

FORRESTER®

The Total Economic Impact™ Of Microsoft Teams Calling Solutions

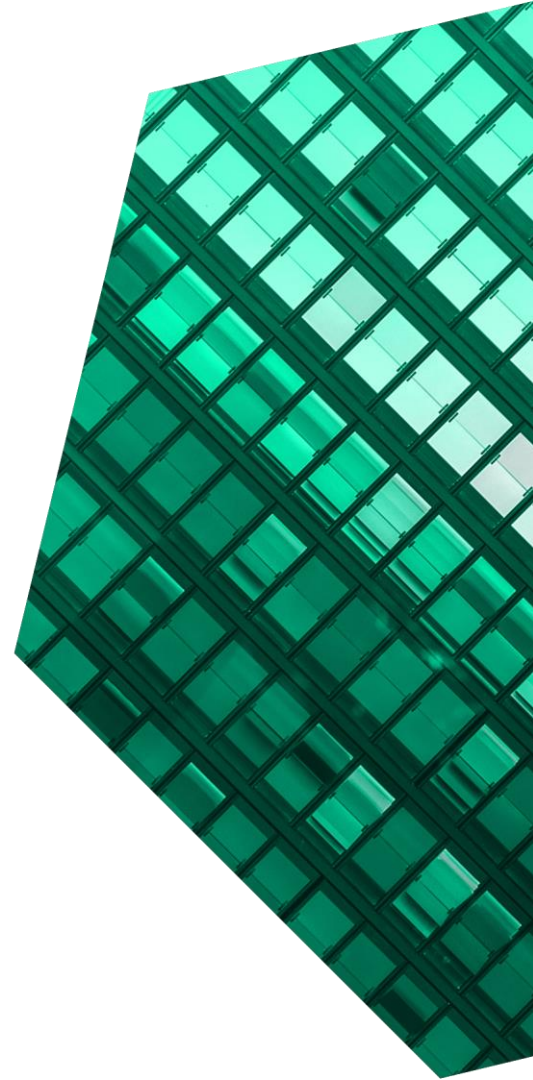
Cost Savings And Improved Collaboration For Enterprise
And SMB Organizations

February 2021

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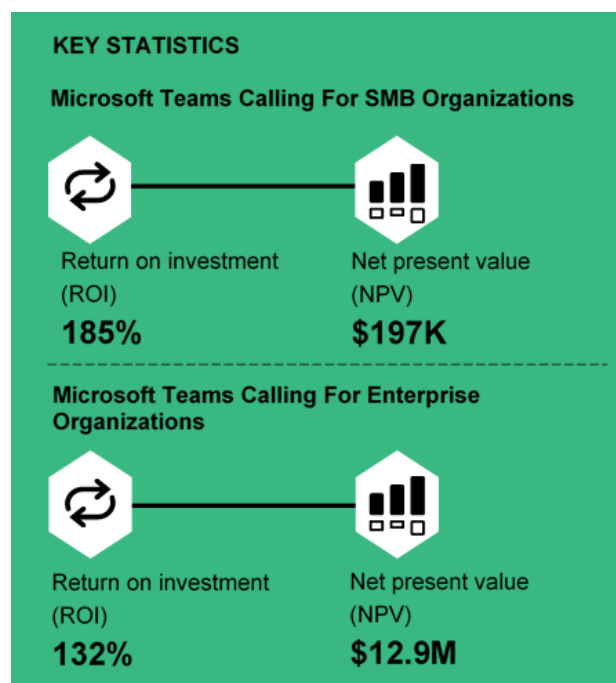
Executive Summary

Over the past few years, companies have been transforming their operations and how their employees collaborate using solutions such as Microsoft Teams. To a large extent, telephone-based collaboration has either been excluded or left behind. With Microsoft Teams Calling solutions, both enterprise organizations and small and medium-sized businesses (SMBs) can integrate voice into their broader collaboration and digital transformation initiatives. This solution can increase user collaboration and productivity, reduce the total cost of ownership (TCO), and improve business outcomes.

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) companies may realize by implementing [Microsoft Teams Calling solutions](#). This comes in two SKU flavors: one for SMBs up to 300 users and the other for enterprises with more users. Both solutions provide public switched telephone network (PSTN) calling capabilities, and each can integrate telephony into a broader Microsoft Teams collaboration environment. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Microsoft 365 Voice solutions on their organizations. Traditionally, PSTN-based telephony was a separate parallel form of communication and collaboration compared to digital tools such as Teams and videoconferencing. This divide led to increased costs and effort as well as suboptimal business processes and collaboration. But now, with the use of Microsoft Calling solutions, companies can fully integrate calling capabilities into their broader collaboration and transformation platforms.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four enterprise customers and four SMB customers who both use Microsoft Teams Calling. For the purposes of the financial analyses, Forrester aggregated the experiences of the interviewed customers and combined the results into two distinct [composite organizations](#) that are representative of both enterprise and SMB customers.

Prior to using Microsoft's Voice solutions, the surveyed customers had either a traditional business telephone system (PBX) or an IP-based telephony solution; in either case, each solution was siloed. For enterprise customers, these systems were managed by a separate IT organization. Additionally, customers found these legacy solutions to be inflexible, which made it time-consuming and costly to complete activities such as moving users. This lack of integration and inflexibility meant that employee efficiency and effectiveness were not optimized. These limitations led to wasted time connecting and collaborating with other employees, customers, and partners. It also meant that companies were spending too much money on solutions that were not meeting all of their needs.



After adding Teams Calling to previous Teams deployments, customers integrated telephony into broader collaboration processes and systems. Key results from the investment included: better and faster communication, which saved time and improved business outcomes; lower voice solution and usage costs; and more time was made available for IT teams to deliver value to the organization.

KEY FINDINGS

This section describes the benefits and costs in general terms that apply to both enterprise and SMB customers. Subsequent sections of the study break these apart into separate financial models and discussion. The enterprise composite organization has 10,000 users, and the SMB composite organization has 100 users.

Quantified benefits. Risk-adjusted present value (PV) quantified benefits include:

- **Improved and integrated communication saves users time.** Adding Microsoft Calling to Teams, and making it more readily accessible from any device, streamlines business processes and reduces the time spent initiating and conducting phone calls whether they are using PSTN calling or online conferencing. This benefit is very similar for both enterprise and SMB customers, with highly mobile workers saving 15

minutes per day and other knowledge workers saving 7.6 minutes per day. After applying a 50% productivity capture — since not all time savings results in additional work being completed — the three-year benefit for the enterprise composite organization was \$11.0M, while the three-year benefit for the SMB composite organization was \$110K. These savings represent the opportunity for users to create additional value for their companies.



Mobile worker
weekly time savings
1.25 hours

- **Microsoft’s Voice solutions replace less flexible and potentially more costly voice solutions.** Previous solutions included: plain old telephone service (POTS), voice over IP (VoIP) PBXes, other hosted/integrated voice providers, or often a mix of many different solutions. In addition to replacing these previous solutions, reductions or eliminations can be made to usage charges in the form of long distance and international calling and providing mobile phones to users. The enterprise composite organization moved to Teams Calling from another hosted

“When people got used to using Teams for chat and collaboration, they asked, ‘Why can’t we use it to make phone calls to everyone?’”

