provided by the Microsoft infrastructure, made the technology choice an easy one for these small and medium-sized business owners. Customers cited the presence indicator as one of the critical technology features that streamlines their work and provides consistency no matter the device they choose to use.

“We wanted to have our salespeople — and other people that are on the road travelling — to be able to receive and make calls wherever they are on their business phone and have it appear to come from their business number. We like the fact that Skype for Business ties its unified messaging right into Outlook and its presence indicator.”

— Director of IT at an energy company

Other key technology benefits customers referenced include:

- › **Support of corporate strategy for a “zero footprint” cloud strategy.** The founders of the businesses interviewed for this study decided to adopt a cloud-first approach to lower their operational costs, reduce their need to support an outdated infrastructure, combine several point solutions into one vendor, and worry only about the speed of their Internet connection as the most critical IT issue. They knew that employees could rely on Wi-Fi networks, mobile phone tethering, and other mobility options in the event of an Internet outage.
- › **Reduction of costs compared with deployment and management of a private branch exchange (PBX) system.** Small and medium-sized businesses that are just starting up have the opportunity to avoid expensive telecommunications infrastructure costs by opting for Skype for Business. With the right headsets and an Internet connection, they have a fully cloud-based telecommunications system with little capital and no maintenance costs. One head of IT indicated that his company avoided \$20,000 in costs when it opted for Skype for Business as its primary telecom solution. Said the director of IT, “We did the cost analysis of putting an on-site PBX system versus a cloud-based solution, and the long-run total cost of ownership showed that we would save \$20,000 going with Skype for Business.”

- › **Elimination of third-party webconferencing and long-distance phone service costs.** Like many small businesses, these customers had survived their first years by patching together point solutions, such as webconferencing and file sync and share, to fulfill their collaboration requirements. However, these solutions came at a cost to the composite organization and often without the proper built-in security capabilities. Furthermore, the third-party webconferencing tool it used did not integrate with its file sharing and collaboration tools in the way that Skype for Business and SharePoint intersect. Often, employees were using these tools for both personal and professional reasons. This was hurting their productivity, as they would end up instant messaging with friends outside of the organization. The organization spent many dollars on roaming fees to support its global mobile workers. With Skype for Business, customers are able to reduce long-distance, roaming, and teleconference solution costs by an average of \$8,000. In addition, the composite organization reduced its overall spend by consolidating the licenses with third-party providers into one fully hosted solution with Microsoft.
- › **Compatibility with bring-your-own-device (BYOD) policies.** Customers reported that Skype for Business helped them institute a BYOD policy that had a two-fold impact: supporting employee preferences while lowering costs. The “office phone” with Skype for Business means any number of things, from an employee cell phone to a home office line to an IP headset and laptop. The employee’s office phone literally moves with them from device to device. And, when they are not available, voicemails are converted to emails, which is another benefit of the Office 365 suite. The organization could avoid a capital investment in hardware because Skype for Business is cloud-based; it does not have to upgrade or maintain the equipment to ensure that applications are compatible across platforms. Said one director of IT of an SMB power company: “People bring their own devices — user preference dictates what they want, and they have some pretty strong biases. We have a mixture of Macs and PCs, and not all of the PCs are the same brand. And there are Apple, iPhone, and Android users. I’m comfortable with it because Microsoft has a good reputation of making sure things are going to work.”
- › **Immediate access to new features.** Because Skype for Business is a cloud-based solution, customers gain immediate access to new features when web updates are made to the tools. This is viewed as a significant technology benefit because, for one recurring monthly price, the organization gets ongoing access to new features. This also lowers the upfront capital investment it has to make in licenses. It does not have to overbuy licenses in advance. Instead, it can add and remove users on the basis of their usage. In small businesses that grow and change rapidly, this is viewed as a significant advantage.
- › **Improved efficiency of the help desk.** Founders of small and medium-sized businesses often play multiple roles, from tech support to HR to sales. Several customers mentioned how Skype for Business enabled them to save time and money while wearing one of those many hats throughout the day. Through the screen sharing functionality, the company owner or IT director could do remote desktop sharing for tech troubleshooting. Customers also used this feature to help employees learn to use the features of Office 365 during the initial implementation or when employees were hired. The flexibility of Skype for Business’ video and webconferencing enabled these process efficiencies. Said one co-founder of a landscaping business: “I do our in-house IT support mainly around how to do different things and programs. When some of these are having a problem, I can Skype in with them and we can look at it together. It’s a really effective way to quickly get questions answered.”

