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The Total Economic Impact™ Of Microsoft Office 2010

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Executive Summary

Individual productivity and team collaboration have become critical competencies of organizations that are successful and competitive in their markets. As organizations build their competitive positions based on the skills and talents of their knowledge or information workers (iWorkers), better tools are required to make those key resources more efficient and effective. Timely access to information, expertise, organizational wisdom, and communities that can drive innovation and efficiency will be hallmarks of well-run organizations in the new economy.

Most iWorkers in large organizations use Microsoft Office as their main productivity software and find it adequate for their needs. Therefore organizations need compelling reasons to upgrade to Microsoft Office 2010. New Features can be interesting, but unless they translate into customer benefits — such as increased productivity, automated functions that replace manual ones, or new capabilities of the software — the incentive to upgrade will be diminished. Those benefits must also exceed the barriers to adoption that exist — such as the price of the software or lost productivity due to the time spent learning the new software programs — in order for the upgrade to make sense.

In March 2010, Microsoft commissioned Forrester Consulting to examine the total economic impact that enterprises may realize by upgrading from Microsoft Office 2007 to Microsoft Office 2010. To understand the financial impact of investing in the latest version of Office, Forrester conducted in-depth interviews with executives from seven Microsoft Office 2010 beta customers. Forrester then compiled the interview results, including forward-looking expectations, into a composite case study of a 5,000-iWorker *Organization*. See the Composite *Organization* Description section for more details.

Summary Benefit Findings

In conducting the interviews with Microsoft customers, Forrester found that the *Organization* can achieve significant *risk-adjusted* benefits in the following areas (see the Benefits and Risk sections for more details):

- Overall this study concludes that the *Organization* achieved a three year net present value (NPV) of **over $7 million** (risk-adjusted net benefits) as a result of deploying Microsoft Office 2010. The payback period was a **very quick five months** and the average NPV per iWorker was **$1,483** over three years**.**

- Co-authoring productivity benefits of over **$3 million** (over three years) in a sales and business development group. With the new co-authoring feature, the *Organization's* team members can work on sales proposals and bidding documents more productively and deliver them to customers and prospects more quickly.

- OneNote productivity benefits of nearly **$1 million** (over three years) for 40 discrete project teams. Because OneNote 2010 is closely integrated with Outlook 2010, the *Organization's* project team members could capture and organize project information — including meeting notes, emails from Outlook, photo images, and handwritten notes — into one shared notebook.

- Elimination of third-party photo/video editing tools at a cost savings of over **$34,000** (three years). The *Organization* was able to eliminate its third-party photo/video editing tools, reducing its license and internal support costs.

- Productivity gains associated with "can't live without" features of Office 2010 of nearly **$7 million** (over three years) associated with the aggregate use of the following Office 2010 features/functionality: Enhanced Ribbon, Microsoft Office Backstage view, enhanced Ribbon across Office 2010 applications, Microsoft's Protected View feature, Paste Preview, Conversation View, Quick Steps feature, Calendar Preview, and Sparklines and Slicers.

Forrester assumes that only a portion of the time saved is captured by the *Organization* for actual productive work, hence we have reduced the initial benefit calculations by a risk factor of 50%. The resulting risk-adjusted numbers should raise confidence levels that the investment is likely to succeed, as the risks that threaten the project have been taken into consideration and quantified. Assuming normal success at mitigating risk, the risk-adjusted numbers should more closely reflect the expected outcome of the investment.

Purpose

The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Microsoft Office 2010 on their organizations. Forrester's aim is to clearly show all calculations and assumptions used in the analysis. Readers should use this study to better understand and communicate a business case for investing in Microsoft Office 2010 within their own organizations.

Methodology

Microsoft selected Forrester for this project because of Forrester's Total Economic Impact™ (TEI) methodology, as well as Forrester's industry expertise in enterprise office productivity strategy and the emerging trend of using Microsoft Office as a front end for line-of-business information and processes.

Forrester employs four fundamental elements of TEI in modeling the financial implications of upgrading to Microsoft Office 2010:

1. Costs.

2. Benefits to the entire organization.

3. Flexibility options.

4. Risk.

Given the increasing sophistication that enterprises have regarding cost analyses related to IT investments, Forrester's TEI methodology serves a valuable purpose by providing a complete picture of the total economic impact of purchase decisions.

Approach

Forrester used a five-step approach for this study:

1. Forrester gathered data from existing Forrester research relative to next-generation iWorker productivity tools as well as the emerging trend of using Microsoft Office as a front end for line-of-business information and processes.

2. Forrester interviewed Microsoft marketing, sales, and product management personnel to fully understand the potential value proposition of Office 2010.

3. Forrester conducted a series of in-depth interviews with seven organizations that, at the time, were using the Office 2010 beta version.

4. Forrester created a composite *Organization* based on the interviews and populated the financial framework using data from the interviews as applied to the *Organization*.

5. Forrester constructed a financial model representative of the interviews, which was used to determine the costs, benefits and risks of deploying Microsoft Office 2010.

Key Findings

Forrester's study yielded a number of key findings:

- **Costs.** The costs for the upgrade to Office 2010 total **$1,629,272** present value (PV). These costs include internal deployment labor and Microsoft Software Assurance renewal fees. The *Organization* in this study bought Office 2007 Professional Plus licenses 3 years ago, so it is now renewing its Software Assurance agreement for three years. See the Costs section below for more details.

- **Benefits.** Quantified benefits accruing to the *Organization*, which reflect the experience and the expectations of the customers interviewed for the study, amount to **$9,044,685** (risk-adjusted, PV) over a three-year period. See the Benefits section below for more details.

- **Resulting net present value (NPV) and payback period.** The resulting risk-adjusted NPV of deploying Office 2010 is **$7,415,413**. The payback period is a very quick **five months**.

- **NPV per iWorker.** Average risk-adjusted NPV (benefits) for each of the 5,000 iWorkers is **$1,483** over three years.

Table 1 illustrates the non-risk-adjusted and risk-adjusted cash flow for the *Organization* based on data and characteristics obtained during the interview process. Forrester risk-adjusts these values to take into account the potential uncertainty that exists in estimating the productivity benefits of a technology investment. The risk-adjusted value is meant to provide a conservative estimation, incorporating any potential risk factors that may later affect the original benefit estimates. For a more in-depth explanation of risk and risk adjustments used in this study, please see the Risk section.

Table 1: *Organization* NPV Of Costs And Benefits, Risk-Adjusted

Summary financial results	Non-risk-adjusted	Risk-adjusted*
Total costs (PV)	($1,629,272)	**($1,629,272)**
Total benefits (PV)*	$18,089,370	**$9,044,685**
Total (NPV)	$16,460,098	**$7,415,413**
Average NPV per user (5,000)	$3,292	**$1,483**
Payback period	Three months	**Five months**

Source: Forrester Research, Inc.
* Benefits are reduced by a risk factor of 50%.

Disclosures

The reader should be aware of the following:

- The study is commissioned by Microsoft and delivered by the Forrester Consulting group.

- Microsoft reviewed and provided feedback to Forrester, but Forrester maintained editorial control over the study and its findings.

- The customers for the interviews were provided by Microsoft.