— Head of IT services, manufacturing

calling solution, and the SMB composite came from a VoIP PBX solution. (A prior TEI study examined a PBX alternative enterprise scenario which the reader may want to consult.¹) The eliminated solution and usage costs totaled \$10.2M for the enterprise composite organization and \$82K for the SMB composite organization. These were replaced by those shown in the Analysis Of Costs sections of the study.

- **Telephony support was integrated into the broader Teams support organization.** In the past, managing telephony required a different skillset from the rest of the IT organization. For enterprises, this meant having a separate team. Because the Microsoft Voice solutions are part of Teams and Microsoft 365, they can be managed from the same console as the other collaboration tools. Additionally, activities such as adding and moving users are much easier. The overall result is less effort spent managing voice infrastructure and users. For the enterprise model, the previous scenario included outsourced tier-three voice support. This was brought in-house because solutions were easier to manage, and it saved a lot of external spend — this resulted in two resources being added. The SMB model saw a decrease in effort from 0.5 FTEs to 0.1. For the pre-Microsoft solution, the enterprise composite organization spent \$1.5 million over three years, and the SMB composite organization spent \$112K. These were replaced by costs shown in the Analysis Of Costs section of the study.

Unquantified benefits. Benefits that are not quantified for this study include:

- **Improved security and business continuity.** Teams Calling is integrated into Microsoft 365 and the full security stack. It provides better security because Voice is now tied to a user's identity within Azure AD, and the IT organization has better visibility and threat signaling as a result. Additionally, moving voice capabilities into

Microsoft's data centers made it possible to work from anywhere, which helps with business continuity and disaster recovery efforts. Organizations that were using Microsoft Voice solutions at the beginning of the COVID-19 pandemic were more easily able to transition to a work-from-home model.

- **Happier employees and customers.** Employees appreciate the integration and simplicity of making phone calls within the Teams environment. Interviewees reported that employee satisfaction scores have increased; and this is especially important for younger employees who expect modern solutions. Customers are also happier because they can more easily contact and collaborate with people at companies using the Microsoft solutions.

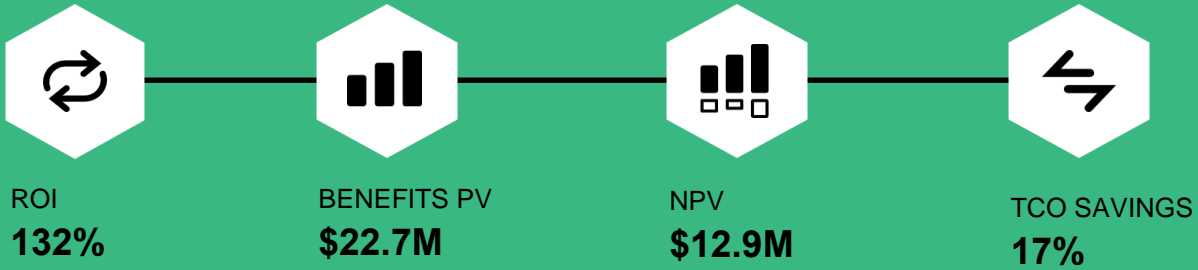
Costs. Risk-adjusted PV costs include:

- **Internal costs include setting up the Voice solution, ongoing management, and user training.** Interviewees, regardless of company size, said that setting up and rolling out Microsoft's Voice solutions was relatively easy and fast. Enterprise customers will typically first complete a proof-of-concept (POC). The effort required in ongoing management is less than it was with previous voice solutions, unless there is a lot of outsourcing being brought in-house — which is the case for the enterprise composite organization. End users may receive some training on using the new voice solutions; this is represented in both enterprise and SMB organization models. For the enterprise composite organization, the three-year cost for deployment, ongoing management, and training is \$3.1M. And for the SMB composite organization, this cost is \$36K.
- **External licenses and usage can include incremental licenses and PSTN connection fees.** Microsoft's Teams Calling enterprise solution can be included in Microsoft 365 E5

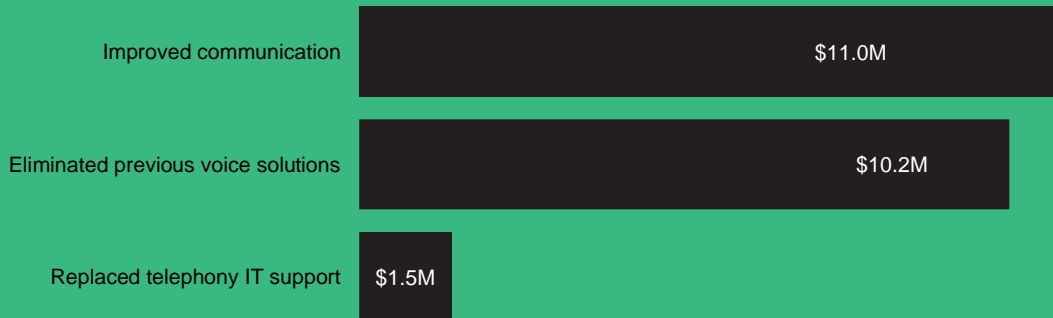
licenses, or it can be purchased separately. Enterprises often stay with their existing telecom partner for dial tone services; there can also be additional usage charges such as international calling and paying for company mobile phones. For SMBs, Teams Calling is an add-on. Companies using Microsoft's Voice solutions can also buy calling plans from Microsoft or continue to use their existing telephone partner. SMBs, more often than not and depending on their country, bundle Microsoft's calling plans in with Teams Calling. The enterprise composite organizations spends \$5.2M on licenses and usage, while the SMB composite organization spends \$56K.

- **Other external costs can consist of user devices and professional services.** Users can make calls using either headsets or VoIP phones. For both enterprise and SMB financial models, it was conservatively assumed that new devices were purchased, rather than reusing existing ones. The enterprise model includes professional services for the implementation and ongoing services around PSTN integrations and the addition of new features, costing \$1.5M over three years. SMBs typically do all of the work in-house, and as such, the SMB financial model accounted for the total cost of all new user devices to be \$15K.