MOBILITY BENEFITS OF SKYPE FOR BUSINESS

Customers commented on the ability to stay productive while on the road, whether at a remote location, client site, or anywhere in between that has an Internet connection. Because they can access Office 365 and Skype for Business on up to five devices, they are able to stay productive regardless of their physical location. Furthermore, the “presence indicator” follows them wherever they go, keeping them connected and reachable by co-workers and customers as they travel. Said one director of IT: “We like the fact that Skype for Business ties its unified messaging right into Outlook and gives you the presence indicator. So right now, while I’m talking to you, my presence indicator says that I’m busy for everyone else. Or, if they want to IM or send me an email, or come and stop by, they know I’m in a meeting right now. That happens whenever I’m on the phone — it updates my present status automatically.”

Other key technology benefits customers referenced include:

- › **A new definition of “office desk,” meaning anywhere in the world that has a coffee shop with Wi-Fi or cell service.** Being able to stay connected and reachable by co-workers and customers regardless of location or network access was cited as a key benefit of Office 365. This provides significant business continuity and productivity advantages to the organizations. Small businesses rely heavily on sales and consulting professionals to bring in business — even a few hours without a connection could cost the business thousands of dollars. With Office 365 and Skype for Business, they can avoid lost sales or productivity by simply stopping in the nearest coffee shop with Internet connectivity.
- › **Reduced travel time for managers, resulting in \$22,500 in cost savings.** The composite organization indicated that a key benefit from the Office 365 implementation was increased mobile workforce productivity. Prior to Skype for Business, employees traveling to the client site, between office locations, or on the road selling were less reachable and often difficult to locate when on the road. Managers were spending a great deal of time traveling between office locations because they felt that they could hold better meetings face-to-face in the absence of an effective collaboration and communications tool. Since adding Skype for Business, they reported a 50% reduction in travel time. Said one founder of a food and beverage company, “A big selling point for Skype for Business was being able to cut down on travel time and not having to drive 20 miles to meet with somebody.”

“Since we have two locations, there were real logistical problems, and we wasted time and money trying to meet in one location. Once we got Skype for Business, our meetings moved online with videoconferencing.”

— VP, landscaping services company

- › **Improved communications between global teams and customers.** Although small, many SMBs are far-reaching in their scope and customer base. Many have clients, teams, partners, and consulting projects happening around the world. In the past, these geographical barriers would have made collaboration more difficult. However, with Skype for Business, the sales and consulting staff can more easily and effectively call on their global counterparts to help them complete their work, such as troubleshooting a technical issue from thousands of miles away. Said one founder of a ship broking business, “We do video calls and we can flash documents from my screen to the clients’ or partners’ screen so that they can see what we’re talking about.” This enables a global, distributed mobile workforce to work collectively.
- › **Improved efficiency of meetings on-the-go.** Like many owners of small businesses, those interviewed for this study are making real-time decisions about their supplies and inventory, research and development (R&D), sales deals, and finance. They are traveling between store locations, going to trade shows, and visiting customer sites. They value Skype for Business for its flexibility — from wherever they are and on whatever device they have, they can initiate a video or voice call. This enables more real-time collaboration and faster time-to-decision-making while in disparate locations. Said one co-founder of a landscaping business: “One of the primary benefits of this experience with Office 365 is the efficiency gain with our meeting through videoconferencing. So there’s [a] time when I will be in one office, the co-founder will be in another, and we will want to look over a P&L or something. We just jump on there and look at the document together and have a quick conversation and actually see each other’s faces. So what I like is that it’s quick and easy to bring someone up and have a face-to-face meeting even for a short amount of time.” The co-founder of this same company added to this, saying: “Well, it’s something that we can see each other’s face, but also we can share a screen or share a document and both look at the same thing. Everybody can see the same thing, and that’s really effective.”