- Forrester makes no assumptions as to the potential benefits that other organizations will receive. Forrester strongly advises that readers should use their own estimates within the framework provided in the study to determine the appropriateness of an investment in Microsoft Office 2010.

- This study only compares the economic impact of migrating from Office 2007 to Office 2010. For organizations that are currently running Office 2003, this study does not include any additional benefits your organization may receive by moving from Office 2003 to Office 2010, nor does it take into account any additional hardware or migration costs and the risks associated with those costs.

- This study is not meant to be used as a competitive product analysis.

About Microsoft Office 2010: Overview

According to Microsoft, its Office 2010 products give organizations new tools to express ideas, solve problems, and connect with people. Office 2010 lets employees work how, when, and where they want, letting them get information and data from a PC, the Web, and even a smartphone.

Microsoft cites the following top 12 benefits of Office 2010:

1. **Express ideas more visually.** Office 2010 opens up a world of design options to help give life to ideas. The new and improved picture-formatting tools such as color saturation and

artistic effects let users transform their document visuals into works of art. Combined with a wide range of new prebuilt Office themes and SmartArt graphic layouts, Office 2010 provides more ways to make ideas stick. These features can be found in PowerPoint 2010 and Word 2010.

2. **Accomplish more when working simultaneously together.** Brainstorm ideas, provide better version control, and meet deadlines faster when working in groups. The co-authoring experience for Word 2010, PowerPoint 2010, Excel Web App, and OneNote shared notebooks lets employees work on a file with several people at once — even from different locations. Note: Co-authoring for Word, PowerPoint, and Excel requires either the free SharePoint Foundation Services (for business) or a Windows Live account (for personal use). Co-authoring for Excel is available via the Microsoft Excel Web Application.

3. **Enjoy the familiar Office experience from more locations and more devices.** With Office 2010, users can get things done more easily from more locations and more devices. Using a smartphone or virtually any computer with an Internet connection, it allows users to work when and where they want to work.

    o **Microsoft Office Web Apps.** Extend the Office 2010 experience to the Web. Store Word, Excel, PowerPoint, and OneNote files online, and then access, view, edit, and share content through the Web. Note: Office Web Apps require either SharePoint Foundation Services (for business) or a free Windows Live account (for personal use).

    o **Microsoft Office Mobile 2010.** Stay current and respond quickly using enhanced mobile versions of Office 2010 applications specifically suited to Windows Mobile-based smartphones. Note: Office Mobile 2010 is not included in Office 2010 applications or suites.

4. **Turn intuition into insights to make quicker, more informed decisions.** Combine native Excel 2010 functionality with the in-memory engine of PowerPivot to quickly calculate data sets of hundreds of millions of rows from multiple sources at lightning speed. And take advantage of new Sparklines to save real estate on-screen by charting trends in a single cell right next to the corresponding data. These new features in Excel 2010 make rich data analysis more easily accessible to more people and can eliminate the need to spend money on additional Business Intelligence tools.

5. **Deliver compelling presentations.** Captivate audiences with personalized videos in presentations. Insert and customize videos directly in PowerPoint 2010 — trim, add fades and effects, or bookmark key points in the video to call attention to selected scenes. Videos users insert are now embedded by default, relieving them from managing and sending additional video files.

6. **Manage large volumes of email with ease.** Outlook 2010 allows compression of long email threads into a few conversations that can be categorized, filed, ignored, or cleaned up. The new Quick Steps feature lets users perform multicommand tasks such as replying to, and deleting, an email in a single click, saving both time and inbox space.

7. **Store and track all ideas and notes in one place.** Get the ultimate digital notebook for tracking, organizing, and sharing text, picture, video, and audio notes with OneNote 2010. New features such as version tracking, automatic highlighting, and Linked Notes provide more control and visibility to where ideas came from and the latest changes when working in teams. Note: This requires one of the following — Office Communicator 2007 or later

with Office Communications Server 2007 or later, Windows Live Messenger, or another instant message application that supports IMessenger or OCOM. Video is available only with Office Communicator; voice-calling availability varies by provider.

8. **Get messages out instantly.** Broadcast PowerPoint presentations to remote audiences whether or not they have PowerPoint installed. The new Broadcast Slide Show feature allows sharing of the presentation through a Web browser quickly without additional setup. Note: Broadcast Slide Show requires either SharePoint Foundation Services or a Windows Live account.

9. **Get things done faster and easier.** Microsoft Office Backstage view replaces the traditional file menu, providing a centralized space for all file management tasks such as the ability to save, share, print, and publish. The enhanced Ribbon across Office 2010 applications lets users access commands quickly and customize tabs to personalize the experience to a work style.

10. **Expand the boundaries of collaboration.** Microsoft SharePoint Workspace 2010, the new name for Microsoft Office Groove, expands the boundaries of collaboration by allowing fast, anytime, anywhere access to Microsoft SharePoint team sites. Synchronize SharePoint Server 2010 document libraries with SharePoint Workspace to access, view and edit files anytime and anywhere from a computer.

11. **File format and user interface: introduced in 2007 and now even better.** Office 2010 has Open XML file formats that are secure, extensible, and allow for less expensive storage. And the Ribbon, which debuted in 2007, is now the user interface for every Office application, leading to improved productivity.

12. **Help improve security with new layered defense.** The Trusted Documents and Protected View features of layered defense combine to first determine the trustworthiness of a document and then, if not trusted, open for viewing in a protected sandbox for users to view before enabling. This tiered approached to document security is new in Office 2010.

See Appendix B for a list of products included in the Microsoft Office 2010 Professional Plus suite.

Customer Interview Highlights

Forrester derived its conclusions in large part from information received in a series of in-depth interviews with executives and personnel at seven organizations currently using Microsoft Office 2010 beta. The following is a brief description of each of the interviewed organizations, all of which were promised anonymity:

1. A Europe-based fire technology company with its entire force of 85 iWorkers using the Office 2010 beta version for the past seven months. It has four distributed offices, and more than 50% of the current users are mobile and using tablet PCs. In June 2010, all employees will be upgraded to the Microsoft Office 2010 general release.

2. A Europe-based information and communication service provider with more than 30,000 employees worldwide. At interview time, there were 500 iWorkers across six countries using Microsoft Office 2010 beta. The near-term plan is to have 40% of the 30,000 employees on the Microsoft Office 2010 general release version by June 2011, which will coincide with its PC refresh cycle. The balance of iWorkers will be on Office 2010 by 2013.

3. A US-based global news service with a small group of Microsoft Office 2010 beta users in the newsroom and remote. Its goals are to replace a homegrown legacy editorial system with the combination of Word 2010 and SharePoint 2010, have all 3,000 newsroom employees on Microsoft Office 2010 by July 2011, and retire the old editorial system.

4. A large computer hardware manufacturer providing IT products and support services to businesses, consumers, and governments around the world. At the time of the interview, there were 800 global iWorkers using Microsoft Office 2010 beta for a period of seven months. The goal of this company is to bring the benefits of Office 2010 to more than 60,000 iWorkers by December 2011.

5. A leading global IP and Ethernet solutions provider offering a full range of data, voice, and collaboration services in more than 50 countries. As of the interview date, it had more than 100 iWorkers using Microsoft Office 2010 beta for about seven months. It plans on migrating all 5,000 of its iWorkers to the general release of Office 2010 within one year. Approximately 1,000 of those users will be remote, and a majority of those will be using Windows Mobile-based smartphones.