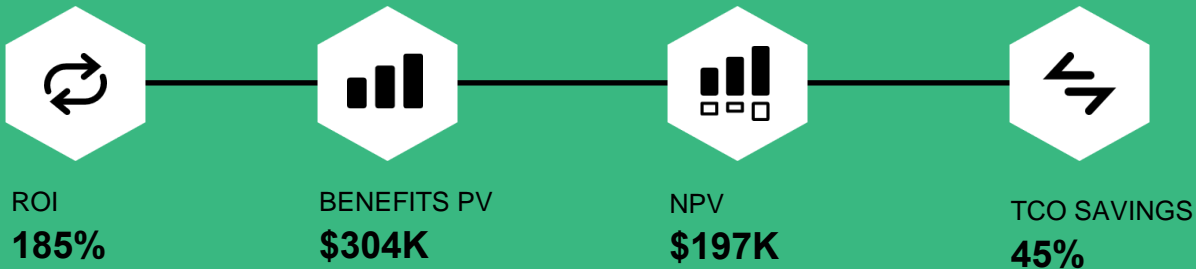
Microsoft Teams Calling For Enterprise Customers



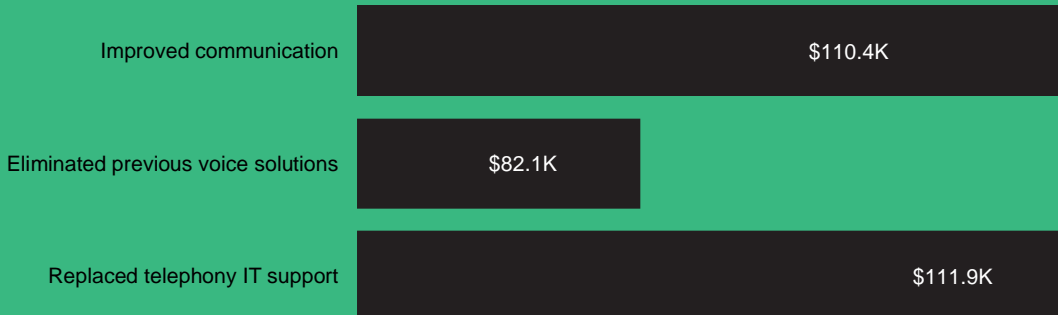
Benefits (Three-Year)



Microsoft Teams Calling For SMB Customers



Benefits (Three-Year)



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those SMB and enterprise organizations that are considering an investment in Microsoft Teams Calling solutions.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Microsoft Teams Calling can have on an organization.

DISCLOSURES

Readers should be aware of the following:

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

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

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

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



DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to the Microsoft Voice solutions.



CUSTOMER INTERVIEWS

Interviewed five decision-makers at SMB organizations and six decision-makers at enterprise organizations using Microsoft Teams Calling to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed two composite organizations based on characteristics of the interviewed SMB and enterprise organizations.



FINANCIAL MODEL FRAMEWORK

Constructed two financial models representative of the interviews using the TEI methodology and risk-adjusted the financial models based on issues and concerns of the interviewed organizations.



CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The Microsoft Teams Calling Customer Journey

■ Drivers leading to the investment

Interviewed Organizations			
Segment	Industry	Interviewees	Employees
Enterprise	IT solutions	Director of modern workplace	9,000
Enterprise	Telecommunications	VP application engineering	45,000
Enterprise	Automotive	<ul style="list-style-type: none"> • Senior manager, network and collaboration • Manager, unified communication and collaboration • Communications director 	48,000
Enterprise	Payment solutions	VP infrastructure and security	2,000
SMB	Government	CIO	30
SMB	Education	IT manager	50
SMB	Food	<ul style="list-style-type: none"> • Head of strategy and technology • IT systems administrator 	180
SMB	Manufacturing	Head of IT services	180

KEY CHALLENGES

Prior to implementing Microsoft’s Voice solutions, all organizations, regardless of size, had prior voice solutions that were not integrated with Teams. Neither on-premises nor hosted solutions provided the desired features in a way that was both cost-effective and easy to manage.

The interviewed organizations struggled with common challenges, including:

- **Prior telephony solutions provided limited capabilities at too high a cost and effort.** Interviewees had either on-premises PBX solutions or hosted IP telephony solutions. In both cases, Microsoft’s Voice solutions were said to be both easier to manage and expand, in order to support growth and evolving business models.

“We had a 10-year-old phone system which was end of life. We did not want to go for another legacy phone system to manage. So, we asked Microsoft how we can use them instead.”

VP infrastructure and security, payment solutions

- **Companies wanted an end-to-end modern collaboration experience that included voice capabilities.** In a drive to be more competitive, interviewees were looking to improve collaboration within and outside the company. Adding Calling to Teams was a logical next step for companies that had previously implemented Teams.

“The lack of integration between our hosted calling solution and Office 365 was really holding us back.”

Director of modern workplace, IT solutions

- **The COVID-19 pandemic exacerbated existing challenges and accelerated the need for change.** Companies that were already using Microsoft’s Voice solutions said that the almost overnight change to a work-from-home model was easier to achieve than their previous voice solutions. Those that transitioned to a work-from-home model were able to do so at an accelerated rate, better enabling their employees to be successful in their new environment.

“We sent home a 50-person team at the start of COVID without work phones. We jumped into Teams, which they already had, and got them fully set up with [Teams] Calling in 2 hours. Otherwise, they would have been working from mobile phones for the past eight months.”

Head of IT services, manufacturing

Teams in a phased rollout to everyone during the Initial period of the study. These employees are a mix of firstline and information workers, and 10% are highly mobile. The composite organization is headquartered in the US with operations around the world. The prior solution was a global hosted voice solution which did not integrate well into the Microsoft collaboration solutions. The composite organization was already using Microsoft 365, and Teams was their collaboration platform. Teams Calling was added to this mix by purchasing Microsoft Phone System licenses, and the composite organization continues to buy PSTN connectivity from existing telco partners.

The SMB composite organization has 100 employees, and Microsoft Calling was added to Teams and rolled out to everyone in a single implementation. These employees are a mix of firstline and information workers, and 10% are highly mobile. The composite organization is headquartered in Europe and has multiple offices. The prior voice solution was a VoIP PBX system. Microsoft 365 was already in place, and Teams was their collaboration platform. Teams Calling SMB licenses with a domestic calling plan and consumption credits were added onto these other Microsoft solutions.

COMPOSITE ORGANIZATIONS

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. Separate composite models were created for both SMB and enterprise customers who were using Microsoft Teams Calling. The composite organizations are representative of the eight companies that Forrester interviewed, and they are used to present the aggregate financial analyses.

The enterprise composite organization has 10,000 employees, and Microsoft Calling was added to

Microsoft Teams Calling For Enterprise Customers Financial Analysis

■ Quantified benefit and cost data as applied to the enterprise composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Improved communication	\$2,715,076	\$5,430,152	\$5,430,152	\$13,575,379	\$11,035,733
Btr	Replaced previous voice solutions	\$4,104,000	\$4,104,000	\$4,104,000	\$12,312,000	\$10,206,041
Ctr	Replaced telephony support effort	\$585,000	\$585,000	\$585,000	\$1,755,000	\$1,454,808
Total benefits (risk-adjusted)		\$7,404,076	\$10,119,152	\$10,119,152	\$27,642,379	\$22,696,582

IMPROVED COMMUNICATION

Microsoft Teams Calling improves communication between employees as well as with customers and partners by both integrating voice calling into other collaboration solutions and making it easier to complete calls from anywhere. This means employees save time and better collaborate, which creates more value for the organization.