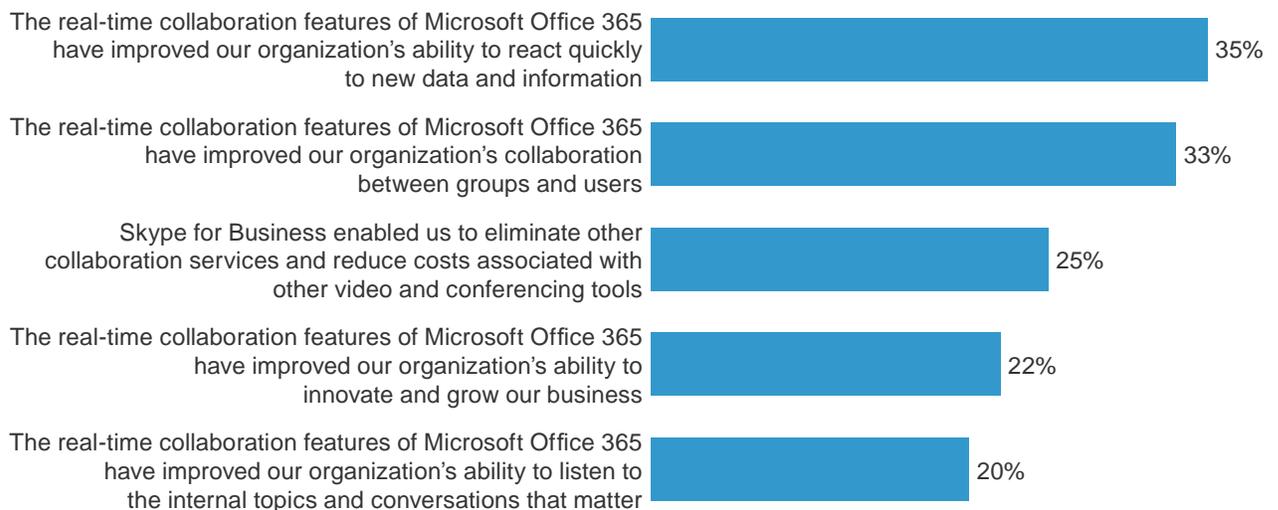
COLLABORATION BENEFITS OF SKYPE FOR BUSINESS

The employees of the organizations interviewed for this study, hindered by their previous environment that was not integrated or collaborative, had reached frustration levels that were threatening their productivity and loyalty to the company. The younger employees had adopted many different consumer-based tools and apps that were interrupting their daily workflow. In addition to communicating with colleagues, they used social tools for instant messaging and networking friends, and the business had no way to control it. Once Office 365 was implemented, the younger employees were pleased with the social elements of the tools, the mobile employees were thrilled with the file sharing and collaboration capabilities, and the founders were boosted by a workforce invigorated by productivity tools they were familiar with but beyond even what they expected. Said one co-founder of a small business: "Office 365 helps with the morale of our team. Being able to see each other and hear each other with Skype for Business — you can't put a dollar figure on it, but it helps morale." See Figure 2 for more collaboration benefits reported by Skype for Business users.

FIGURE 2

Microsoft Office 365 Benefit Pillars

"Which of the following statements do you agree with, in regards to the communication and collaboration options available with Microsoft Office 365?"
(Select all that apply)



Base: 204 North American and UK organizations that currently use Office 365 product

Source: Forrester Research, Inc.

Other key collaboration benefits that Skype for Business enables include:

- Improved collaboration and efficiency among employees.** Several of the SMBs interviewed have more than one store or office location, and this was hurting their productivity. Employees were driving more frequently to meet in person, wasting valuable work hours, or they were using nonstandard, consumer-based tools to communicate with each other. With Skype for Business, they were able to work collaboratively with just one click. Through an Outlook calendar item, employees can initiate Skype for Business calls and meetings, which further increases their efficiency because participants in the meeting are automatically included and can connect seamlessly through voice, webconferencing, and video. This also means they spend less time waiting for answers from colleagues. Said one co-founder of a food and beverage company: "Because we weren't in one office together, it really helped to have Skype for Business so that we could chat

with each other and get quick answers. We've become more of a collaborative office work environment and we're having discussions more often."