6. An electronics manufacturing services provider to a diversified group of original equipment manufacturers (OEMs) across North America and worldwide. At interview time, there were 90 users of Office 2010 beta. The near-term goal is to have its 1,200 iWorkers deployed on the general release of Office 2010 by October 2010.

7. A leading recovery audit firm with more than 300 auditors, data analysts, and support staff assisting clients in healthcare, retail, commercial, and government industries by recovering erroneous payments to suppliers, vendors, and providers. At the time of the interview, it had 40 iWorkers using Microsoft Office 2010 beta for about seven months. In the future, it plans on deploying the general release of Office 2010 to a widely distributed base of 550 auditors and other iWorkers, most of whom will be mobile users.

Composite *Organization* Description

Our composite *Organization* is US-based with operations in Europe and Asia. It has a total of 7,000 employees of which 5,000 are knowledge workers or iWorkers who are currently using Microsoft Office 2007. The *Organization* is facing the following business and IT challenges that it hopes to satisfy by upgrading from Microsoft Office 2007 to Microsoft Office 2010 and SharePoint Foundation Server — the free version of SharePoint (formerly known as Windows SharePoint Services or WSS):

*   To reduce costs associated with line-of-business processes such as teams working together on documents (co-authoring).

*   To improve users' email productivity using Conversation view, Quick Steps, and Backstage view along with other Office 2010 productivity features.

*   To be early adopters of productivity technology, ensuring the *Organization's* competitive edge.

*   To easily deploy Office 2010 to all 5,000 iWorkers.

*   To upgrade to Office 2010 without adding new hardware costs.

- To reduce the number of other vendors' applications and tools by consolidating on Microsoft Office 2010.

- To maximize the value of its Microsoft Office 2007 Software Assurance investment.

The *Organization* plans a phased deployment of Microsoft Office 2010 to all 5,000 iWorkers over the next 12 months (during Year 1 of our financial analysis). It will be renewing its existing Microsoft Enterprise Agreement which includes Software Assurance and the CORE CAL (Client Access License) Suite. In order to help deploy Office Professional Plus 2010 the *Organization* will be taking advantage of the following Software Assurance benefits: new version rights, planning services days, classroom technical training days, E-Learning for end users and home use licenses.

Framework Assumptions

Table 2 lists the discount rate used in the PV and NPV calculations, the fully loaded costs per iWorker and IT employee, and the time horizon used for the financial modeling.

Table 2: General Assumptions

Ref.	General assumptions	Value
	Discount rate*	10%
	Fully loaded annual cost per *Organization* iWorker and IT employee	$60,000
	Fully loaded hourly rate of *Organization* iWorker	$28.85
	Fully loaded annual cost per *Organization* IT employee	$110,000
	Fully loaded hourly rate of *Organization* IT employee	$52.88
	Length of financial analysis	Three years

Source: Forrester Research, Inc.
* Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult with their finance department to determine the most appropriate discount rate to use within their own organizations.

Costs, Benefits, Risk, And Flexibility

Costs

The main costs associated with this implementation of Office 2010 are: 1) internal labor costs for planning the implementation and the automated deployment of the upgrade, and 2) the renewal of its existing Microsoft Enterprise Agreement which includes Software Assurance and the CORE CAL (Client Access License) Suite. None of the interviewed customers expected to incur any incremental hardware costs associated with deploying Office 2010.

As part of renewing Software Assurance, the *Organization* also received benefits that were helpful for deploying Office 2010. In the planning stage, it was able to train its IT staff by using its training vouchers for classroom technical training. To help plan for deployment, it brought in Microsoft planning consultants to help streamline the process with its Planning Services days. This also helped eliminate the burden of needing additional IT deployment resources. And while customers interviewed found that users would not need a lot of additional training for Office 2010, the online training through the E-Learning benefit and home use licenses were helpful in ensuring that users were ready for the transition and that support calls wouldn't increase.

The following are the cost inputs to the financial analysis.

Internal Labor (Deploy Office 2010 And Upgrade From Office 2007) — $16,922

The customers interviewed for this study favorably compared the time and effort to set up Office 2010 beta with setting up the Office 2007 platform two years ago. All agreed that the migration from Office 2007 to Office 2010 beta was easier than the earlier migration from Office 2003 to Office 2007, both from an IT deployment standpoint and user-adoption standpoint. Help desk calls from users did not increase with the Office 2010 beta deployment, nor were there plans for formal training (other than Microsoft included E-Learning for users) on the full Office 2010 deployment. For the *Organization*, a total of two IT resources — one project manager and one senior administrator — were required for a cumulative four weeks. With an average fully loaded hourly compensation of $52.88, the total internal labor cost to deploy Office 2010 was $16,922 as outlined in Table 3.

Table 3: Implementation Labor Cost — Office 2010

Ref.	Metric	Calculation	Year 0	Year 1	Year 2	Year 3	Total
A1	Number of IT FTEs		2				
A2	Annual fully loaded rate per IT FTE		$110,000				
A3	Fully loaded hourly rate of IT FTE		$52.88				
A4	Hours per IT FTE	40*4 weeks	160				
At	IT implementation labor — Office 2010	A1*A3*A4	$16,922				$16,922

Source: Forrester Research, Inc.

Client Software (Microsoft Software Assurance Licenses) — $1,945,050

The *Organization* has Microsoft Office on an existing Enterprise Agreement license that is renewable and will cost $129.67 each per each of the 5,000 devices in each of Years 1, 2 and 3 for a total cost of $1,945,050 as detailed in Table 4.

Table 4: Client Software Costs — Microsoft Software Assurance License Renewal

Ref.	Metric	Calculation	Year 1	Year 2	Year 3	Total
B1	Number of iWorkers and devices		5,000	5,000	5,000	
B2	Software Assurance — annual cost per device		$129.67	$129.67	$129.67	
Bt	Total cost for Microsoft Software Assurance	B1*B2	$648,350	$648,350	$648,350	$1,945,050

Source: Forrester Research, Inc.

Total Costs

Total costs for the deployment of Microsoft Office 2010 are shown in Table 5.

Table 5: Total Costs

Costs	Year 0	Year 1	Year 2	Year 3	Total	PV
IT implementation labor costs	$16,922	$0	$0	$0	$16,922	$16,922
Costs for Microsoft Software Assurance renewal licenses	$0	$648,350	$648,350	$648,350	$1,945,050	$1,612,350
Total	$16,922	$648,350	$648,350	$648,350	$1,961,972	$1,629,272

Source: Forrester Research, Inc.

> *"The upgrade to Office 2010 has been easier than previous upgrades — less employee training, fewer help desk calls, and less deployment time for IT."* (IT operations leader, electronics manufacturing services provider)

Benefits

The customers interviewed for this study are in the beta stages of Office 2010 adoption, making productivity measurement and estimates less reliable than for mature software investments. Yet a strong business case exists based on productivity benefits. Most of the organizations interviewed for this study described their future Office 2010 investment as a natural upgrade path from Office 2007 to continue to build a set of tools to allow users to better express themselves, solve problems, and connect with people. The *Organization* plans a phased deployment of Microsoft Office 2010 to its 5,000 iWorkers over the next 12 months; hence, Forrester has discounted Year 1 benefits by 50% in Tables 6 to 10 below.

