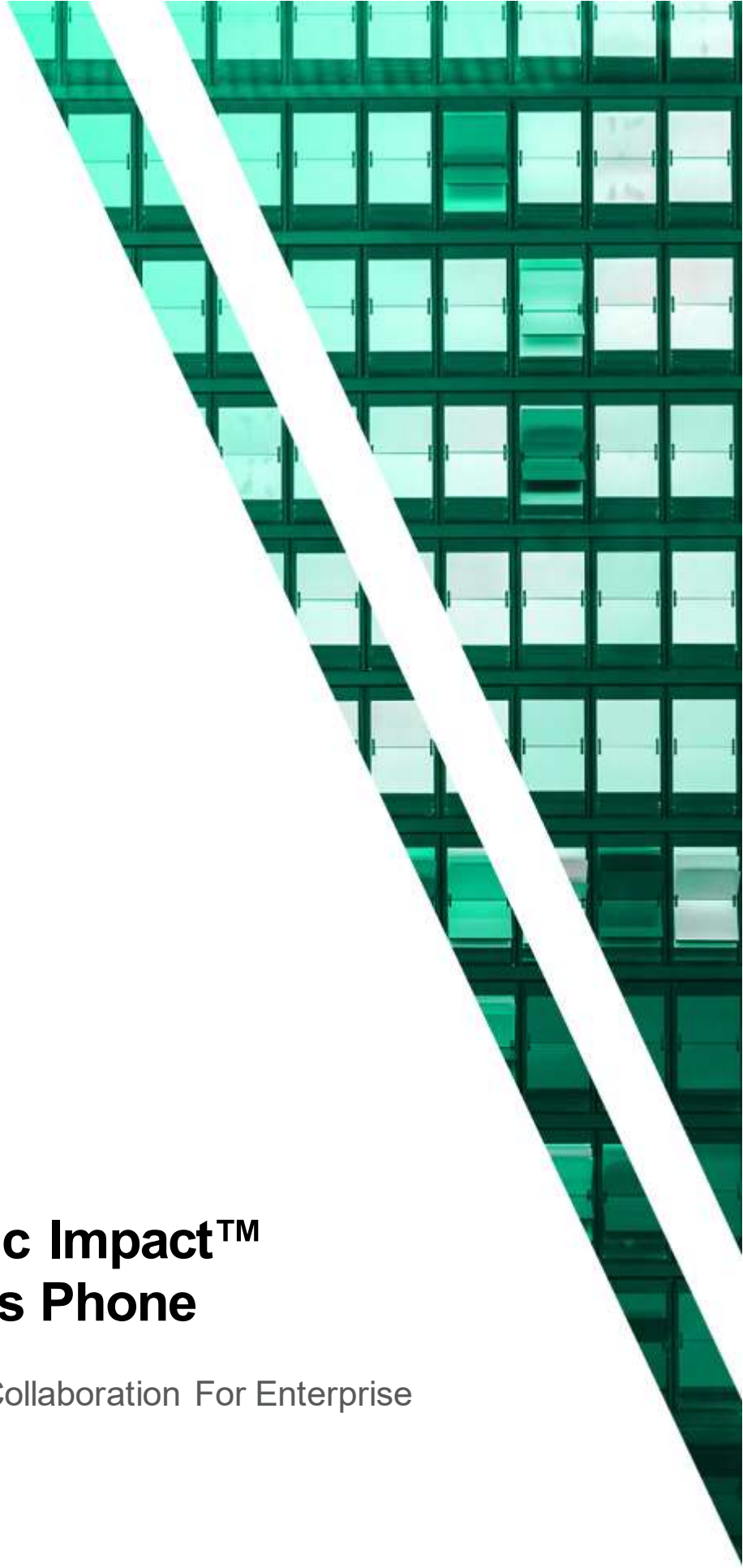
FORRESTER®



The Total Economic Impact™ Of Microsoft Teams Phone

Cost Savings And Improved Collaboration For Enterprise And SMB Organizations

DECEMBER 2022

Table Of Contents

Executive Summary 1

The Microsoft Teams Phone Customer Journey .. 6

Key Challenges 6

Composite Organizations 7

Microsoft Teams Phone For Enterprise Customers Financial Analysis 8

Replaced Previous Voice Solutions 8

Replaced Telephony Support Effort 10

Improved Communication 12

Unquantified Benefits 13

Flexibility 14

Analysis Of Costs Of Teams Phone Enterprise Customers 15

External Licenses And Usage 15

Internal Costs 16

Other External Costs 17

Microsoft Teams Phone For SMB Customers Financial Analysis 19

Replaced Previous Voice Solutions 19

Replaced Telephony Support Effort 21

Improved Communication 22

Unquantified Benefits 24

Flexibility 24

Analysis Of Costs of Teams Phone For SMB Customers 25

External Licenses And Usage 25

Internal Costs 26

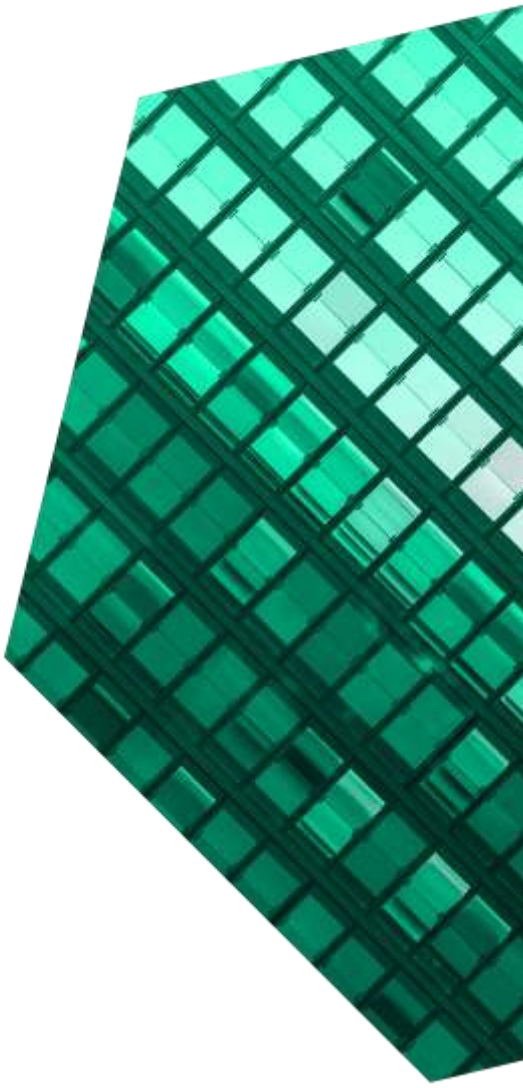
Other External Costs 27

Financial Summary: Microsoft Teams Phone For Enterprise 29

Financial Summary: Microsoft Teams Phone For SMB Customers 30

Appendix A: Total Economic Impact 31

Consulting Team: Margaret Firth
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Executive Summary

Microsoft Teams Phone integrates voice into the Microsoft Teams collaboration platform. The solution can increase user collaboration and productivity, lessen the total cost of ownership (TCO) by reducing licensing and usage costs and reducing IT management burden, and improve productivity for both enterprise organizations and small and medium sized businesses (SMBs).