Evidence and data. Enterprise interviewees shared examples of how voice integration improves communication in terms of user productivity and business outcomes:

- “As long as you have the app on your phone, you can easily connect with people. Salespeople need easy solutions to connect. It drives friction out of the sales process, which increases sales.”
- “I now have one umbrella for calling and contacting people. I click on the contact, and the system decides if it needs to dial out or connect via Teams.”
- A survey that was conducted for a previous TEI study examined Microsoft Teams, and it found that employees save, on average, 7.6 minutes per day by integrating Microsoft Voice solutions.²

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions:

- Time savings are quantified and used as a proxy for the additional business value created from better calling and collaboration.
- The composite organization has 10,000 employees using Teams Calling. Of these, 10% are highly mobile workers in areas such as sales and management.
- An average fully burdened cost, including benefits and taxes, across all employees is \$85,000.
- Based on survey results, highly mobile workers save 15 minutes per day (1.25 hours per week), and the average time savings across all employees is 7.6 minutes per day (.63 hours per week).
- A 50% productivity capture is applied because not all time savings translates into additional productive work.

“Teams Calling really is a seamless approach to quickly connect with each other in an easy fashion. Regardless of where you are in the world or your role, you click a button and are talking to someone. That’s the genius of it.”

*VP application engineering,
telecommunication*



Risks. Some factors which could result in this benefit being lower than interviewees reported, include:

- A smaller proportion of highly mobile workers.
- Teams Calling not being fully integrated into the broader collaboration solutions.
- A lower fully burdened cost.

To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$11.0 million.

Improved Communication					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Total number of users	Composite	10,000	10,000	10,000
A2	Highly mobile users	A1*10%	1,000	1,000	1,000
A3	Non-mobile users	A1-A2	9,000	9,000	9,000
A4	Mobile user time savings	A2*1.25 hours*48 weeks*\$40.87 [50% in Year 1]	\$1,226,100	\$2,452,200	\$2,452,200
A5	Nonmobile user time savings	A3*0.63 hours*48 weeks*\$40.87 [50% in Year 1]	\$5,561,590	\$11,123,179	\$11,123,179
A6	Total time savings	A4+A5	\$6,787,690	\$13,575,379	\$13,575,379
A7	Productivity capture	Assumption	50%	50%	50%
At	Improved communication	A6*A7	\$3,393,845	\$6,787,690	\$6,787,690
	Risk adjustment	↓20%			
Atr	Improved communication (risk-adjusted)		\$2,715,076	\$5,430,152	\$5,430,152
Three-year total: \$13,575,379			Three-year present value: \$11,035,733		

REPLACED PREVIOUS VOICE SOLUTIONS

Enterprise interviewees moved from a wide range of solutions to Teams Calling, including POTS, VoIP PBXes, and hosted calling solutions. Often, they were using a mix of solutions across the organization. Costs associated with these various solutions could include hardware, licenses, maintenance, and external support contracts. There are also usage costs such as calling plans, long-distance charges, and mobile phone bills. These expenses are replaced by those shown in the Analysis Of Costs section further below.

Interviewees felt that moving to Teams Calling more than paid for itself, but that was not the primary reason for doing so; the main reason was to improve communication and collaboration as previously discussed. When looking at the move to Teams Calling from purely a TCO perspective and stripping away the improved communication benefit, the transition to Teams Calling still provides a strong ROI of 19% and an NPV of \$1.9 million.

Evidence and data. Enterprise interviewees shared the following examples of the previous solutions that Teams Calling has replaced and how they are saving money:



- “We no longer have to have voice infrastructure in every country we operate in, which saves a lot of money.”
- “There is a huge savings. The beauty of PSTN dialing in the cloud is that previously we would have paid a lot in international charges. With Teams Calling, it is all routed and charged domestically.”
- “This was part of our effort to rationalize our vendors. We are saving nearly \$500,000 per month on conferencing.”
- “We are saving €100,000 per year on PBX maintenance and €250,000 per year in international calling.”
- Usage costs averaged \$10 per user per month for long distance and international charges, as well as mobile phones.
- These solutions were replaced by Teams Calling with direct routing provided by telecom partners.

“We were spending \$28 per user per month on our previous voice solution. That included licenses, infrastructure management, and tier-three support. Now we are paying \$5 per user per month to our PSTN partner. We already had E5 licenses which give us Microsoft Voice.”

Director of modern workplace, IT solutions

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions:

- The \$28 per user per month solution replacement example was included in the financial analysis because readers can easily scale this up or down to apply to their organization. Other replacement scenarios that may not save as much in this category would have seen more savings in internal IT support, which would net out to a similar overall savings (discussed in more detail later).

Risks. Some factors which could result in this benefit being lower than interviewees reported, include:

- Lower previous solution costs or the inability to fully retire old solutions.
- Less long distance and international calling based on a company’s locations and business model.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$10.2 million.

Replaced Previous Voice Solutions					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Previous voice solution contract	\$28*12*A1	\$3,360,000	\$3,360,000	\$3,360,000
B2	Previous usage costs	\$10*12 months*A1	\$1,200,000	\$1,200,000	\$1,200,000
Bt	Replaced previous voice solutions	B1+B2	\$4,560,000	\$4,560,000	\$4,560,000
	Risk adjustment	↓10%			
Btr	Replaced previous voice solutions (risk-adjusted)		\$4,104,000	\$4,104,000	\$4,104,000
Three-year total: \$12,312,000			Three-year present value: \$10,206,041		



REPLACED TELEPHONY SUPPORT EFFORT

Telephony support and management are usually undertaken by a team that is different from the one that supports Microsoft Teams and other digital collaboration solutions. Moving to Teams Calling integrates these teams and their support efforts. In an apples-to-apples comparison where all management is done internally, this reduces the total effort required. The reduced need for specialized skills and resources may mean that for some organizations bringing outsourced voice management back in-house could increase internal costs but lower the TCO.

Evidence and data. Enterprise interviewees shared the following examples of previous support and management effort that was reduced and replaced with the integrated support of Teams Calling.

- “We eliminated support for five systems with Microsoft Teams and Calling.”
- “We had a few people managing desktop phones. They’ve been reassigned.”

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions:

- The central IT organization had five FTEs managing voice solutions. This effort is in addition to the outsourced tier-three support and additional management included in the \$28 per user per month cost discussed earlier. This

internal effort is replaced by support for Teams Calling, including bringing everything back in-house. That effort is discussed in the Costs section of the study.

- An average fully burdened cost of \$130,000 was used.

“When it comes to voice, this helped me fulfil the vision of providing voice as another service on the corporate network just like email. That makes everything easier to manage.”

VP infrastructure and security, payment solutions

Risks. Some factors which could result in this benefit being lower than interviewees reported, include:

- More outsourcing can reduce this savings category, but it will increase the overall TCO.
- A lower fully burdened cost.
- The type and mix of previous voice solutions requiring less support effort.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1.5 million.

Replaced Telephony Support Effort					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Previous telephony IT support	5 FTEs*\$130,000	\$650,000	650,000	650,000
Ct	Replaced telephony support effort	C1	\$650,000	\$650,000	\$650,000
	Risk adjustment	↓10%			
Ctr	Replaced telephony support effort (risk-adjusted)		\$585,000	\$585,000	\$585,000
Three-year total: \$1,755,000			Three-year present value: \$1,454,808		



UNQUANTIFIED BENEFITS

Interviewees discussed a few other benefits, but they were not included in the financial analysis because they underpin the quantified benefits.