In interviews with the seven Microsoft customers, Forrester identified the following key quantifiable benefits resulting from an investment in Microsoft Office 2010.

Benefits Associated With Simultaneous Co-Authoring — $6,750,900 (Over Three Years)

The *Organization* has 600 sales and business development employees responsible for managing and delivering the presales and proposal needs of its customers. Since deploying Office 2010, these sales and business development employees have adopted the co-authoring feature for its sales proposals and bidding processes. Office 2010's simultaneous co-authoring feature allows multiple users to edit a document, presentation, spreadsheet, or notebook at the same time. With the new co-authoring feature, the *Organization's* team members can work on sales proposals and bidding documents more productively and deliver them to customers and prospects more quickly. Team members expect to reduce the actual time spent reconciling changes to documents by 7.5%, allowing them to devote more time to customer relationships. Co-authoring delivers a 7.5% productivity savings across all 600 sales and business development employees, saving the *Organization* 93,600 hours times $28.85 per hour (fully loaded), or $6,750,900 over the three years of this analysis. See Table 6 for details. Conservatively, Forrester did not quantify the additional benefits of enhanced customer relationships or the delivery of proposals to customers an average of two to three days quicker; all of which could contribute to enhanced revenues.

Table 6: Co-Authoring Productivity Benefits (Non-Risk-Adjusted)

Ref.	Metric	Data	Year 1*	Year 2	Year 3	Total
C1	Average annual cost per employee (fully loaded)	$60,000 (or $28.85 hourly)				
C2	Number of sales employees taking advantage of co-authoring productivity	600				
C3	Percent of time saved per employee	7.5% or 156 hours per year				
C4	Total annual productivity improvement hours (C2*C3)	93,600				
Ct	Total benefit — (C1*C4)	$2,700,360	$1,350,180*	$2,700,360	$2,700,360	$6,750,900

Source: Forrester Research, Inc.
* The *Organization* plans a phased deployment of Microsoft Office 2010 to all 5,000 iWorkers over the next 12 months; hence, Forrester has discounted Year 1 benefits by 50%.

> *"With Office 2010, we can work together in a variety of locations in different time zones in a more cost-effective manner. Co-authoring plus offline access [using SharePoint Foundation Server] make this possible."* (Director of collaboration and network services, IP and Ethernet solutions provider)

Benefits Associated With OneNote 2010 — $1,980,265 (Over Three Years)

The *Organization* has 40 discrete project teams with an average of 10 members each (400 total members) who are taking advantage of OneNote 2010. Because OneNote 2010 is closely integrated with Outlook 2010, the *Organization's* project team members can capture and organize project information — including meeting notes, emails from Outlook, photo images, and handwritten

notes — into one shared notebook. Team members can access and add to the notebook when offline and synch changes when members are back online. Improved search capabilities and new author indicators in OneNote 2010 help team members find what they need quickly and see who has added or changed content. Several interviewed customers indicated there were quantifiable productivity savings associated with OneNote 2010. On average, the *Organization's* 400 team members spend 33% of their time on team projects. Based on customer interview data, OneNote allows for a 10% productivity savings for the project-eligible hours of these 400 employees, which equates to productivity savings of $1,980,265 over the three years of this analysis. See Table 7 for details.

Table 7: OneNote Productivity Benefits (Non-Risk-Adjusted)

Ref.	Metric	Data	Year 1*	Year 2	Year 3	Total
D1	Average annual cost per team member (fully loaded)	$60,000 (or $28.85 hourly)				
D2	Number of team members taking advantage of OneNote productivity	400				
D3	Percent of time spent on projects taking advantage of OneNote 2010 (33% of 2,080 annual hours) per team member	33% or 686.4 hours per year				
D4	Total team member eligible project hours (D2*D3)	274,560				
D5	Annual productivity improvement hours (10%)	27,456				
Dt	Total benefit — D1*D5	$792,106	$396,053*	$792,106	$792,106	$1,980,265

Source: Forrester Research, Inc.
* The *Organization* plans a phased deployment of Microsoft Office 2010 to all 5,000 iWorkers over the next 12 months; hence, Forrester has discounted Year 1 benefits by 50%.

> *"When we deployed Office 2010, I was actually quite surprised at how much everyone uses OneNote as a knowledge-sharing tool like our own wiki solution."* (Chief information officer, fire technology company)

Benefits With Elimination Of Third-Party Photo/Video Editing Tools — $68,655

The *Organization* has a central group of employees who create presentations for the rest of the *Organization.* In the past, this group used expensive third-party photo /video editing tools to create the illustrations for these presentations. This group now uses the new photo/video editing features in PowerPoint 2010 as well as the photo editing features in PowerPoint 2010, Word 2010, Excel 2010, and Outlook 2010 for illustrations in their documents and presentations. For example, they are able to insert and customize videos directly in PowerPoint 2010 — trim, add fades and effects, or bookmark key points in the video to call attention to selected scenes. Videos they insert are now embedded by default, relieving them from managing and sending additional video files with the presentation. The *Organization* was able to eliminate its third-party photo/video editing tools,

reducing its license/support costs by $24,000 annually and internal labor/support time by 10 hours per month (120 hours annually). The total three-year savings was $68,655 as depicted in Table 8.

Table 8: Elimination Of Third-Party Photo/Video Editing Tools And Support Labor (Non-Risk-Adjusted)

Ref.	Metric	Data	Year 1*	Year 2	Year 3	Total
E1	Average annual cost per employee (fully loaded)	$60,000 (or $28.85 hourly)				
E2	Reduced third-party tool labor/support time — annual hours	120				
E3	Annual savings — labor/support time (E1*E2)	$3,462				
E4	Annual third-party tool license/support savings	$24,000				
Et	Total benefit — (E3+E4)	$27,462	$13,731*	$27,462	$27,462	$68,655

Source: Forrester Research, Inc.
* The *Organization* plans a phased deployment of Microsoft Office 2010 to all 5,000 iWorkers over the next 12 months; hence, Forrester has discounted Year 1 benefits by 50%.

Benefits Associated With "Can't Live Without" Features Of Office 2010 — $13,631,625

During Forrester's interviews with the seven Microsoft Office 2010 beta customers, it became increasingly evident that the users were impressed and somewhat intrigued with several "non-headline-grabbing" features of Office 2010. Interviewees described these features as providing productivity benefits that they were not able to quantify on a "per-feature" basis. However, we often heard comments such as "I love it" and "Now that I've seen it, I can't live without it." One of the questions we asked the seven interviewees was, "To what extent would you consider the users in your organization to be enthusiastic embracers of the new Office 2010 beta technology?" We offered the five choices below to choose from:

1. Highly enthusiastic.

2. Moderately enthusiastic.

3. Neutral as to changes in technology.

4. Unenthusiastic.

5. Very unenthusiastic.

Each interviewee's response straddled the "highly enthusiastic" and "moderately enthusiastic" choices. And here's the interesting part: Interviewees often followed up with unsolicited anecdotal stories of users' enthusiasm over the features and functionality listed and briefly described below:

- **Enhanced Ribbon across Office 2010 applications.** The Ribbon replaces menus and toolbars across all products of Office 2010. It lets users access commands quickly and to customize the tabs to personalize the experience to their work style. According to the interviewed customers the common Ribbon was a catalyst for faster application use and higher feature use contributing to higher productivity among users. Customers also noted an improvement in collaboration with a much more seamless user graphical interface when compared to Office 2007.