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 Teams Phone. Teams Phone enables users to make and receive voice and video calls within Microsoft Teams and provides connectivity to public switched telephone network (PSTN) calling capabilities. Teams Phone can also integrate telephony into a broader Microsoft Teams collaboration environment. Teams Phone customers have a range of options to enable connectivity including from first party Microsoft Teams Calling Plans, Direct Routing, and Operator Connect. (Teams Calling Plan availability may vary by geographic market. Please contact Microsoft for more details.) The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Teams Phone on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four enterprise representatives and four SMB representatives, all of whom use Microsoft Teams Phone. 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 enterprise and SMB customers.

Prior to using Teams Phone, companies used a variety of solutions for their telephony needs, including a traditional business telephone system (private branch exchange or PBX) or an IP-based telephony solution. These legacy solutions did not integrate well with other collaboration channels, lacked modern functionality, and frequently had higher costs. Management effort for these telephony environments was significant and often required staff with specialized skills. Collaboration between employees and communications with customers were time-consuming and cumbersome, keeping employees from more productive work.

By investing in Teams Phone, companies could reduce licensing and usage costs related to their phone environments, as well minimize the burden on

KEY STATISTICS

Microsoft Teams Phone For Enterprise Organizations



Return on investment (ROI)
143%

Payback period
<6 months

Microsoft Teams Phone For SMB Organizations



Return on investment (ROI)
146%

Payback period
<6 months

IT to manage their calling solution, freeing them to focus on core responsibilities. Teams Phone also enabled end users to save time and collaborate more effectively.

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 into separate financial models and discussion.

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

- **Cost savings from retiring legacy phone solutions.** Previous solutions included traditional telephony, voice over IP (VoIP) PBXs, other hosted/integrated voice providers, or some combination of these and other solutions. Adopting Teams Phone frees the composite organizations to deprecate legacy systems, resulting in cost savings. In addition to replacing these previous solutions, cost savings can be achieved through the elimination or reduction of long-distance and international call charges and mobile phone reimbursement to users.

  The enterprise composite organization moves to Teams Phone from another hosted calling solution, and the SMB composite comes from a VoIP PBX solution. The eliminated costs total $10.8 million for the enterprise composite organization and $94,600 for the SMB composite organization. These were replaced by those costs shown in the Analysis Of Costs sections of this study.

- **Reduced telephony support effort.** The ability to manage Teams Phone using the same console as Microsoft 365 saves time, reduces complexity, and requires fewer specialized skills than prior solutions. IT organizations for both SMB and enterprise composites were able to eliminate management and maintenance effort since key tasks were faster and easier. The SMB model sees a decrease in effort from 0.5 FTE to 0.1 FTE. The enterprise model sees a decrease in effort from three FTEs to two FTEs. For the pre-Microsoft solution, the enterprise composite organization spends $1 million over three years, and the SMB composite organization spends $130,000. These are replaced by costs shown in the Analysis Of Costs section of the study.
- **Improved and integrated communication.** For both the enterprise and SMB composite organizations, adopting Teams Phone saves employees time by making communication and collaboration more efficient. This in turn helps streamline business processes and eliminates the need to make cumbersome switches between platforms and devices. Across both analyses, highly mobile users save 1.6 hours per week, and nonmobile users save 15 minutes per week, on average. The three-year benefit for the enterprise composite organization is $8.0 million, while the three-year benefit for the SMB composite organization is $79,000.

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

- **Better security and business continuity.** Teams Phone is integrated into Microsoft 365, including the full security stack. Additionally, Microsoft Teams Phone simplifies voice calling for employees working from anywhere.
- **Happier employees and customers.** Teams Phone has a well-integrated, simple-to-use interface, and it provides users with the support they need to work remotely. These factors have played a key role in delivering a high-quality employee experience. Customers are also happier because they can more easily contact and collaborate with people at companies using Microsoft solutions.

Costs. Risk-adjusted PV costs include:

- **External licenses and usage, including incremental licenses and PSTN connection fees.** Teams Phone can be included in Microsoft 365 E5 licenses, or it can be purchased separately. The enterprise composite continues to maintain and buy PSTN connectivity and to incur some degree of incremental usage charges associated with mobile usage. The SMB composite incurs licensing costs for Teams Phone and chooses a calling plan with communication credits and mobile reimbursement costs. The enterprise composite organization spends $5.3 million on licenses and usage, while the SMB composite organization spends $72,000.
- **Internal costs, including labor associated with implementation, ongoing management, and user training.** Implementing Teams Phone requires a relatively small investment of internal labor to implement, regardless of company size. The enterprise composite organization completes a proof of concept (POC) before fully rolling out the solution to all employees. The SMB composite implements Teams Phone in a single phase. Both composite organizations experience decreases in the management effort for Teams Phone compared to their prior solutions, as reflected in the reduced telephony support effort benefit category. End users at both the enterprise and SMB composites spend 30 minutes (on average) training to use Teams Phone. For the enterprise composite organization, the three-year cost for deployment, ongoing management, and training is $1.4 million. And for the SMB composite organization, this cost is $38,000.
- **Other external costs can comprise user devices and professional services.** Both the SMB and enterprise composite organizations purchase Teams Phone-compatible devices, which consist of headsets or VoIP phones. The enterprise model includes professional services for the implementation and ongoing services around PSTN integrations and the addition of new features, costing $1.4 million over three years. SMB deployments are more typically handled in-house without additional professional services, given their size and scale, and as such, the SMB financial model accounts for the total cost of all new user devices at the composite organization and totals $13,000 over three years.

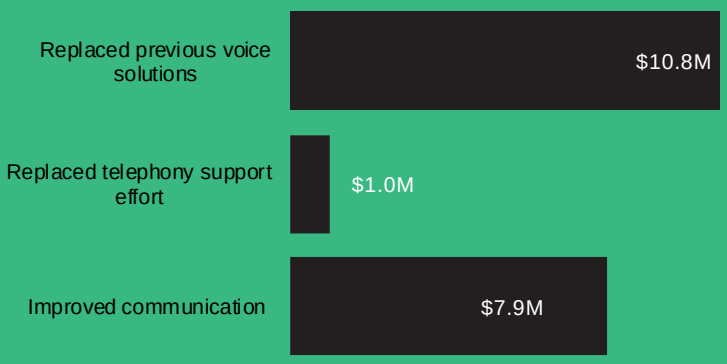
The fluidity and ease of working with customers is certainly increased. It's much more reliable, easier to use, the mobile client is much better.