- › **Increased face-to-face interactions with disparate employees, improving morale.** Small businesses that begin with employees sharing small spaces experience natural collaboration that comes from being within the reach of a shoulder tap. Once they grew to have multiple office locations, customers reported a change in culture and morale. Without seeing colleagues, the quality of their collaboration degraded. This changed dramatically for them when they implemented Skype for Business — they could maintain the feeling of a small, close-knit team even while far apart. Said one owner of a retail business: "The main feature was not just the phone. It was the face-to-face and the webcam. That's the reason why we want to use it, so that we can see each other's faces. Also, if they're having problems with their computer, they will be able to give me access, and I could show them or I could train them. Or when we had new documents that needed to be circulated — I could share it with them on their computer and they can see it."
- › **Increased productivity of sales staff.** Skype for Business helped the sales and consulting groups collaborate on deals more productively. In the past, deal-making would involve a series of phone calls or face-to-face meetings. Now, it can happen through the employees' collaborative workspace. The deals can also be made from any location and are not delayed by sales staff having to travel back to the office. A mobile device and connection to the Internet suffices. Said one owner of a ship broking company, "There's a lot of information flow and a lot of deal-making, and it's increasing — it's done by email, instant message, or Skype for Business."
- › **Reduced time and cost to interview new employees.** The SMB customers were able to save recruiting costs by using Skype for Business to conduct interviews. Instead of having to fly a prospective candidate out for an interview, they could initiate a videoconference call, and that sufficed. Said one co-founder of a landscaping services company: "We had a candidate for a job opening who wasn't local. Really, the only option previously was just a phone interview or flying them here. Now we are able to see them face-to-face, and it's another benefit of Skype for Business that we've realized." Assuming a small company recruits or interviews three to five remote candidates per year, it could save around \$10,000 to \$15,000 in travel costs.
- › **Improved outreach to prospects, investors, and clients, reducing third-party costs.** As these small businesses grow, they expect to grow their usage of Skype for Business and test the limits of what it can provide. Over time, they anticipate hosting multiuser conference calls, increasing their use of web and videoconferencing for marketing and sales purposes, and possibly even providing large-scale investor or event-based conference calls that attract hundreds (if not thousands) of attendees. One founder of a small business sees great potential for using Skype for Business for industry events or investor relations activities: "One of the things I'm also quite excited about is the way that Skype for Business is developing itself into a very powerful multiuser tool. This will help us avoid paying for third-party resources for investor relations or to host industry and associations conferences. Outreach can be so much easier."

Microsoft Office 365: Overview

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, secure file sharing, building an online presence, becoming familiar with on-the-go features, and creating docs from various browsers. Get the security, compliance and privacy you trust from Microsoft.

SKYPE FOR BUSINESS

Skype for Business is a communications and collaboration platform that brings together the familiar experience of Skype with the security, compliance, and control that you've come to expect from Microsoft. Microsoft's ambition is simple: to create the most loved and trusted communications platform for doing things together. Skype brings colleagues together to have richer, more meaningful experiences. Skype for Business makes it possible to create, share, and collaborate from your favorite device. It opens up the world to new places and dialogues, helping people everywhere do things together and understand each other a little better. Skype for Business enables organizations to:

- **Keep people at the heart of the business.** Audio, video, and webconferencing are integrated, simplified, widely available on mobile devices, and effortless to use. Skype for Business is designed to deliver a complete, high-quality experience — for every conversation and every meeting.
- **Communicate and collaborate without borders and barriers.** Skype for Business lets you expand your communications to partners, prospects, and customers. Connect Skype for Business with legacy voice and video infrastructure to extend the life of existing investments and support a migration strategy as you deploy a single UC platform. It works with traditional meeting room systems, and video interoperability is built into Skype for Business.
- **Build for how people want to work together.** Skype for Business lets people connect and focus on the things they're doing together, such as sharing an app, co-authoring, or presenting content. They don't need to worry about navigating the technology. Skype for Business enriches the Office experience with group IM, persistent chat rooms, and spontaneous group voice and video calling. Organizations have the tools for rich communication in their applications, creating a consumer-to-business interaction channel and more modern way of doing business.
- **Use modern products for global scale, security, and reliability.** Skype for Business puts IT in control and allows it to confidently deploy, manage, and operate at large scale — both on-premises and online. Scale communications beyond the capacity of existing investments with cloud-connected voice, video, and conferencing services. Skype for Business replaces legacy phone systems and disjointed collaboration tools with a single unified solution. Organizations are in control and able to confidently manage policies, grant feature rights, and govern external communications.