- **Microsoft Office Backstage view.** It replaces the traditional file menu to give users a centralized space for all file management tasks, such as the ability to save, share, print, and publish.

- **Microsoft's Protected View feature.** It allows users to view untrusted email documents and attachments in a protective mode initially. This reduces security issues and saves security staff time and effort in reducing cleanups.

- **Paste with Live Preview.** It provides users with a live preview before committing to paste.

- **Conversation view.** By grouping messages from a single conversation together, the new Conversation view enables users to quickly identify the most recent messages and the chain of responses.

- **Quick Steps feature.** It lets users perform multicommand tasks such as replying to, and deleting, an email in a single click, saving both time and inbox space.

- **Calendar Preview.** When employees receive a meeting invite, Outlook 2010 automatically includes a slice of their calendar in the meeting request, allowing them to read the request and check that date on their calendar at the same time. Users can quickly make an informed decision about whether they can attend the meeting without leaving their inboxes.

- **Sparklines.** This feature delivers a clear and compact visual representation of data with small charts within Excel worksheet cells.

- **Slicers.** Filter and segment Excel PivotTable data in multiple layers using Slicers, and spend more time analyzing and less time formatting.

As previously stated, no interviewed customer offered to quantify any individual benefit listed above; however, in the long term, these features could become the "can't live without" benefits of Office 2010. Forrester has taken a very conservative approach to quantifying the cumulative benefits of the above features. We'll assume that all 5,000 iWorkers will assimilate some of these features over the first 12 months of Office 2010 deployment, and they will realize a conservative 1% productivity improvement the first year due to the learning curve, followed by a 2% productivity improvement in Years 2 and 3 of our analysis. When the calculations are complete (see Table 9), the benefits total $13,631,625 over three years, representing a 1% to 2% improvement in productivity for 5,000 iWorkers. Forrester acknowledges that you won't be able to find those savings on the P&L statement. Further, not all iWorkers will take full productive advantage of the new features (as Forrester acknowledges in Table 10 with a 50% benefits reduction risk adjustment). However, if most of the 5,000 iWorkers could "produce" 1% to 2% more "output" (revenue, for example) with that extra time, the resulting benefits could be greater than $13 million.

Table 9: Benefits Associated With "Can't Live Without" Features Of Office 2010 (Non-Risk-Adjusted)

Ref.	Metric	Data	Year 1*	Year 2	Year 3	Total
F1	Average annual cost per iWorker (fully loaded)	$60,000 (or $28.85 hourly)				
F2	Number of iWorkers taking advantage of these features	5,000				
F3	Percent of time saved per employee in Year 1	1% or 21 hours				
F4	Percent of time saved per employee in Years 2 and 3	2% or 42 hours				
F5	Total annual productivity savings in Year 1 (F1*F2*F3)	$3,029,250				
F6	Total productivity savings in Years 2 and 3 (F1*F2*F4)	$6,058,500				
Ft	Total benefit		$1,514,625*	$6,058,500	$6,058,500	$13,631,625

Source: Forrester Research, Inc.
* The *Organization* plans a phased deployment of Microsoft Office 2010 to all 5,000 iWorkers over the next 12 months; hence, Forrester has discounted Year 1 benefits by 50%.

> *"Early deployment of Office 2010 beta is going really well. What started with a 'buzz' related to all the new capabilities has led to many employees voluntarily downloading Office 2010 beta."* (Senior desktop engineer, computer hardware manufacturer)

Total Benefits

Table 10 summarizes the quantified benefits described above.

Table 10: Total Benefits (Non-Risk-Adjusted)

Benefits	Year 1*	Year 2	Year 3	Total
Co-authoring productivity benefits	$1,350,180	$2,700,360	$2,700,360	$6,750,900
OneNote productivity benefits	$396,053	$792,106	$792,106	$1,980,265
Elimination of third-party photo/video editing tools	$13,731	$27,462	$27,462	$68,655
Benefits associated with "can't live without" features of Office 2010	$1,514,625	$6,058,500	$6,058,500	$13,631,625
Total	$3,274,589*	$9,578,428	$9,578,428	$22,431,445

Source: Forrester Research, Inc.
* The *Organization* plans a phased deployment of Microsoft Office 2010 to all 5,000 iWorkers over the next 12 months; hence, Forrester has discounted Year 1 benefits by 50%.

An interviewed customer believes that standardizing on the latest Microsoft technology platform can help the company attract new employees. *"Candidates are impressed with how we use technology. This helps attract the best and brightest talent. Because most new employees used Microsoft products at the university or at their previous jobs, the learning curve is minimal."* (Chief executive officer, fire technology company)

Risk

Risk is the third major component within the TEI model; it is used as a filter to capture the uncertainty surrounding different cost and benefit estimates. If a risk-adjusted NPV of costs and benefits still demonstrates a compelling business case, it raises confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. The risk-adjusted numbers should be considered as the realistic or "pressure-tested" expectations, as they represent the expected values after consideration of uncertainty. In general, risk adjustments affect costs by raising the original estimates and affect benefits by reducing the original estimates. For the purpose of this analysis, Forrester risk-adjusted all benefit estimates to better reflect the level of uncertainty given that the customers interviewed were deploying Microsoft Office 2010 beta for a period of eight months or less. Forrester will not be risk-adjusting the cost numbers because 99%-plus of the costs are firm license quotes from Microsoft.

There are two aspects of risk considered in this study: project risks and the risks associated with the estimates of benefits in a business case. Below is a summary of each.

Project Risk

There are risks associated with IT projects in general and specifically with the Microsoft 2010 solution. However, the customers interviewed for this study favorably compared the time and effort to set up Office 2010 beta with setting up the Office 2007 platform two years ago. All agreed that the migration from Office 2007 to Office 2010 beta was much easier than the earlier migration from Office 2003 to Office 2007, both from an IT deployment standpoint and user-adoption standpoint. Help desk calls from users generally did not increase with the Office 2010 beta deployment, nor were there plans for formal user training on the full Office 2010 deployment. With that as background, Forrester did identify an important project risk.

The interviewed customers were able to preselect the user groups for the Office 2010 beta deployment; the groups ranged from 40 users to 800 users. The interviewees admitted that their chosen groups were above average in technology usage and savvy (than their general user populations). Therefore, these users were likely to be more motivated to use Office 2010's new features as well as have an accelerated learning curve to benefit realization.

Risks Associated With Estimates Of Costs And Benefits

Because the future cannot be accurately predicted, there is risk inherent in calculating benefits with any project, especially starting from a beta version. Risk assessments provide a range of possible outcomes based on the risks associated with IT projects in general and specific risks relative to moving toward a particular technology solution.