Improved Security And Business Continuity

Teams Calling leverages the security within Microsoft 365 and the full Microsoft security stack. This provides a higher level of security than what may have been in place before; it is also easier to administer and monitor, which can help with internal and external compliance. Furthermore, the cloud nature and robustness of the solution helps with business continuity as was seen with the work-from-home response to COVID-19.

- “Security is a huge benefit because identity is embedded in the solution. Previously we were looking at logs from different systems trying to analyze risk. Now it’s all integrated.”
- “Using [Teams Calling] enables our security team to have a single pane of glass. If we have a breach, we can stop it faster. The more you simplify your universe, the more you reduce security risks.”
- “The Azure IT security features are good with [Teams Calling].”

Happier Employees And Customers

Integrating voice into the broader collaboration solution makes for better, more modern employee experiences. Additionally, better communication with customers makes them happier too.

- “With [our previous solution], only 86% of calls were considered ‘good quality,’ meaning no audio issues or dropped calls. With Teams Calling, they are in the upper 90% range.”
- “Teams calls have an average of 4.9 stars out of five for quality and satisfaction. Our previous solutions averaged 3.8.”

- “It is a prerequisite now to give a young workforce the latest communication technologies. They were very quick to adopt Teams Calling and switch to softphones.”
- “This makes it easier for our customers to connect with us in many countries we operate.”

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Microsoft Teams Calling and later realize additional uses and business opportunities. Some examples shared by interviewees include:

- Rolling out Teams Calling to additional geographies and/or business units if not already implemented.
- Further integrating Teams Calling into Microsoft Teams and other solutions such as Dynamics CRM.
- Implementing new features as they become available. One area that interviewees are excited to implement when available is enhanced call center metrics.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)). None of these were included in the financial analysis.



Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Dtr	Internal costs	\$356,823	\$1,214,546	\$1,012,239	\$1,012,239	\$3,595,847	\$3,058,027
Etr	External licenses and usage	\$17,380	\$2,085,600	\$2,085,600	\$2,085,600	\$6,274,180	\$5,203,959
Ftr	Other external costs	\$244,125	\$1,199,625	\$105,000	\$105,000	\$1,653,750	\$1,500,358
	Total costs (risk-adjusted)	\$618,328	\$4,499,771	\$3,202,839	\$3,202,839	\$11,523,777	\$9,762,344

INTERNAL COSTS

These costs include IT effort for adding Teams Calling to a prior Teams deployment and the ongoing effort to manage the solution and its users. It also accounts for the productivity that is lost due to end-user training of Teams Calling.

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions based on the interviewed companies’ experiences:

- A POC lasted two months and required two FTEs.
- The subsequent rollout to all users took five months and five FTEs to complete. Some interviewees completed their rollouts much faster as a response to COVID-19, but a more measured rollout was included to be conservative.
- Seven FTEs are responsible for the ongoing, global management of Teams Calling. Their efforts include activities such as tier-three support which were previously outsourced. Had more voice management not been brought back in-house, internal support effort would have been reduced by two FTEs. Instead, the total headcount has increased by two FTEs.

- Each user receives 30 minutes of training on how to use Teams Voice. The Initial period includes 500 POC users. In Year 1, the balance increases to 9,500 users. Years 2 and 3 are for training new employees because of employee turnover.

Risks. Some factors which could result in this cost being higher than interviewees reported, include:

- Not fully retiring previous voice solutions.
- Higher fully burdened costs.
- Using fewer professional services.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$3.1 million.



Internal Costs						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
D1	Number of months, POC		2			
D2	Number of FTEs, POC		2			
D3	Number of months, global rollout		5			
D4	Number of FTEs, global rollout		5			
D5	Monthly average fully burdened IT cost	\$130,000/12 months	\$10,833			
D6	Internal implementation costs		\$314,167			
D7	Ongoing internal support	7 FTEs*\$130,000		\$910,000	\$910,000	\$910,000
D8	End-user training (lost productivity)	Initial: 500*0.5 hours*\$40.87 Year 1: (10,000-500)*0.5 hours*\$40.87 Years 2 & 3: (10,000*5%)*0.5 hours*\$40.87	\$10,218	\$194,133	\$10,218	\$10,218
Dt	Internal costs	D6+D8	\$324,384	\$1,104,133	\$920,218	\$920,218
	Risk adjustment	↑10%				
Dtr	Internal costs (risk-adjusted)		\$356,823	\$1,214,546	\$1,012,239	\$1,012,239
Three-year total: \$3,595,847			Three-year present value: \$3,058,027			

EXTERNAL LICENSES AND USAGE

Teams Calling can either be included in Microsoft 365 E5 or it can be purchased separately with the Microsoft Phone System licenses. Customers also have the option of buying Microsoft Calling Plans in certain countries or continuing to use PSTN services from their existing telecom partners. Usage consists of charges such as international calls and mobile phone bills. These costs replace those shown in the Analysis Of Benefits section of the study.

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions based on the interviewed companies' experiences:

- The monthly license for the Microsoft Phone System, which costs \$8 per user per month, is

included in the financial model. This assumes that users did not have E5 licenses. If a reader already has Microsoft 365 E5, they can choose to allocate this cost or consider it a preexisting cost, which would increase the ROI.

- The composite organization continues to use PSTN services from their prior telecom partners. The average cost is \$5 per user per month.
- Usage costs include incremental expenses for international calling and mobile phones, which average \$2 per user per month. These costs are less than those shown in the Analysis Of Benefits section of the study because more calls take place via Teams, or they are routed locally, and



there is less of a need to reimburse for mobile phones.

Risks. Some factors which could result in this cost being higher than interviewees reported, include:

- Higher usage costs due to more international calls or more users requiring company mobile phones.

- Higher charges from telecom partners.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$5.2 million.

External Licenses and Usage

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
E1	Number of users	A1 (Initial period, POC)	500	10,000	10,000	10,000
E2	Microsoft Phone System licenses	E1*\$8*12 months (2 months Initial period, POC)	\$8,000	\$960,000	\$960,000	\$960,000
E3	PSTN partner costs	E1*\$5*12 months (2 months Initial period, POC)	\$5,000	\$600,000	\$600,000	\$600,000
E4	PSTN partner usage costs	E1*\$2.80*12 months (2 months Initial period, POC)	\$2,800	\$336,000	\$336,000	\$336,000
Et	External licenses and usage	E2+E3+E4	\$15,800	\$1,896,000	\$1,896,000	\$1,896,000
	Risk adjustment	↑10%				
Etr	External licenses and usage (risk-adjusted)		\$17,380	\$2,085,600	\$2,085,600	\$2,085,600
Three-year total: \$6,274,180			Three-year present value: \$5,203,959			

OTHER EXTERNAL COSTS

These costs include professional services and user devices. Professional services during implementation mainly involved integrating into direct routing solutions of various telecom providers and providing training. Ongoing services involve managing these connections as well as rolling out new features. Users were provided with a mix of VoIP phones and headsets. The preference was to give users headsets, but many users were given a choice.