— Infrastructure services manager, energy

Microsoft Teams Phone For Enterprise Customers

ROI	BENEFITS PV	NPV	TCO SAVINGS	PAYBACK PERIOD
143%	**$19.7M**	**$11.6M**	**45%**	**<6 months**

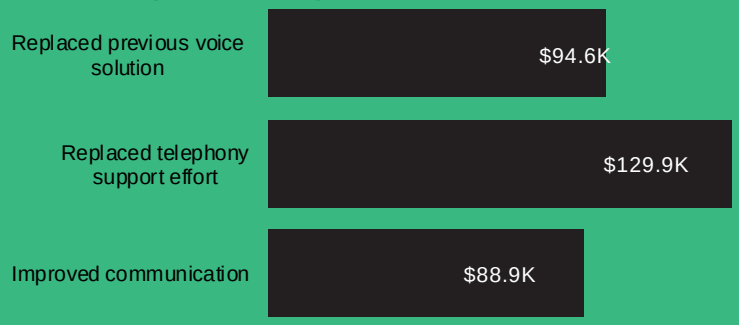
Benefits (Three-Year)



Microsoft Teams Phone For SMB Customers

ROI	BENEFITS PV	NPV	TCO SAVINGS	PAYBACK PERIOD
146%	**$304K**	**$180K**	**82%**	**<6 months**

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 Phone 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 Phone can have on an organization.

DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Microsoft Teams Phone solutions.

CUSTOMER INTERVIEWS

Interviewed four decision makers at SMB organizations and four decision makers at enterprise organizations using Microsoft Teams Phone 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 interviewees.

CASE STUDY

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

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 Phone.

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.

The Microsoft Teams Phone Customer Journey

Drivers leading to the investment

Interviews				
Segment	**Role**	**Industry**	**Employees**	**Region**
Enterprise	Lead IT engineer	Telecommunications	36,000	North America
Enterprise	Global infrastructure services manager	Energy	86,000	North America
Enterprise	Director, digital workplace	Financial services	10,000	North America
Enterprise	Delivery lead	Financial services	23,000	EMEA
SMB	IT specialist	Construction	50	North America
SMB	Director of technology operations	Healthcare nonprofit	590	North America
SMB	CIO	Financial services	300	EMEA
SMB	CIO	Financial services	800 users	APAC

KEY TELEPHONY CHALLENGES

Prior to implementing Microsoft's Teams Phone solutions, both SMB and enterprise organizations 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 interviewees' organizations struggled with common challenges, including:

- **Legacy phone environments that were costly to maintain and required significant investment of IT labor resources.** Legacy solutions were expensive and taxed organizations in a variety of ways, including by requiring maintenance of onsite infrastructure, updates, and security. Maintaining these solutions and managing telephony infrastructure demanded more specialized labor and higher investments of IT time on onboarding and support tasks. For large companies, scaling or expanding the environment to incorporate new locations, acquired companies, or new

"Having everything in one platform is highly efficient and encourages more communication, more collaboration, and it's easy to implement [and] use. From a technical standpoint and [an] IT administrative [standpoint], it's going to save you time, effort, money, and it's a secure platform, and you can administer it to the same administrative platform you use for your emails."

CIO, financial services

geographies was costly and fraught with technical barriers.

- **Barriers to collaboration and the modern workplace.** Legacy solutions did not integrate well with collaboration tools, including Microsoft Teams, leading to suboptimal communication within and outside the organization. Employee experience and customer satisfaction suffered.

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 Phone. The composite organizations are representative of the eight interviewees, and they are used to present the aggregate financial analyses. The composite organizations have the following characteristics:

Key Assumptions: Enterprise

- **Global organization**
- **10,000 employees**
- **15% of employees are highly mobile**
- **Microsoft 365, Teams, and global hosted voice solution**

Description of enterprise composite. The enterprise composite organization has 10,000 employees, and Microsoft Teams Phone was implemented in a phased rollout to everyone during the initial period of the study. The composite organization has global operations, and approximately 15% of its employees are highly mobile. The composite organization was already using Microsoft 365 with Teams as their collaboration platform, but they were previously using a global hosted voice solution for telephony. Teams Phone was added by purchasing additional licenses, and the composite organization continues to buy PSTN connectivity from existing telco partners.

Key Assumptions: SMBs

- **100 employees**
- **15% of employees are highly mobile**
- **Microsoft 365, Teams, and VoIP PBX**

Description of SMB composite. The SMB composite organization has 100 employees, and Teams Phone was rolled out to everyone in a single implementation. Fifteen percent of employees are highly mobile. The organization was already using Microsoft 365 and Teams, but relied on a VoIP PBX system as their voice solution. Teams Phone licenses with a calling plan and consumption credits were added.

Microsoft Teams Phone For Enterprise Customers Financial Analysis

Quantified benefit and cost data as applied to the enterprise composite

Total Benefits For Enterprises

Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Replaced previous voice solutions	$4,332,000	$4,332,000	$4,332,000	$12,996,000	$10,773,043
Btr	Replaced telephony support effort	$405,000	$405,000	$405,000	$1,215,000	$1,007,175
Ctr	Improved communication	$1,954,800	$3,909,600	$3,909,600	$9,774,000	$7,945,506
	Total benefits (risk-adjusted)	$6,691,800	$8,646,600	$8,646,600	$23,985,000	$19,725,724

REPLACED PREVIOUS VOICE SOLUTIONS

Evidence and data. Prior to adopting Teams Phone, interviewees reported that their organizations were using a range of solutions including PSTN, VoIP PBXs, and hosted calling solutions. Enterprises frequently used some combination of multiple solutions across the organization. Costs associated with these various solutions could include hardware, licenses, maintenance, and support. These solutions would also involve usage costs such as calling plans, long-distance charges, and mobile phone bills. These costs are avoided after implementation of Teams Phone and replaced by those shown in the Analysis Of Costs section. For the composite organization, the transition to Teams Phone has an ROI of 45% and an NPV of $3.7 million, independent of the improved communication benefit as detailed below.

Interviewees shared the following examples of the previous solutions that Teams Phone has replaced and how they are saving money:

- A lead IT engineer at a telecommunications company stated: "We've been able to save on hardware refreshes as well as maintenance costs because we don't need big gateways anymore because we're not making those PSTN calls. Now, we're making peer-to-peer calls, so those don't even hit the gateway. Now, they're just using straight internet connectivity. The gateway is no longer necessary, so we're making much fewer calls. The size of that gateway, we used to use what's called 5,000s. We don't need the capacity that we needed before. And the cost of that hardware is significantly less, which means that the maintenance costs are less."
- Interviewed decision-makers detailed several stories of cost savings. A digital workplace director in the financial services industry noted: "We're looking at incremental cost reduction per users [of around] 40%. We're seeing a per-user cost reduction per month [of approximately] $20."
- According to a global infrastructure services manager in the energy industry: "[W]e didn't issue everybody with audioconferencing licenses. We influenced everybody down the voice over IP route, so if you're joining a meeting from a cell phone, you would use the Teams client on the cell phone rather than dial a number, enter the conference PIN, and go in."
- Regarding the move to Teams Phone, a delivery lead at a financial services company stated, "The devices themselves were relatively cheap and the license position if we took native Teams, telephony, [and] the license position was such that we could do it for a lower operating cost than our [prior] offering."

- A CIO in the financial services industry saw economies since, according to him: "We have multiple entities, multiple geographies, and we were using what I would call an antiquated IP phone service that had separation between the different geography, geographic locations. They had local IP phones connected to an IP service that each location was separate and really didn't have the ability to direct-dial between the different locations. We need[ed] to be able to have the modern capabilities of a true internet-based IP service."