In acknowledgement of Forrester calculating multimillion-dollar benefits based on eight months of beta deployment to chosen user groups, **Forrester has assigned a 50% risk reduction factor** to the benefits outlined above in this study, resulting in the risk-adjusted changes in Table 11. Forrester further assumes that even without the beta deployment factor, only 50% of the time saved is used for actual productive work.

Note: Costs were not risk-adjusted because 99%-plus of the costs represented firm license price quotes from Microsoft.

Total Risk-Adjusted Benefits

Table 11 summarizes the quantified risk-adjusted benefits.

Table 11: Total Benefits — Risk-Adjusted By 50%

Benefits	Year 1	Year 2	Year 3	Total	PV
Co-authoring productivity benefits	$675,090	$1,350,180	$1,350,180	$3,375,450	$2,743,980
OneNote productivity benefits	$198,027	$396,053	$396,053	$990,133	$804,901
Elimination of third-party photo/video editing tools and support labor	$6,866	$13,731	$13,731	$34,328	$27,906
Benefits associated with "can't live without" features of Office 2010	$757,313	$3,029,250	$3,029,250	$6,815,813	$5,467,899
Total	$1,637,295	$4,789,214	$4,789,214	$11,215,723	$9,044,685

Source: Forrester Research, Inc.

In order to compare both risk-adjusted and non-risk-adjusted benefits, we are repeating Table 10 below, which represents the same benefits <u>before</u> the 50% risk-adjustment was calculated. Please compare the "total" columns of both tables to see the 50% risk adjustment.

Table 10 (repeated): Total Benefits (Non-Risk-Adjusted)

Benefits	Year 1*	Year 2	Year 3	Total
Co-authoring productivity benefits	$1,350,180	$2,700,360	$2,700,360	$6,750,900
OneNote productivity benefits	$396,053	$792,106	$792,106	$1,980,265
Elimination of third-party photo/video editing tools	$13,731	$27,462	$27,462	$68,655
Benefits associated with "can't live without" features of Office 2010	$1,514,625	$6,058,500	$6,058,500	$13,631,625
Total	$3,274,589*	$9,578,428	$9,578,428	$22,431,445

Source: Forrester Research, Inc.
* The *Organization* plans a phased deployment of Microsoft Office 2010 to all 5,000 iWorkers over the next 12 months; hence, Forrester has discounted Year 1 benefits by 50%.

Flexibility

Flexibility, as defined by Forrester's TEI methodology, represents an investment in additional capacity or agility today (Office 2010, for example) that can be turned into future business benefits at some additional cost. Forrester has identified a potential future flexibility option where the *Organization* would upgrade (at additional cost) to SharePoint 2010 from its current use of SharePoint Foundation Server — the free version of SharePoint (formerly known as Windows SharePoint Services or WSS).

In conducting interviews with 11 Microsoft SharePoint Server 2010 customers (a previous Forrester TEI study), Forrester found that organizations can achieve significant financial benefits from consolidating collaboration, document management, internal and external portal software, and search onto SharePoint 2010. The new capabilities of SharePoint 2010 can encompass line-of-business applications — accounting and finance, business intelligence, search, and other complex workloads for some customer organizations — allowing organizations to reduce the number of vendors and achieve lower software license and maintenance costs. Additional benefits can be accrued from lower IT administration and simplified application development by upgrading SharePoint 2003 and 2007 and SharePoint Foundation Server environments to SharePoint 2010. Our interviews also uncovered additional benefits of improved collaboration and iWorker productivity when a deployment of Office 2010 is done in conjunction with SharePoint 2010.

According to Microsoft, SharePoint 2010 is the business collaboration platform that enables organizations to connect and empower people through formal and informal business communities, within the enterprise and beyond, and to manage content throughout the information life cycle. Whether deployed on premises or as hosted services, SharePoint's integrated capabilities are enhanced by search technologies and enable organizations to rapidly respond to changing business needs by making data-driven decisions and by deploying customized solutions quickly and securely. The consolidation of collaboration solutions onto SharePoint 2010 makes it possible to cut costs by lowering training and maintenance expenses and increasing IT productivity, all within a governable and compliant platform.

Forrester believes that there is potential value in having the flexibility to take advantage of upgrading to SharePoint 2010 in conjunction with an Office 2010 deployment. However, customer data for calculating this SharePoint 2010 flexibility option was not available when this Office 2010 case study was written; therefore, Forrester will not include a value of this flexibility option benefit in this analysis.

In some instances, the reader of this study may believe that his or her organization is ready to take advantage of the flexibility benefits of integrating SharePoint 2010 and Office 2010, and in that case, the flexibility option will have a PV that can be estimated. The flexibility component of TEI captures that value. The value of flexibility is clearly unique to each organization, and the willingness to measure its value varies from company to company (see Appendix A for additional information regarding flexibility).

Study Conclusions

The data collected in this study indicates that standardizing on a Microsoft Office 2010 platform has the potential to provide significant quantifiable benefits. Forrester's study yielded a number of key findings related to the composite *Organization* and depicted in Table 12:

- **Costs.** The costs for the upgrade to Office 2010 for the Organization total **$1,629,272** (PV). These costs include internal deployment labor and Software Assurance renewal fees.

- **Benefits.** Quantified benefits accruing to the *Organization*, which reflect the experience and the expectations of the customers interviewed for the study, amount to **$9,044,685** (risk-adjusted, PV) over a three-year period.

- **Resulting NPV and payback period.** The resulting risk-adjusted NPV of deploying Office 2010 is **$7,415,413**. The payback period is a very quick **five months**.

- **NPV per iWorker.** Average risk-adjusted NPV (benefits) for each of the 5,000 iWorkers is **$1,483** over three years.

Table 12: *Organization* NPV Of Costs And Benefits, Risk-Adjusted

Summary financial results	Non-risk-adjusted	Risk-adjusted*
Total costs (PV)	($1,629,272)	**($1,629,272)**
Total benefits (PV)	$18,089,370	**$9,044,685**
Total (NPV)	$16,460,098	**$7,415,413**
Average NPV per user (5,000)	$3,292	**$1,483**
Payback period	Three months	**Five months**

Source: Forrester Research, Inc.
* Benefits are reduced by a risk factor of 50%.

Further on the quantifiable benefits, Forrester found that our composite *Organization* could realize the following specific "risk-adjusted" benefits as follows:

- Co-authoring productivity benefits of over **$3 million** (over three years) in a sales and business development group. With the new co-authoring feature, the *Organization's* team members can work on sales proposals and bidding documents more productively and deliver them to customers and prospects more quickly.

- OneNote productivity benefits of nearly **$1 million** (over three years) for 40 discrete project teams. Because OneNote 2010 is closely integrated with Outlook 2010, the *Organization's* project team members could capture and organize project information — including meeting notes, emails from Outlook, photo images, and handwritten notes — into one shared notebook.

- Elimination of third-party photo/video editing tools at a cost savings of over **$34,000** (three years). The *Organization* was able to eliminate its third-party photo/video editing tools, reducing its license and internal support costs.

- Productivity gains associated with "can't live without" features of Office 2010 of nearly **$7 million** (over three years) associated with the aggregate use of the following Office 2010 features/functionality: Enhanced Ribbon, Microsoft Office Backstage view, enhanced Ribbon across Office 2010 applications, Microsoft's Protected View feature, Paste Preview, Conversation View, Quick Steps feature, Calendar Preview, and Sparklines and Slicers.