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions based on the interviewed companies' experiences:

- Professional services were used for the deployment and ongoing support as described above.
- Ninety percent of users are given headsets at the cost of \$100 per unit, and 10% are given phones at the cost of \$250 per unit. Beginning in Year 2, 100% of users are given headsets.

Risks. Some factors which could result in this cost being higher than interviewees reported, include:

- Requiring more professional services because the IT organization does not have the time available to work on implementation and ongoing management.



- More users being given phones rather than headsets.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$1.5 million.

Other External Costs						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
F1	Implementation professional services		\$175,000			
F2	Ongoing professional services			\$50,000	\$50,000	\$50,000
F3	Total professional services		\$175,000	\$50,000	\$50,000	\$50,000
F4	Number of added users	Initial: E1 Y1: E1Y1-Initial Y2 and Y3: 10,000 users*5%	500	9,500	500	500
F5	User devices	Initial and Y1: F4*(90%*\$100+10%*\$250) Y2 and Y3: F4*100%*100	\$57,500	\$1,092,500	\$50,000	\$50,000
Ft	Other external costs		\$232,500	\$1,142,500	\$100,000	\$100,000
	Risk adjustment	↑5%				
Ftr	Other external costs (risk-adjusted)		\$244,125	\$1,199,625	\$105,000	\$105,000
Three-year total: \$1,653,750			Three-year present value: \$1,500,358			

Microsoft Teams Calling For SMB Customers Financial Analysis

■ Quantified benefit and cost data as applied to the SMB composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Gtr	Improved communication	\$27,151	\$54,302	\$54,302	\$135,754	\$110,357
Htr	Replaced previous voice solutions	\$51,570	\$22,320	\$22,320	\$96,210	\$82,097
Itr	Replaced telephony support effort	\$45,000	\$45,000	\$45,000	\$135,000	\$111,908
	Total benefits (risk-adjusted)	\$123,721	\$121,622	\$121,622	\$366,964	\$304,362

IMPROVED COMMUNICATION

This benefit parallels the one in the enterprise section of the study. Microsoft Teams Calling improves communication between employees as well as with customers and partners by both integrating voice calling into other collaboration solutions and making it easier to complete calls from anywhere. This means employees save time and better collaborate, which creates more value for the organization.

Evidence and data. SMB interviewees shared examples of how voice integration improves communication in terms of user productivity and business outcomes:

- “Microsoft Calling is really easy and flexible. If you are in a meeting, you can find everyone you want and bring them into a call.”
- “Users can step away from their desk and still receive calls. They can be more responsive to colleagues and customers.”
- “It significantly increases the ability of customers to contact us directly. Helping them is easier and faster.”
- “Timewise, we are saving 15 minutes per day. More important than the time is the improved service to customers.”

- “When we had to close the office because of COVID, the sales team would have been paralyzed without Microsoft Calling. Inbound phone numbers are the lifeline of our business, and we definitely would have lost sales.”

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions:

- Time savings are quantified and used as a proxy for the additional business value created from better calling and collaboration.
- The composite organization has 100 employees using Teams Calling. Of these, 10% are highly mobile workers in areas such as sales and management.
- An average fully burdened cost, including benefits and taxes, across all employees is \$85,000.
- Based on survey results, highly mobile workers save 15 minutes per day (1.25 hours per week), and the average time savings across all employees is 7.6 minutes per day (0.63 hours per week).
- A 50% productivity capture is applied because not all time savings translates into additional productive work.



“Users find it easier when everything is in one place. They didn’t even know how to log in to the old phone system to change their outgoing voice message.”

Head of IT strategy and technology, food

- A smaller proportion of highly mobile workers.
- A lower fully burdened cost.

To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$110,357.

Risks. Some factors which could result in this benefit being lower than interviewees reported, include:

Improved Communication					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
G1	Total number of users		100	100	100
G2	Highly mobile users	G1*10%	10	10	10
G3	Non-mobile users	G1-G2	90	90	90
G4	Mobile user time savings	G2*1.25 hours*48 weeks*\$40.87 [50% in Year 1]	\$12,261	\$24,522	\$24,522
G5	Non-mobile user time savings	G3*48 weeks*.63 hours*\$40.87 [50% in Year 1]	\$55,616	\$111,232	\$111,232
G6	Total time savings	G4+G5	\$67,877	\$135,754	\$135,754
G7	Productivity capture		50%	50%	50%
Gt	Improved communication	G6*G7	\$33,938	\$67,877	\$67,877
	Risk adjustment	↓20%			
Gtr	Improved communication (risk-adjusted)		\$27,151	\$54,302	\$54,302
Three-year total: \$135,754			Three-year present value: \$110,357		

REPLACED PREVIOUS VOICE SOLUTIONS

SMB interviewees moved from a wide range of solutions to Teams Calling, including PBXes and other hosted calling services. Some companies use a mix of solutions if they have multiple offices. Depending on the solution, costs can include hardware, licenses, maintenance, and managed services. Usage costs can include long distance and international calls as well as subsidizing employees’ mobile phones.

Interviewees felt that moving to Teams Calling more than paid for itself, but that was not the primary reason for doing so; the main reason was to improve communication and collaboration as previously discussed. When looking at the move to Teams Calling from purely a TCO perspective and stripping away the improved communication benefit, the transition to Teams Calling still provides a strong ROI of 81% and an NPV of \$87K.



Evidence and data. SMB interviewees shared the following examples of the previous solutions that Teams Calling has replaced and how they are saving money:

- “The old phone system was costing us too much. For example, we had to pay our supplier \$50 just to change a display name.”
- “Had we not moved to Microsoft [Teams Calling], we would have had to get cell phones for 17 more people. That saves us \$10,000 per year.”
- “We used to pay \$200 to our vendor to move a phone, and we did this 10 to 15 times per year. Now we do it all ourselves.”
- “For just one office, we are saving £300 per month in line rental and £2,500 in annual PBX maintenance costs.”
- “Our previous hosted solution cost \$20 per user per month.”

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions:

- A previous IP-based PBX solution had reached end of life, which was part of the reason a new voice solution was being investigated. The replacement cost would have been \$32,500.

- An additional \$8,000 per year was spent on maintenance, external support, and licenses.
- The average prior usage cost for long distance and international calling and mobile phone reimbursement was \$5 per user per month.

“Once I port all of the phone numbers over to Microsoft, our total telecoms budget will be reduced by 10%.”

CIO, government

Risks. Some factors which could result in this benefit being lower than interviewees reported, include:

- Lower previous solution costs.
- Lower usage costs for long distance and international calls as well as mobile phone reimbursements.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$82,097.