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

- The replaced solution has a cost of $28 per user per month.
- Usage costs average $10 per user per month for long-distance and international charges, as well as mobile phones.
- Teams Phone with Direct Routing replaces these prior solutions, allowing the composite to avoid the associated costs.

Risks. Some factors that could result in this benefit being lower than that of the interviewees include:

- Variation in previous solution costs or the need to maintain some portion of legacy system environments going forward.
- The extent that operations extend to other jurisdictions and generate long-distance and/or international charges.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of $10.8 million.

"Historically, we had servers that did nothing but calls. That's all they did all day. We were able to get rid of a lot of that. We've reduced that infrastructure footprint by probably 90% from a telephony perspective. We have very little telephony infrastructure for internal use in our data centers anymore."

Lead IT engineer, telecommunications

Replaced Previous Voice Solutions

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Previous voice solution contract cost per user monthly cost	Interviews	$28	$28	$28
A2	Previous usage costs per user monthly	Interviews	$10	$10	$10
At	Avoided previous solution costs	C1*(A1+A2)*12	$4,560,000	$4,560,000	$4,560,000
	Risk adjustment	↓ 5%			
Atr	Avoided previous solution costs (risk-adjusted)		$4,332,000	$4,332,000	$4,332,000
	Three-year total: $12,996,000		**Three-year present value: $10,773,043**		

REPLACED TELEPHONY SUPPORT EFFORT

Evidence and data. Moving to Teams Phone means that companies can integrate the telephony support and management teams with the teams responsible for managing digital collaboration solutions including Microsoft Teams. Consolidating these teams reduces overall effort, allowing the composite organization to operate with fewer and less-specialized employee resources.

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

- A senior lead IT engineer at a telco said, "We've cut [the number of people supporting troubleshooting tickets and calls] from two people down to one." They further explained that [the group handling move, add, changes] "was decimated from like 10 people to two."
- The same interviewee shared: "We don't spend nearly as much time in the interfaces and the portals anymore because things just tend to work a little bit smoother because it's hosted. They have the ability to scale. When there's an issue, [Microsoft] handle[s] it — we don't."
- A delivery lead at a financial services company stated: "Updates are automatically applied to the phones as they are now cloud-based, leading to significant time savings. Also, [we have] much fewer problem tickets, so [there are] savings there as well. In terms of updating the phones, they're on update rings, on five update rings, which is very simply centrally managed by that single administrator. There's a lot of time saving in both device updates and firmware updates, which also helps with the problem ticket resolutions. That's definitely been a massive, massive time saving."
- The delivery lead continued: "[Teams Phone is] a simple and integrated telephony system [that] can integrate with another call-recording solution that has good features, [and it is] easy to manage through the same Teams admin center as the rest of Teams. This is an easy solution to implement and to maintain."

> **"There's benefits around being able to manage the security all within the Microsoft Teams and [the Microsoft] 365 platform. Being able to keep it all within one platform has been beneficial from the legal and client standpoint."**
>
> *CIO, financial services*

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

- The central IT organization has three FTEs managing voice solutions. This internal effort is replaced by support for Teams Phone.
- The average fully burdened salary for an IT administrator is $150,000.

Risks. Some factors that could result in this benefit being lower than that of the interviewees include:

- A lower fully burdened salary cost .
- The type and mix of previous voice solutions, which could require less support effort.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $1 million.

Replaced Telephony Support Effort					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Replaced IT support FTEs	Interviews	3	3	3
B2	Average fully burdened annual salary for an IT administrator	TEI standard	$150,000	$150,000	$150,000
Bt	Replaced telephony support effort	B1*B2	$450,000	$450,000	$450,000
	Risk adjustment	↓ 10%			
Btr	Replaced telephony support effort (risk-adjusted)		$405,000	$405,000	$405,000
	Three-year total: $1,215,000			**Three-year present value: $1,007,175**	

IMPROVED COMMUNICATION

Evidence and data. Microsoft Teams Phone improves communication among colleagues across geographies and roles as well as communication with customers and external stakeholders. Using Teams Phone, phone calls and other Microsoft Teams collaboration solutions are integrated on a single platform that can be used to make calls from anywhere companies do business. Employees saved time, worked more efficiently, and collaborated more easily, which created more value for the organization.

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

- A delivery lead at a financial services company said: "Those who are using a soft phone would be saving time because they're not switching between applications and not switching between devices. Everything's within the same interface in Teams. They can go from one of these types of calls to making a dial-up phone call within seconds, rather than having to flip between applications or devices."
- A lead IT engineer at a telco company stated, "Being able to collaborate on a single platform that also had the ability to do voice and Teams telephony — that was probably the biggest [benefit], and it still is today."
- More efficient telephony freed time for more productive work with impact to business outcomes.

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

- The composite organization has 10,000 employees using Teams Phone. Of these, 15% are highly mobile workers in areas such as sales and management.
- The average fully burdened hourly rate, including benefits and taxes, across all employees is $45.
- Highly mobile workers save 20 minutes per day (1.6 hours per week), and nonmobile employees in other roles save 3 minutes per day (0.25 hours per week).

> **"We're more efficient now because we standardized on Teams for internal communication collaboration."**
>
> *CIO, financial services*

- A 50% productivity capture is applied because not all time saved is repurposed productively.
- A year contains 48 work weeks.

Risks. Some factors that could result in variation in this benefit from that reported by interviewees include:

- Variation in average fully burdened hourly wage.
- A different proportion of highly mobile workers.
- Relatively less integration between Teams Phone and other collaboration solutions.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $7.9 million.

Improved Communication					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Number of employees	Composite	10,000	10,000	10,000
C2	Highly mobile employees	Composite	1,500	1,500	1,500
C3	Nonmobile employees	Composite	8,500	8,500	8,500
C4	Average fully burdened hourly rate for all employees at the enterprise	TEI standard	$45	$45	$45
C5	Work weeks per year	TEI standard	48	48	48
C6	Time savings for highly mobile employees (hours)	Interviews	1.6	1.6	1.6
C7	Subtotal: highly mobile user time savings	C2*C4*C5*C6 [50% savings in Y1]	$2,592,000	$5,184,000	$5,184,000
C8	Time savings for nonmobile employees (hours)	Interviews	0.25	0.25	0.25
C9	Subtotal: nonmobile user time savings	C3*C4*C5*C8 [50% savings in Y1]	$2,295,000	$4,590,000	$4,590,000
C10	Total time savings	C7+C9	$4,887,000	$9,774,000	$9,774,000
C11	Productivity recapture	TEI standard	50%	50%	50%
Ct	Improved communication	C10*C11	$2,443,500	$4,887,000	$4,887,000
	Risk adjustment	↓ 20%			
Ctr	Improved communication (risk-adjusted)		$1,954,800	$3,909,600	$3,909,600
	Three-year total: $9,774,000			**Three-year present value: $7,945,506**	

UNQUANTIFIED BENEFITS

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

- **Improved security and business continuity.** Teams Phone security is managed within the same platform as Microsoft Office 365 and Teams, reducing effort spent managing the system and security and rendering a gap in security less likely. Microsoft monitors the security and stability of the platform, and the cloud-based platform includes managed updates that bolster reliability and security.