In summary, based on these findings, organizations looking to deploy Office 2010 should anticipate significant cost savings and productivity gains. By using the TEI framework in this case study, many organizations may find the potential for a compelling business case to make such an investment.

It is important to note that values used throughout the TEI framework are based on in-depth interviews with seven organizations and the resulting composite *Organization* built by Forrester. Forrester makes no assumptions as to the potential return that other organizations will receive within their own environment. Forrester strongly advises that readers use their own estimates within the framework provided in this study to determine the expected financial impact of deploying Microsoft Office 2010.

Appendix A: Total Economic Impact™ Overview

Total Economic Impact is a methodology developed by Forrester Research that enhances an organization's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps organizations 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. For the purpose of this analysis, the impact of flexibility was not quantified.

Benefits

Benefits represent the value delivered to the user organization — IT and/or business units — by the proposed product or project. Often product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyze the effect of the technology on the entire organization. The TEI methodology and the resulting financial model place 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. Calculation of benefit estimates involves a clear dialogue with the user organization to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

Costs

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the forms of fully burdened labor, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

Risk

Risk measures the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: the likelihood that the cost and benefit estimates will meet the original projections and the likelihood that the estimates will be measured and tracked over time. TEI applies a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the underlying range around each cost and benefit.

Flexibility

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organizations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprise wide upgrade of an office productivity suite can potentially increase standardization (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point in time. However, having the ability to capture that benefit has a present value that can be estimated. The flexibility component of TEI captures that value.

Appendix B: What products are included in the Microsoft Office 2010 suite?

The following information is according to Microsoft and accurate as of May 2010.

Microsoft Office Professional Plus 2010 — only available via volume licensing — Includes:

- Microsoft Excel 2010

  o Microsoft Excel 2010 makes it possible to analyze, manage, and share information, helping to make better, smarter decisions. New data analysis and visualization tools help track and highlight important data trends.

- Microsoft Outlook 2010 with Business Contact Manager

  o Microsoft Outlook offers premium business and personal email management tools to more than 500 million users worldwide. From a redesigned look to advanced email organization, search, communication, and social networking features, Outlook 2010 provides employees with the ability to stay productive and in touch with personal and business networks.

- Microsoft PowerPoint 2010

  o Microsoft PowerPoint 2010 provides more ways to create and share dynamic presentations with an audience than ever before. New audio and visual capabilities help tell a crisp, cinematic story that's easy to create. With new and improved tools for video and photo editing, dramatic new transitions, and realistic animation, users can add polish to presentations.

- Microsoft Word 2010

  o Microsoft Word 2010 offers enhanced features to create professional-quality documents, easier ways to work together, and almost-anywhere access to files. Word 2010 helps users organize and write their documents more efficiently.

- Microsoft Access 2010

  o Microsoft Access 2010 is all about simplicity. Access 2010 empowers users to make the most of their information — even if the user isn't a database expert. And, through newly added Web databases, it amplifies data, making it easier to track, report, and share with others.

- Microsoft InfoPath 2010

  o Welcome to Microsoft InfoPath 2010, a forms-creation and data-gathering tool that helps organizations streamline business processes. InfoPath 2010 is designed for both advanced business users and developers, depending on the type of forms-based solution an organization needs. Without writing code,

advanced business users can use InfoPath 2010 to design sophisticated electronic forms to quickly and cost-effectively gather information. Developers can create advanced forms for departmental and enterprise business processes, including composite applications and workflow sequences, with InfoPath 2010, Microsoft SharePoint Server 2010, and SharePoint Designer 2010 — using little or no code.

- Microsoft Communicator 2007 R2

  o Instant messaging at work will be efficient with Microsoft Office 2010, as will all the related functions of the Microsoft Office Communicator 2007 R2 application. That's because Office Communicator 2007 R2 is tightly integrated into Outlook 2010, and works seamlessly with the familiar Office applications that users employ daily.

- Microsoft Publisher 2010

  o Microsoft Publisher 2010 helps users create, personalize, and share a wide range of professional-quality publications and marketing materials. With Publisher 2010, users can easily communicate their message in a variety of publication types, saving time and money. Whether creating brochures, newsletters, postcards, greeting cards, or email newsletters, users can deliver quality results without needing graphic design experience.

- Microsoft OneNote 2010

  o Microsoft OneNote 2010 gives users a place to store and share information in a single easy-to-access location. Capture text, images, video, and audio notes with OneNote 2010 to keep thoughts, ideas, and important information readily available. By sharing notebooks, users can simultaneously take and edit notes with other people on the network, or just keep everyone easily in sync and up to date.

- Microsoft SharePoint Workspace 2010

  o Microsoft SharePoint Workspace 2010, the new name for Microsoft Office Groove, expands the boundaries of collaboration by allowing fast anytime, anywhere access to Microsoft SharePoint team sites. Synchronize SharePoint Server 2010 document libraries with SharePoint Workspace to access, view, and edit files anytime and anywhere from a computer. Lists such as Discussion and Tasks and custom lists are supported as well. Users can synchronize Business Connectivity Services lists so access to back-end systems is easy.

- Microsoft Office Web Apps

  o Office Web Apps provide more flexibility to stay connected to work over the Web. Even when working away from the office, users still have online access to their work and a core set of Microsoft Office functionality. Users may post work on Microsoft SharePoint 2010 and edit, save, and share work with others from across town or around the world. It's convenient and easy.

Appendix C: Other Microsoft Total Economic Impact Studies

Forrester has completed a series of TEI case studies for Microsoft products including: Office 2010 (this study), Microsoft SharePoint Server 2010, Microsoft Exchange 2010, Microsoft's Unified Communications Products and Services, and Microsoft's Office Productivity Platform.

To understand the financial impact of implementing each individual product of Microsoft Office, SharePoint, Exchange and the Unified Communications Suite products in depth, the reader should refer to previous Total Economic Impact case studies listed below.

To understand Microsoft's Office Productivity Platform (which includes Office 2010, SharePoint 2010, Exchange 2010 and Communications Server 2007 R2) the reader should refer to the Forrester study titled: *The Total Economic Impact™ Of Implementing Microsoft's Office Productivity Platform.*

For the benefit of the reader, Forrester has excerpted sections describing the general quantified benefits in these case studies. For specific quantification of these benefits, please refer to the detailed Total Economic Impact studies which can be searched for at www.microsoft.com/bpio

The Total Economic Impact ^{TM} Of Microsoft SharePoint Server 2010
Prepared for Microsoft Corporation, March 2010 by Jeffrey North

"In conducting the interviews with Microsoft customers, Forrester found that organizations can achieve significant financial benefits from consolidating collaboration, document management, internal and external portal software, and search onto SharePoint Server 2010. The new capabilities of SharePoint 2010 can encompass line of business applications – accounting and finance, business intelligence, and other complex workloads for some customer organizations, allowing organizations to reduce the number of vendors and achieve lower software license and maintenance costs. Additional benefits can be accrued from lower IT administration and simplified application development by upgrading SharePoint 2003 and 2007 environments to SharePoint Server 2010.

The study also uncovered benefits of improved collaboration and information worker productivity and indications of even stronger collaboration in the future as customer organizations take advantage of new capabilities in SharePoint Server 2010."