Replaced Previous Voice Solutions

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
H1	One-time PBX replacement		\$32,500		
H2	Annual solution fees		\$8,000	\$8,000	\$8,000
H3	Reduced cell phone costs	$(G3 * \$5 * 12 \text{ months}) + (G2 * \$45 * 12)$	\$10,800	\$10,800	\$10,800
H4	Previous usage costs	$G1 * \$5 * 12$	\$6,000	\$6,000	\$6,000
Ht	Replaced previous voice solutions	$H1 + H2 + H3 + H4$	\$57,300	\$24,800	\$24,800
	Risk adjustment	↓10%			
Htr	Replaced previous voice solutions (risk-adjusted)		\$51,570	\$22,320	\$22,320

Three-year total: \$96,210

Three-year present value: \$82,097



REPLACED TELEPHONY SUPPORT EFFORT

SMB IT teams almost always struggle to keep up with the IT needs of an organization, because they are few in number and they have many responsibilities. Voice solutions often require an additional skill set that most IT professionals do not have. Adding Teams Calling to a prior Team implementation unifies the management tools and processes of both voice and Teams capabilities. This reduces the internal effort and the need for external help.

Evidence and data. SMB interviewees shared the following examples of previous support and management effort that was reduced and replaced by Teams Calling.

- “There are only two of us in IT, and we were getting stretched very thin because of global expansion. Spinning up a phone number in a new country was a very lengthy process.”
- “In the past, it took three times the effort to set up new users with phones, and we added sixty people last year.”
- “We are probably spending a couple of hours per month at most managing Microsoft Voice solutions.”
- “Less complexity is important for IT. My team finds [Microsoft Teams Calling] easier to manage compared to the previous solutions.”

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions:

- Internal effort to support the prior voice solutions took 0.5 FTEs. This is replaced with the effort to support Teams Calling as shown in the Analysis Of Costs section.
- A fully burdened cost, including benefits and taxes, of \$100,000 was applied.

“I used to spend up to 20 hours per month just cleaning up phone technology issues.”

IT manager, education

Risks. Some factors which could result in this benefit being lower than interviewees reported, include:

- If more voice support is outsourced, this benefit can be lower, although the TCO would likely be higher.
- A lower fully burdened cost.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$111,908.

Reduced Telephony Support Effort					
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
I1	Previous telephony IT support	0.5 FTEs*\$100,000	\$50,000	50,000	50,000
It	Replaced telephony support effort	I1	\$50,000	\$50,000	\$50,000
	Risk adjustment	↓10%			
Itr	Replaced telephony support effort (risk-adjusted)		\$45,000	\$45,000	\$45,000
Three-year total: \$135,000			Three-year present value: \$111,908		



UNQUANTIFIED BENEFITS

Interviewees discussed a few other benefits, but they were not included in the financial analysis because they underpin the quantified benefits.

Improved Security And Business Continuity

Due to their inherently smaller IT teams, SMBs often struggle to implement and maintain robust IT security. Teams Calling, as part of Microsoft 365, leverages the full Microsoft security stack. This means one less thing to worry about. Moving to Teams Calling can also help with compliance because Microsoft has built and documented compliance for many regulations. Furthermore, the cloud nature of the solution helps with business continuity as was seen with the work-from-home response to COVID-19.

- “Having [Teams] Calling as part of Teams makes compliance easier. Microsoft does annual SOC [security operations center] reporting, which is a huge indirect savings. We don’t get beat up by the auditors anymore when they come. Providing the necessary documentation takes no time, unlike with our previous voice company.”
- “Our phone system is much more secure than before.”
- “Microsoft gives us the capability to answer phones from anywhere. That is great for business continuity and disaster recovery.”

Happier Employees And Customers

Integrating voice into the broader collaboration solution makes for better, more modern employee experiences. Additionally, better communication with customers makes them happier too.

- “Since moving voice solutions, I check with employees every month how things are going. Everything has been positive, and users comment how much more work they are getting done.”

- “Users that have transitioned to Microsoft [Teams Calling] are much happier because they can make and receive calls within Teams.”
- “We train all new hires on how to use Microsoft Calling. Everyone is always surprised how it is integrated and are excited to use it. I see a real benefit to that.”
- “It is a real convenience and makes it especially easy to work with customers.”

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Microsoft Teams Calling and later realize additional uses and business opportunities. Some shared examples include:

- Leveraging new features being released such as breakout rooms.
- Integrating Teams Calling into meeting rooms.
- Rolling out Teams Calling to additional geographies and/or business units if not already implemented.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)). None of these were included in the financial analysis.



Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Jtr	Internal costs	\$6,875	\$13,248	\$11,112	\$11,112	\$42,348	\$36,451
Ktr	External licenses and usage	\$0	\$22,440	\$22,440	\$22,440	\$67,320	\$55,805
Ltr	Other external costs	\$0	\$14,963	\$656	\$656	\$16,275	\$14,638
	Total costs (risk-adjusted)	\$6,875	\$50,650	\$34,209	\$34,209	\$125,943	\$106,894

INTERNAL COSTS

These costs include IT effort for adding Teams Calling to a prior Teams deployment and the ongoing effort to manage the solution and its users. It also accounts for the productivity that is lost due to end-user training of Teams Calling.

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions based on the interviewed companies' experiences:

- The initial implementation took 1.5 FTEs two weeks.
- Ongoing management efforts consist of 0.1 FTEs, down from 0.5 FTEs with prior solutions.
- Fully burdened cost of \$100,000 for IT resources.
- No professional services were used.

- Each end user received 30 minutes of training on Teams Calling. Lost productivity is based on a fully burdened salary of \$85,000. In Years 2 and 3, 5% of the workforce is replaced, which necessitates additional training.

Risks. Some factors which could result in this cost being higher than interviewees reported include:

- Supporting multiple voice solutions.
- Higher fully burdened costs.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$36,451.

Internal Costs							
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3	
J1	Number of FTEs		1.5	0.1	0.1	0.1	
J2	Number of months		0.5	12.0	12.0	12.0	
J3	Internal IT support costs	$\$100,000/12 \text{ months} * J1 * J2$	\$6,250	\$10,000	\$10,000	\$10,000	
J4	End-user training (lost productivity)	Y1: $G1Y1 * 0.5 \text{ hours} * \40.87 Y2 and Y3: $G1Y1 * 0.5 \text{ hours} * \$40.87 * 5\% \text{ annual turnover}$		\$2,044	\$102	\$102	
Jt	Internal costs		\$6,250	\$12,044	\$10,102	\$10,102	
	Risk adjustment	↑10%					
Jtr	Internal costs (risk-adjusted)		\$6,875	\$13,248	\$11,112	\$11,112	
Three-year total: \$42,348			Three-year present value: \$36,451				



EXTERNAL LICENSES AND USAGE

Teams Calling for SMBs is an add-on license that includes PSTN connectivity and a domestic calling plan. Microsoft also offers an international calling plan option as well as Communication Credits, which can be used for additional usage charges such as international calls not included in a calling plan. Any existing mobile phone expenses are reduced, due to variety of communication channels available on Teams Calling.

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions based on the interviewed companies’ experiences:

- One hundred users have the \$15 per month SMB Teams Calling domestic calling license.
- An additional \$2 per user per month is the average spend on Communication Credits and mobile phone reimbursements. This is significantly less than the prior expenses, which

are shown in the Analysis Of Benefits section, because more calls are completed within the Teams environment, i.e., neither a mobile phone plan nor PSTN routing is required to complete.

Risks. Some factors which could result in this cost being higher than interviewees reported, include:

- Adopting a more expensive plan that includes international calling.
- Using more Communication Credits or mobile phones.