"[Teams Phone is] rock-solid reliable. The quality is strong, and the management configurability is easy because it's all in that single pane of glass in the M365 world. You don't have to go hunting around for access to the Teams telephony tuning — it's right there."

Director, technology operations, healthcare

According to a global infrastructure services manager at an energy company: "[The] software is [as-a-]service, so Microsoft [is] improving the security footprint all the time and we just benefit from it as they deploy new things. Teams uses a more modern codecs, which are better with some of the places that we work and connectivity issues in places where we work."

A director of technology operations at a healthcare nonprofit shared: "We get notifications ahead of time of environmental instability, and we're almost certainly not the only customer who's having that problem. There's urgency behind Microsoft to bring things back when they fail. We have not had any issues with Teams telephony since we installed it. It just runs. It just percolates. It's rock-solid reliable. The quality is strong, and the management configurability is easy because it's all in that single pane of glass in the M365 world. You don't have to go hunting around for access to the Teams telephony tuning — it's right there."

- **Happier employees.** Multiple interviewed customers shared that Teams Phone was a part of delivering the modern workplace experience and remote flexibility demanded by their employees.

  A digital workplace director at a financial services company noted, "The objective we're always navigating for is how can we improve the user experience and the work lives of our users, and Teams [Phone] is really good at that."

- **Happier customers.** In addition, Teams Phone had positive impacts on customer satisfaction. A director of global infrastructure services at an energy company told Forrester: "The fluidity and ease of working with our customers is certainly increased. Obviously, Teams is much more reliable, it's much easier to use, [and] the mobile client is much better." They added, "You're retaining staff more, you're giving them more modern tools, [and] you're allowing them to work flexibly with a tool that will suit their working life."

  A lead IT engineer at a telecommunications company identified the value of a consolidated platform in delivering collaboration, even in light of work-from-home environments. They said: "There's value there in having a consolidated platform [where] everything is maintained within one system. Having one platform, being able to collaborate within that single platform and work from home has helped us be able to do that in a more efficient manner."

FLEXIBILITY

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

- **Ability to easily integrate offices in new geographies or acquired companies.** A lead engineer at a telco company shared: "We acquire companies at a rapid pace, and with that comes a lot of different telephony platforms. And so our goal was to simplify not only what we had, but any future acquisitions in terms of our telephony and collaboration tools."
- **Implementing new features as they become available**. Such features include transcription and translation and call center capabilities.

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.

Analysis Of Costs Of Teams Phone Enterprise Customers

Quantified cost data as applied to the composite

Total Costs For Enterprises

Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Dtr	External licenses and usage	$17,850	$2,142,000	$2,142,000	$2,142,000	$6,443,850	$5,344,687
Etr	Internal costs	$353,063	$539,438	$326,813	$326,813	$1,546,127	$1,359,092
Ftr	Other external costs	$247,500	$1,100,000	$110,000	$110,000	$1,567,500	$1,421,054
	Total costs (risk-adjusted)	$618,413	$3,781,438	$2,578,813	$2,578,813	$9,557,477	$8,124,833

EXTERNAL LICENSES AND USAGE

Evidence and data. Teams Phone capabilities are embedded in E5 licenses or are available on a separate, à la carte basis. Customers can continue to use PSTN services from their existing telecom partners or purchase calling plans from Microsoft. In addition, incremental charges such as international calls and mobile phone bills depend on mobile phone usage/reimbursement and utilization of international calling. 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 interviewees' 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 do not have E5 licenses. An organization that already has Microsoft 365 E5 for users 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 telecom partners. The average cost is $5 per user per month.
- Usage costs include incremental expenses for international calling and mobile phones, which average $4 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 are routed locally, and there is less need to reimburse for mobile phones.

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

- Higher or lower usage costs depending on the volume of international calls or variance in usage of company mobile phones.
- Variation in charges from telecom partners.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $5.3 million.

External Licenses And Usage						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
D1	Users	C1	500	10,000	10,000	10,000
D2	Monthly license fee per user	Composite	$8	$8	$8	$8
D3	Microsoft Teams Phone licenses	D1*D2	$8,000	$960,000	$960,000	$960,000
D4	Monthly PSTN services per user	Composite	$5	$5	$5	$5
D5	PSTN partner costs	D1*D4	$5,000	$600,000	$600,000	$600,000
D6	Monthly usage costs per user, including international calling and mobile phones	Composite	$4	$4	$4	$4
D7	Usage costs	D1*D6	$4,000	$480,000	$480,000	$480,000
Dt	External licenses and usage	D3+D5+D7	$17,000	$2,040,000	$2,040,000	$2,040,000
	Risk adjustment	↑5%				
Dtr	External licenses and usage (risk-adjusted)		$17,850	$2,142,000	$2,142,000	$2,142,000
	Three-year total: $6,443,850			**Three-year present value: $5,344,687**		

INTERNAL COSTS

Evidence and data. This cost category accounts for the IT effort involved in implementing Teams Phone and the ongoing management effort. It also contemplates lost productivity associated with the end user training investment.

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

- A POC lasts three months and requires two FTEs to complete.
- The subsequent rollout to all users takes four months and five FTEs to complete.
- The average fully burdened annual salary for an IT implementation FTE is $150,000.
- A standard work year comprises 2,080 hours.
- Two FTEs are responsible for the ongoing global management of Teams Phone.
- Each employee end user spends 30 minutes on training to use Teams Phone. Lost productivity is based on a fully burdened hourly wage of $45. In Years 2 and 3, 5% of the workforce is replaced, which necessitates additional training.
- The initial period includes 500 POC users. In Year 1, the balance of 9,500 users complete training. New hires replacing 5% of employees turning over annually complete training in Years 2 and 3.

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

- Extent to which previous voice solutions are retired.
- Higher fully burdened salary for IT staff.
- Using fewer professional services.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1.4 million.

Internal costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Number of months to produce POC	Interviews	3			
E2	FTEs involved with POC	Interviews	2			
E3	Number of months for global rollout	Interviews	4			
E4	Number of FTEs for global rollout	Interviews	5			
E5	Monthly average fully burdened IT cost per FTE	B2/12	$12,500			
E6	Internal implementation	(E1*E2*E5)+ (E3*E4*E5)	$325,000			
E7	FTEs providing internal support	Interviews		2	2	2
E8	Average fully burdened annual salary for internal support FTE	TEI standard		$150,000	$150,000	$150,000
E9	Ongoing internal support	E7*E8		$300,000	$300,000	$300,000
E10	Average fully burdened hourly wage of all FTEs	TEI standard	$45	$45	$45	$45
E11	Training time per FTE (hours)	Interviews	0.5	0.5	0.5	0.5
E12	End-user training	E10*E11* [Initial: D1+Y1: D1Y1-Initial Y2 and Y3: 10,000 users*5% attrition]	$11,250	$213,750	$11,250	$11,250
Et	Internal costs	E5+E6+E9+E12	$336,250	$513,750	$311,250	$311,250
	Risk adjustment	↑5%				
Etr	Internal costs (risk-adjusted)		$353,063	$539,438	$326,813	$326,813
	Three-year total: $1,546,127			**Three-year present value: $1,359,092**		

OTHER EXTERNAL COSTS

Evidence and data. An investment in Teams Phone may require some additional costs beyond telephony licensing and usage costs or investment of internal labor. For enterprise-scale deployments, these costs include professional services during implementation as well as ongoing management and user devices. Professional services during implementation may involve processes integrating into direct-routing solutions of various telecom providers and providing training. Ongoing services may involve managing these connections as well as rolling out new features.