The Total Economic Impact ^{TM} Of Microsoft Exchange 2010
Prepared for Microsoft Corporation, November 2009 by Amit Diddee

"In conducting in-depth interviews with nine existing customers, Forrester found that these companies achieved cost avoidance of storage, reduced cost of high availability, cost avoidance in voicemail, savings in backup systems, fewer help desk calls, cost avoidance of mobility, enhanced communication security, and simplified compliance and legal discovery, among other benefits."

The Total Economic Impact ^{TM} Of Microsoft Unified Communications Products and Services
Prepared for Microsoft Corporation, October 2007 by Jeffrey North

"Forrester's in-depth interviews with Microsoft UC customers yielded important observations on the business value of the UC products. Forrester found that organizations can realize benefits in the form of:

- o *Individual and workgroup productivity.*

- o *Travel cost savings.*

- o *Reducing the time to complete projects.*

- o *Shortened sales cycles.*

- o *Cost reductions for dial-in conferencing and telephone charges.*

- o *Improved customer retention.*

Further, although not quantified for this case study, Forrester recommends that prospective UC implementers examine potential benefits in these categories as well:

- o *Reduced total cost of ownership of telephony a) equipment; b) management; and c) administration (moves/adds/changes), directory maintenance, charges to employees for mobile phone usage, and conferencing.*

- o *Reduced real-estate and physical office costs, such as leases, leasehold improvements, fixtures, office equipment, and IT/administrative support.*

- o *Reduced training expenses.*

- o *Improved ability to attract and retain quality employees.*

- o *Faster, better resolution of customer service issues.*

Forrester believes that unified communications offers the promise of significant competitive advantage in making customer and supplier/partner relationships stronger for firms that adopt these collaboration technologies."

The Total Economic Impact ™ Of Microsoft's Office Productivity Platform, May 2010 by Michelle S. Bishop

The purpose of this study is to illustrate the "better together" benefits that organizations may achieve through implementing Microsoft's Office Productivity Platform (which includes Office 2010, SharePoint 2010, Exchange 2010 and Communications Server 2007 R2). This study focused on the benefits of integrating the products for users and IT administrators.

*"*The focus of this study was organizations that have implemented multi-product solutions based upon Microsoft's latest Office productivity-related offerings, often in conjunction with a Windows Server 2008 R2-based infrastructure. Forrester found that these organizations achieved additional "better together" benefits of integrating the products for end users and for IT administrators. In particular, we found that the composite organization, based on the companies we interviewed collectively, could achieve:

Improved Productivity and Collaboration

- Improvements in workforce productivity saving, on average, 82.33 hours per year or 3.96% of time per employee per day for the composite organization. If only half of these savings is recaptured in work related activities, the productivity gains would accrue to approximately $7.05 million in benefits (risk-adjusted, present value [PV] over a three-year period). Productivity gains were due to:

    1. Less switching between applications as collaboration features among the different products are more integrated and work better together.

    2. Direct and efficient access to team members' availability through Presence that accelerates connecting to the person that can help.

    3. Improved ease of finding topic and skills-based expertise and knowledge through SharePoint MySites, Active Directory, and better search capabilities.

    4. Less time searching and managing documents and email due to improved search and better email management features.

    5. Faster application use and higher feature use due to the consistent interface of the Ribbon UI across all applications.

    6. Improved reporting - incorporation, analysis and sharing of data - for business intelligence (BI) users.

- Improved collaboration process via improvements like the document Coauthoring feature for distributed teams, such as sales, clinical trial teams, or professional services, resulting in over $1.3 million (risk-adjusted, PV) in gains.

Cost Savings

- Over $1.2 million (risk-adjusted, PV) in cost savings from replacing legacy business intelligence (BI) solutions and lessening demand for expensive developer resources due to functionality available in SharePoint 2010 and Excel 2010.

- Reduced instances of travel resulting in cost savings resulting from more integrated and seamless conferencing collaboration and communications experiences, as well as viewing and editing on different devices with Microsoft Office 2010 and SharePoint 2010.

- Over $575,000 (risk-adjusted, PV) in voice conferencing and long-distance telecom costs avoided by utilizing features such as voice over IP (VoIP) and voice conferencing.

- Over $1.3 million (risk-adjusted, PV) in IT administration savings through implementing a standardized environment, with common administration and management tools across SharePoint 2010, Exchange 2010 and Office Communications Server.

- Reduction in email storage costs of over $242,000 (risk-adjusted, PV).

- Reduction in training costs primarily driven by a consistent user interface across applications.

The study also identified possible areas of future benefits as customer organizations take advantage of new capabilities in enterprise voice and the flexibility of implementing hosted or on-premise solutions of Office 2010, SharePoint 2010, Exchange 2010 and Communications Server 2007 R2 for select user groups.

Appendix D: Glossary

Discount rate: The interest rate used in cash flow analysis to take into account the time value of money. Although the Federal Reserve Bank sets a discount rate, organizations often set a discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organizations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their organization to determine the most appropriate discount rate to use in their own environment.

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

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

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

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

A Note On Cash Flow Tables

The following is a note on the cash flow tables used in this study (see the Example Table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in Years 1 through 3 are discounted using the discount rate shown in Table 2 at the end of the year. Present value (PV) calculations are calculated for each total cost and benefit estimate. Net present value (NPV) calculations are not calculated until the summary tables and are the sum of the initial investment and the discounted cash flows in each year.

Example Table

Ref.	Category	Calculation	Initial cost	Year 1	Year 2	Year 3	Total

Source: Forrester Research, Inc.

Appendix E: About The Project Manager

Bob Cormier
Principal Consultant

Bob is a principal consultant for Forrester's Total Economic Impact™ (TEI) service. He is a leading expert on deriving business value from technology investments, specializing in advising clients on the TEI framework — services that help organizations understand the overall financial value of IT strategies and investments. He serves the following client roles:

- **CIOs and their staffs.** Bob serves as a trusted advisor to create consistent, repeatable, and best practice processes to justify and add credibility to technology investment business cases using Forrester's TEI methodology.

- **Technology product management and marketing professionals.** Bob works with these professionals in their efforts to clearly articulate the unique value proposition of their solutions to prospects and customers using Forrester's TEI methodology.

Bob has authored numerous TEI case studies for Forrester's vendor clients. He has also delivered his acclaimed Justifying Technology Investments (JTI) workshop to more than 800 participants representing 400 organizations.

Bob has more than 25 years experience in the IT and consulting industries. Prior to joining Forrester, he held senior-level positions at two leading eBusiness consulting firms, ZEFER and Cambridge Technology Partners. Bob has successfully led organization efforts to optimize financial, operational, and resource planning activities, incorporating leading-edge, professional service automation (PSA) applications and enterprise resource planning (ERP) systems. He has also held senior financial management positions at Digital Equipment and Anixter International.

During his career, Bob has consulted with global users and vendors of IT and has been a frequent speaker at conferences, events, and seminars.

Education

Bob earned an M.B.A. from Bentley University and a B.S. in business from the University of New Hampshire. As an adjunct professor, he has taught finance and economics courses for more than 10 years at Southern New Hampshire University and Daniel Webster College.