To account for this risk, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$55,805.

External Licenses And Usage						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
K1	Number of users	G1		100	100	100
K2	Teams Calling SMB licenses	K1*\$15*12 months		\$18,000	\$18,000	\$18,000
K3	Communication credits and cell phone reimbursement	K1*\$2*12 months		\$2,400	\$2,400	\$2,400
Kt	External licenses and usage	K2+K3	\$0	\$20,400	\$20,400	\$20,400
	Risk adjustment	↑10%				
Ktr	External licenses and usage (risk-adjusted)		\$0	\$22,440	\$22,440	\$22,440
Three-year total: \$67,320			Three-year present value: \$55,805			

OTHER EXTERNAL COSTS

For most SMBs, the only cost in this category is the purchase of user devices. Users were provided with a mix of VoIP phones and headsets. The preference was to give users headsets, but many users were given a choice. None of the interviewees used

professional services as part of their implementation or ongoing management.

Modeling and assumptions. For the financial analysis, Forrester made the following assumptions based on the interviewed companies’ experiences:



- Ninety percent of users are given headsets at the cost of \$125 per unit, and 10% are given phones at the cost of \$300 per unit. Beginning in Year 2, 100% of users are given headsets.

Risks. Some factors which could result in this cost being higher than interviewees reported, include:

- A higher proportion of phones being chosen.

- Professional services being used for implementation and/or ongoing management.

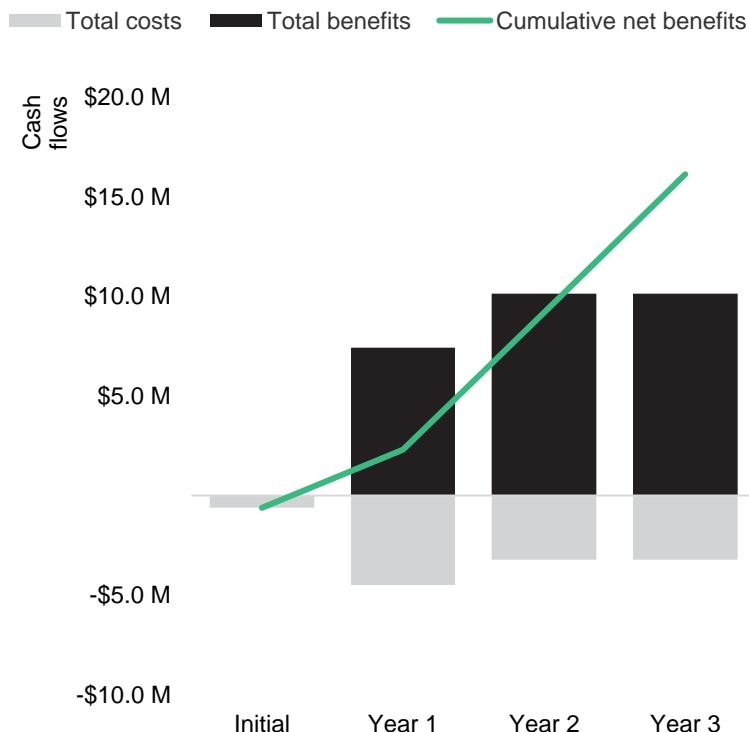
To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$14,368.

Other External Costs						
Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
L1	Number of added users	Y1: G1 Y2 and Y3: L1Y1*5%		100	5	5
L2	User devices	Y1: L1*(90%*\$125+10%*\$300) Y2 and Y3: L1*100%*\$125		\$14,250	\$625	\$625
Lt	Other external costs		\$0	\$14,250	\$625	\$625
	Risk adjustment	↑5%				
Ltr	Other external costs (risk-adjusted)		\$0	\$14,963	\$656	\$656
Three-year total: \$16,275			Three-year present value: \$14,638			

Financial Summary – Microsoft Teams Calling For Enterprise Customers

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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

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

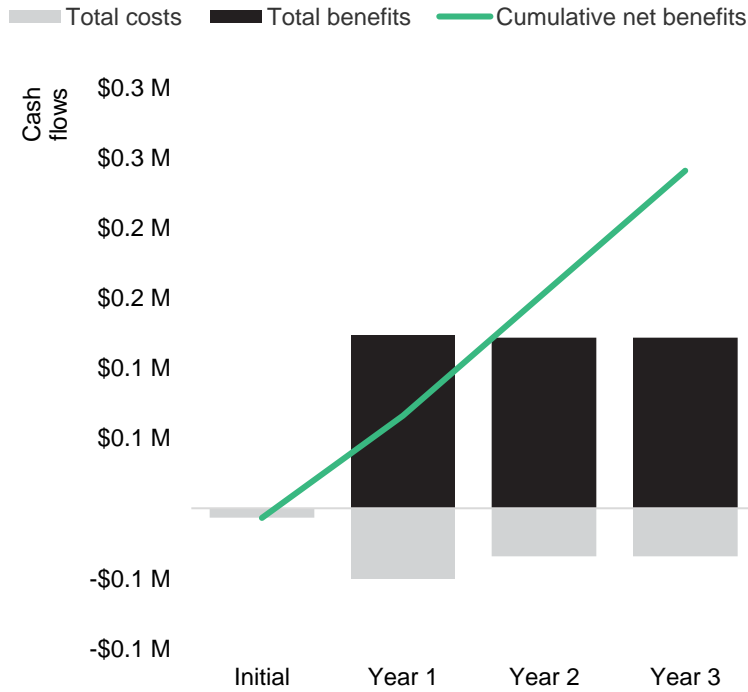
Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$618,328)	(\$4,499,771)	(\$3,202,839)	(\$3,202,839)	(\$11,523,777)	(\$9,762,344)
Total benefits	\$0	\$7,404,076	\$10,119,152	\$10,119,152	\$27,642,379	\$22,696,582
Net benefits	(\$618,328)	\$2,904,305	\$6,916,312	\$6,916,312	\$16,118,602	\$12,934,238
ROI						132%
Payback						<6 months

Financial Summary – Microsoft Teams Calling For SMB Customers

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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

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

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$6,875)	(\$50,650)	(\$34,209)	(\$34,209)	(\$125,943)	(\$106,894)
Total benefits	\$0	\$123,721	\$121,622	\$121,622	\$366,964	\$304,362
Net benefits	(\$6,875)	\$73,070	\$87,413	\$87,413	\$241,021	\$197,468
ROI						185%
Payback						<6 months

Appendix A: Total Economic Impact

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

TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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

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



PRESENT VALUE (PV)

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



NET PRESENT VALUE (NPV)

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



RETURN ON INVESTMENT (ROI)

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



DISCOUNT RATE

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



PAYBACK PERIOD

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

Appendix B: Endnotes

¹ Source: “Microsoft 365 Cloud Voice Improves Employee And Company Performance,” a commissioned study conducted by Forrester Consulting on behalf of Microsoft, January 2020.

² Source: “The Total Economic Impact™ Of Microsoft Teams,” a commissioned study conducted by Forrester Consulting on behalf of Microsoft, April 2019.

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