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

- Professional services are used for the deployment and ongoing support.
- Users are issued headsets at the cost of $100 per device.

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

- Increased requirement for professional services depending on IT organization capacity.
- Type of devices issued to users.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $1.4 million.

Other External Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Implementation professional services	Assumption	$175,000			
F2	Ongoing professional services	Assumption		$50,000	$50,000	$50,000
F3	Total professional services	F1+F2	$175,000	$50,000	$50,000	$50,000
F4	Number of added users	Y1: D1-Initial Y2 and Y3: D1*5% attrition	500	9,500	500	500
F5	User devices	F4*$100	$50,000	$950,000	$50,000	$50,000
Ft	Other external costs	F3+F5	$225,000	$1,000,000	$100,000	$100,000
	Risk adjustment	↑10%				
Ftr	Other external costs (risk-adjusted)		$247,500	$1,100,000	$110,000	$110,000
	Three-year total: $1,567,500			**Three-year present value: $1,421,054**		

Microsoft Teams Phone For SMB Customers Financial Analysis

Quantified benefit and cost data as applied to the SMB composite

Total Benefits For SMBs						
Ref.	**Benefit**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Gtr	Replaced previous voice solutions	$55,170	$28,170	$28,170	$111,510	$94,600
Htr	Replaced telephony support effort	$52,250	$52,250	$52,250	$156,750	$129,938
Itr	Improved communication	$19,548	$39,096	$39,096	$97,740	$79,455
	Total benefits (risk-adjusted)	$126,968	$119,516	$119,516	$366,000	$303,993

REPLACED PREVIOUS VOICE SOLUTIONS

Evidence and data. Interviewees from SMB companies detailed how their organizations used a range of solutions prior to adopting Teams Phone including PBXs and other hosted-calling services. Costs to use these prior solutions could include hardware, maintenance, managed services, and licenses, as well as usage costs comprising long-distance and international charges and mobile phone costs. From a TCO perspective, independent of the improved communication benefit that follows later in this benefit section, the transition to Teams Phone still provided an ROI of 82% and an NPV of $101,000.

SMB interviewees shared the following examples:

- An IT specialist in construction stated: "We eliminated [conference phones] because we realized we didn't need the whole system. We can just talk on a microphone and hear from the speakers on the TV, and we're good. We save some money there, by not having expensive conference room phones."
- A director of technology operations in the healthcare industry noted: "When we saw the prices were to go to the Teams telephony with the [Session Initiation Protocol] SIP trunking and a virtual [session border controller] SBC, the price per line was so minimal compared to what we were paying previously just for the trunking and the physical system maintenance."
- The director of technology operations continued: "We have seen reduced mobile costs that have put us in a position where we're now considering switching from we give a cell phone out automatically to using Microsoft's mobile device management and bring-your-own-device capabilities."

Modeling and assumptions. Forrester assumes the following for this benefit analysis:

- A previous IP-based PBX solution had reached its end of life, which was part of the reason a new voice solution was being investigated. The replacement cost would have been $30,000.
- An additional $10,000 per year was spent on maintenance, external support, and licenses prior to the Teams Phone implementation.
- The average prior usage cost for long-distance and international calling and conferencing was $6 per user per month.
- Mobile usage costs average $5 per month for nonmobile users, and highly mobile users are reimbursed at a cost of $50 per user per month.

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

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

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $95,000.

"It is much cheaper than what [our previous provider] was charging us."

IT specialist, construction

Replaced Previous Voice Solutions

Ref.	Metric	Source	Year 1	Year 2	Year 3
G1	One-time PBX replacement	Interviews	$30,000		
G2	Annual solution costs	Interviews	$10,000	$10,000	$10,000
G3	Monthly mobile usage costs for nonmobile users.	Interviews	$5	$5	$5
G4	Monthly mobile usage costs for highly mobile users	Interviews	$50	$50	$50
G5	Reduced cell phone costs	I2*G3*12+I3*G4*12	$14,100	$14,100	$14,100
G6	Previous usage costs	Interviews	$7,200	$7,200	$7,200
Gt	Replaced previous voice solutions	G1+G2+G5+G6	$61,300	$31,300	$31,300
	Risk adjustment	↓ 10%			
Gtr	Replaced previous voice solutions (risk-adjusted)		$55,170	$28,170	$28,170
	Three-year total: $111,510			**Three-year present value: $94,600**	

REPLACED TELEPHONY SUPPORT EFFORT

Evidence and data. Telephony support oftentimes demands specialized skills that SMB-scale IT departments staffed by generalists may not possess. Further, time is at a premium for small IT departments with lean staffs that shoulder a wide range of responsibilities. Teams Phone helps these teams avoid the need for extensive telephony skills and knowledge as well as effort and time spent managing the telephony environment. The solution simplifies and unifies telephony management with their Microsoft environment.

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

- "We've empowered users to manage their own telephony routine, which was never the case previously. It was always an IT administration burden." CIO, Financial services
- "Assigning [numbers was] super easy on the Admin portal. Within five minutes people had a line, it sends you a nice email, it tells you how to use it, it adds an icon on your Teams' app, on your desktop and also on your phone or on your tablet and you can start using right away. Before it would take me a couple of hours just to make sure that everything was working correctly, making sure that when I added the user to the other system, they had the right permissions, they had the right features they were looking for, make sure their number was working, so it was going maybe two hours to 30 minutes." According to an IT specialist, construction.
- A director of technology operations in the healthcare industry shared, "We needed a phone system expert under the old phone system… But that was not a lightweight task. It was a technical task. In the Teams Telephony world, new person comes on their M365, click the license, go in and assign the extension, move on with life."
- The director of technology operations added "[I]n our case where we are now hybrid and virtual company, it doesn't make sense to have [a physical backplane] because then you've got to have somebody on-prem to support it. You have somebody on-prem to go troubleshoot it, to fix it. It just made more sense to go to the other route."

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

- Prior to implementing Teams Phone, 0.5 IT FTE managed telephony solutions. This internal effort is replaced by support for Teams Phone.
- An average fully burdened salary cost of $110,000 was used.

> **"I would spend maybe two to three hours a month trying to troubleshoot if the phone line wasn't working or was there an update or any security things... I don't have to do any of that with Microsoft Teams."**
>
> *IT specialist, construction*

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

- A lower fully burdened salary cost.
- The type and mix of previous voice solutions requiring less support effort.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of $129,938.