Composite Organization Description

For this study, Forrester surveyed 204 Microsoft customers and conducted a total of four interviews with representatives from the following companies, which are Microsoft customers based in the US:

- › A retail food and beverage company based in Southern California with three store locations. The company has 90 employees total and 12 Office 365 licenses. Those licenses are used primarily by corporate office employees and store managers. Prior to Office 365, the organization struggled with proper version control of important documents, providing the right level of access to sensitive company information, and finding a productivity tool interface that was familiar and enjoyable for employees and partners to use.
- › A power company based in Illinois with 20 employees and 15 Office 365 licenses for its knowledge workers and consultants. It also has five outside consultants who have a limited license that provides them with a corporate email address. This organization was seeking a zero-footprint, cloud-only solution that could reduce time and money spent on infrastructure for telephony and productivity tools.
- › A landscaping services company with two offices and 100 employees based in Oregon. The company has 31 Office 365 licenses; 80% are used by managers and 20% have limited access for production-focused employees who only need corporate email addresses. This organization was looking to increase productivity and employee morale by replacing an outdated on-premises solution with a cloud-based option.
- › Asia's largest independent ship broking and marine consultancy, with 35 Office 365 licenses for all employees in the organization. This organization was seeking the reliability, security, and disaster recovery protections that a suite hosted by Microsoft could provide. It also valued the ability to work on documents simultaneously because its employees are all sales and consulting professionals, many working on-site across the globe.

For this TEI study, Forrester has created a composite organization to illustrate the quantifiable benefits and costs of implementing Office 365. The composite company is intended to represent a small services business that has 80 employees and two office locations and is based on characteristics of the interviewed customers. The composite company has about 30 management, sales, consulting, and corporate office professionals with Office 365 licenses. In addition, the composite has outside consultants for whom it has purchased abbreviated licenses that provide a corporate email address and access to basic features such as Office Online, calendaring, OneDrive, SharePoint, and Skype for Business.

In purchasing Office 365, the composite company has the following objectives:

- › Replace web-based point solutions and on-premises email and productivity tools with a comprehensive cloud-based option.
- › Immediately scale the business; ease the pain for mobile employees to access slow servers for email and files.
- › Get access to the same productivity advantages and functionality as larger businesses on multiple devices with a single sign-on.
- › Get the security, disaster recovery, and reputation of the Microsoft brand protecting the company's IP.
- › Onboard new employees and grow the business more easily.
- › Gain immediate access to new features of the tool set as web updates are made to the tools.
- › Improve collaboration and productivity within the organization and with outside clients without increasing travel.
- › Receive pricing flexibility with users coming and going monthly. Make less of a capital investment with these users.
- › Improve the system for document management and sharing that controls versions properly and allows appropriate access.

- › Use a format for email, calendaring, and documents that is familiar to employees, partners, and customers.
- › Support mobility within the workforce and enable employees who have access to the Internet or a Wi-Fi connection to work from home (or the coffee shop) when needed; get access to mobile apps on five devices.
- › Legitimize the business as the company eliminates consumer-based point solutions, and provide a unified face to the customer.
- › Increase sales' and consulting's ability to be responsive and competitive when deal-making.
- › Free up time of leadership of small businesses to focus on strategic initiatives.

For the purpose of the analysis, Forrester assumes that the composite organization is headquartered in the US, with two offices located within 2 hours of each other. The clients of the organization are located throughout the US and at sites around the globe. The composite organization needs licenses for only a portion of its 80 employees — those who are revenue-generating (sales, consulting) or work as part of the managerial or corporate office staff. It also assumes that the organization does not have a full-time IT staff member to devote to running the technology. Instead, the person in charge of the implementation is a co-founder in charge of operations. The organization selected Office 365 for its ease of use and the ability to have all of its business productivity and communications needs met in one hosted platform, backed by the security and reliability of the Microsoft cloud infrastructure. This resulted in a more aligned, efficient, and streamlined business operation, and one that seamlessly integrates the Microsoft authoring tools with email, calendaring, and online meetings.

DISCLOSURES

The reader should be aware of the following:

- › 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's Office 365 product.
- › Microsoft reviewed and provided feedback to Forrester. 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.
- › Microsoft provided the customer names for the interviews but did not participate in the interviews.

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ABOUT TEI

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