Reduced Telephony Support Effort					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
H1	Replaced IT support FTEs	Interviews	0.5	0.5	0.5
H2	Fully burdened yearly rate per person	Assumption	$110,000	$110,000	$110,000
Ht	Replaced support effort	H1*H2	$55,000	$55,000	$55,000
	Risk adjustment	↓ 5%			
Htr	Replaced support effort (risk-adjusted)		$52,250	$52,250	$52,250
	Three-year total: $156,750			**Three-year present value: $129,938**	

IMPROVED COMMUNICATION

Evidence and data. Microsoft Teams Phone improves communication among colleagues across geographies and roles as well as communication with customers and external stakeholders. Using Teams Phone, voice calls and other collaboration solutions are integrated on a single platform that can be used to make calls from anywhere companies do business. Employees save time, work more efficiently, and collaborate more easily, which creates more value for the organization.

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

- According to an IT specialist in the construction industry, Teams Phone helped highly mobile workers stay productive: "You don't have to be in the office — you can take calls from anywhere. We have superintendents taking calls in a job shack in a project. We have people in different states. It has a lot of that flexibility to work from anywhere."
- Furthermore, Teams Phone features help save time according to the interviewed IT specialist: "If you are calling your office, [and] you want to speak to accounting, you literally just say "Accounting," and it will route you to that specific department without having a human interaction. It's automated, and it allows us more free time to do other things."
- In general, Teams Phone helped create a fast-working experience with less friction. According to a financial services CIO: "The ability to continue working within your desktop removes the need to go for a handset [and] click through to the contacts list because everything is right in front of you within Teams. I think also, let's not forget, the other ability to click to dial from your desktop removes the need to then jot down the number and so forth. I think on average, there's no doubt there is time savings there."

> **"We're more efficient now because we standardized on Teams for internal communication collaboration."**
>
> *CIO, financial services*

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

- The composite organization has 100 employees using Teams Phone. Of these, 15% are highly mobile workers in areas such as sales and management.
- The average fully burdened hourly rate, including benefits and taxes, across all employees is $45.
- Highly mobile workers save 20 minutes per day (1.6 hours per week), and nonmobile employees in other roles save 3 minutes per day (0.25 hours per week).
- The composite fully realizes the improved communication benefit starting in Year 2.

A 50% productivity capture is applied because not all time saved in repurposed productively.

Risks. Some factors that could result in variation in this benefit from that reported by interviewees include:

- A different proportion of highly mobile workers.
- Relatively less integration between Teams Phone and other collaboration solutions.
- A lower fully burdened hourly wage.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $79,000.

Improved Communication

Ref.	Metric	Source	Year 1	Year 2	Year 3
I1	Number of employees	Composite	100	100	100
I2	Highly mobile employees	Composite	15	15	15
I3	Nonmobile employees	Composite	85	85	85
I4	Average fully burdened hourly wage	TEI standard	$45	$45	$45
I5	Time savings per week for highly mobile employee (hours)	C6	1.6	1.6	1.6
I6	Time savings per week for nonmobile employee (hours)	C8	0.25	0.25	0.25
I7	Highly mobile employees' time savings	I5*I4*I2	$25,920	$51,840	$51,840
I8	Nonmobile employees' time savings	I6*I4*I3	$22,950	$45,900	$45,900
I9	Total time savings	I7+I8	$48,870	$97,740	$97,740
I10	Productivity recapture	TEI standard	50%	50%	50%
It	Improved communication	I9*I10	$24,435	$48,870	$48,870
	Risk adjustment	↓ 20%			
Itr	Improved communication (risk-adjusted)		$19,548	$39,096	$39,096
	Three-year total: $97,740			**Three-year present value: $79,455**	

UNQUANTIFIED BENEFITS

Additional benefits that customers experienced but were not able to quantify include:

- **Improved security and business continuity.**
  - Teams Phone security is managed within the same platform as Microsoft Office 365 and Teams, reducing effort spent managing the system and security and rendering a gap in security less likely. Microsoft monitors the security and stability of the platform, and the cloud-based platform includes managed updates that are useful from a reliability and security standpoint.
  - A CIO at a financial services company shared, "Key objectives were to really improve business resiliency as well as maintaining high standard of cybersecurity, and … to support our flexible working model."
  - The CIO went on to state: "I think there's some qualitative benefits around being able to manage the security all within the Microsoft Teams and 365 platform. Just being able to keep it all within one platform has been beneficial from the legal and client standpoint."
- **Happier employees and customers.** Using a single tool across communications channels not only creates efficiencies but also improves the user interface, keeping employees happy and making it easier for them to serve customers. Multiple interviewed customers shared how Teams Phone improved experiences for employees and customers:
  - The CIO at a financial services organization said, "People are much happier with having a single tool to use for all their communication channels."
  - The CIO also noted: "Teams Phone has added a new channel for customer support and that's improved our customer support ratings"
  - Another CIO in financial services said, "It's played a key part in terms of employee satisfaction and retention, without a doubt."

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Microsoft Teams Phone and later realize additional uses and business opportunities. One example includes:

- Rolling out Teams Phone to additional geographies and/or business units if it has not already been implemented.

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

Analysis Of Costs of Teams Phone For SMB Customers

Quantified cost data as applied to the composite

Total Costs For SMBs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Jtr	External licenses and usage	$0	$28,980	$28,980	$28,980	$86,940	$72,069
Ktr	Internal costs	$7,219	$13,913	$11,668	$11,668	$44,468	$38,276
Ltr	Other external costs	$0	$13,545	$630	$630	$14,805	$13,308
	Total costs (risk-adjusted)	$7,219	$56,438	$41,278	$41,278	$146,213	$123,653

EXTERNAL LICENSES AND USAGE

Evidence and data. Teams Phone with calling plan licenses allows users to make and receive voice and video calls over PSTN or the internet. In addition to these licenses, Microsoft offers Communication Credits for audioconferencing and calling plan minutes at additional cost.

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. According to the interviewees, existing mobile phone expenses were reduced as more calls could be completed without leaving Teams environments.

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

- Teams Phone with calling plan licenses are deployed throughout the organization at a cost of $20 per user per month.
- Average costs per user for mobile usage and Communication Credits total $3 per user per month. Usage costs decrease when using Teams Phone because a higher proportion of calls occur within the Teams environment, independent of mobile or PSTN networks where additional charges may apply.

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

- Pricing and features of licensing selected.
- Greater use of Communication Credits or mobile phones.

Results. To account for this risk, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $72,000.

External Licenses And Usage						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
J1	Number of users	Composite		100	100	100
J2	Monthly cost per calling license	Interviews	$20	$20	$20	$20
J3	Annual Microsoft 365 license costs	J1*J2*12	0	$24,000	$24,000	$24,000
J4	Monthly mobile usage and Communication Credits cost per user	Interviews	$3	$3	$3	$3
J3	Annual Communication Credits and cell phone reimbursement costs	J3*J4*12	0	$3,600	$3,600	$3,600
Jt	External licenses and usage	J2+J3	$0	$27,600	$27,600	$27,600
	Risk adjustment	↑5%				
Jtr	External licenses and usage (risk-adjusted)		$0	$28,980	$28,980	$28,980
	Three-year total: $86,940			**Three-year present value: $72,069**		

INTERNAL COSTS

Evidence and data. Deploying and maintaining Teams Phone requires IT effort as well as a training time investment for end users.

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

- Initial implementation effort to add Teams Phone to the existing Teams deployment takes 1.5 FTEs a period of two weeks.
- Ongoing management efforts occupy 0.1 FTEs, down from 0.5 FTEs with prior solutions.
- The fully annual salary for an IT resource is $110,000.
- No professional services are used.
- Each end user receives 30 minutes of training on Teams Phone. Lost productivity is based on a fully burdened hourly wage of $45. In Years 2 and 3, 5% of the workforce is replaced, which necessitates additional training.

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

- Higher fully burdened salary costs.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $38,000.

Internal Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
K1	Number of FTEs	Composite	1.5	0.1	0.1	0.1
K2	Time to implement and maintain Teams Phone (months)	Interviews	0.5	12.0	12.0	12.0
K3	Internal IT effort	K1*K2*H4/12	$6,875	$11,000	$11,000	$11,000
K4	Fully burdened annual salary for IT FTE	TEI standard	$110,000	$110,000	$110,000	$110,000
K5	End-user training time (hours)	Interviews	0.5	0.5	0.5	0.5
K6	End-user training	J1 Year 1, Y2 and Y3 [5% annual turnover]* I4*K5		$2,250	$113	$113
Kt	Internal costs	K3+K6	$6,875	$13,250	$11,113	$11,113
	Risk adjustment	↑5%				
Ktr	Internal costs (risk-adjusted)		$7,219	$13,913	$11,668	$11,668
	Three-year total: $44,468			**Three-year present value: $38,276**		

OTHER EXTERNAL COSTS

Evidence and data. SMBs typically would not incur costs for Teams Phone apart from those related to devices. Some organizations using more complex deployments of Teams Phone than is assumed for the composite organization may elect to engage professional services for implementation and management. The organization continues to use a small number of desk phones.

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

- Ninety-five percent of users are given headsets at a cost of $120 per unit, and 5% are given phones at a cost of $300 per unit. In Years 2 and 3, the additional devices issued are headsets.

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

- Greater usage of desk or conferencing phones.
- 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 $13,000.

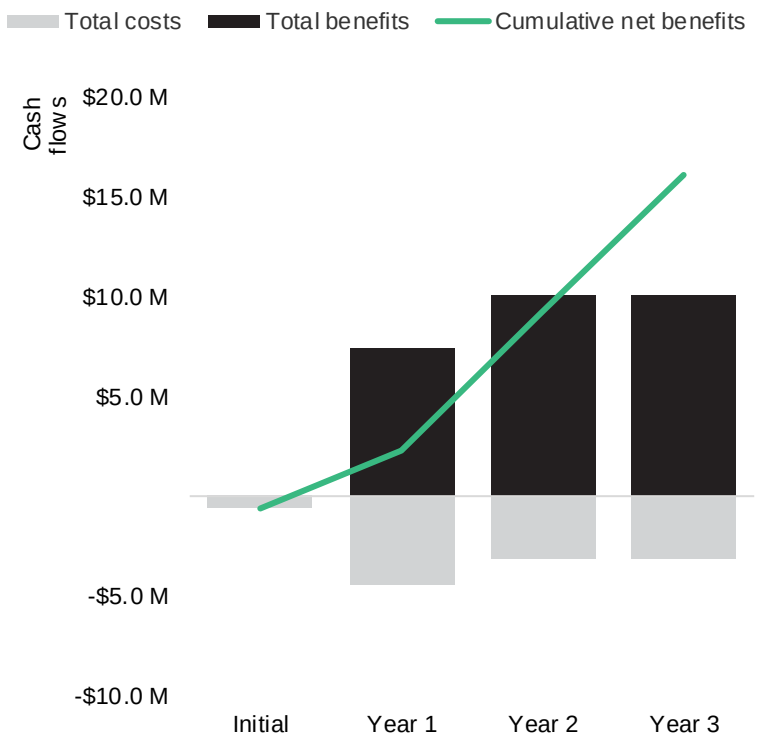
Other External Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
L1	Number of users added	J1 Year 1, Y2 and Y3 [5% annual turnover]		100	5	5
L2	Cost per headset device	Interviews		$120	$120	$120
L3	Cost per phone	Interviews		$300	$300	$300
L4	Device costs	Y1: L1*[(95%*L2)+(5%*L3)] Y2 and Y3: L1*100%*L2		$12,900	$600	$600
Lt	Other external costs	L4		$12,900	$600	$600
	Risk adjustment	↑ 5%				
Ltr	Other external costs (risk-adjusted)		$0	$13,545	$630	$630
	Three-year total: $14,805			**Three-year present value: $13,308**		

Financial Summary: Microsoft Teams Phone For Enterprise

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.

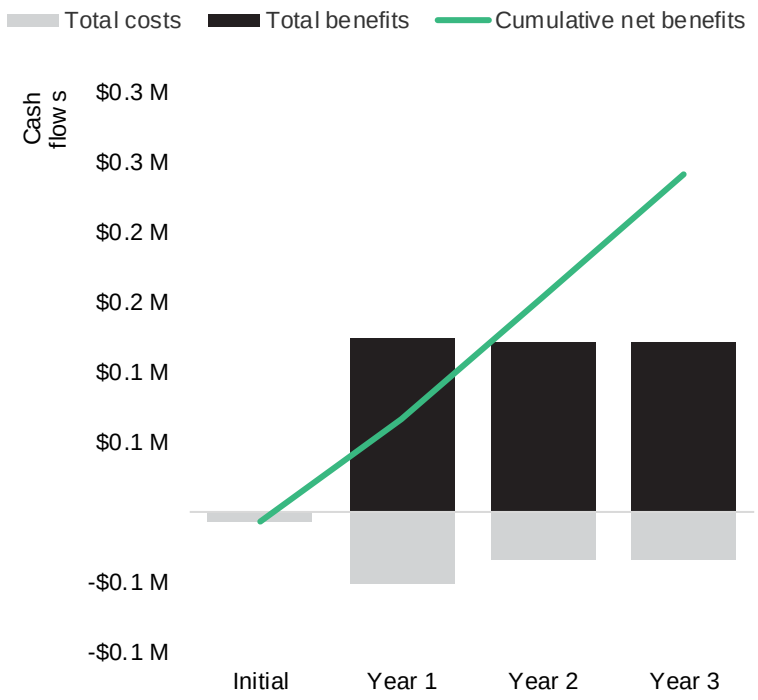
Cash Flow Analysis (Risk Adjusted Estimates) For Enterprises

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($618,413)	($3,781,438)	($2,578,813)	($2,578,813)	($9,557,477)	($8,124,833)
Total benefits	$0	$6,691,800	$8,646,600	$8,646,600	$23,985,000	$19,725,724
Net benefits	($618,413)	$2,910,363	$6,067,788	$6,067,788	$14,427,525	$11,600,891
ROI						143%
Payback period (months)						<6

Financial Summary: Microsoft Teams Phone 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) For SMBs

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($7,219)	($56,438)	($41,278)	($41,278)	($146,213)	($123,653)
Total benefits	$0	$126,968	$119,516	$119,516	$366,000	$303,993
Net benefits	($7,219)	$70,531	$78,238	$78,238	$219,788	$180,340
ROI						146%
Payback period (months)						<6

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 Sources are calculated for each total cost and benefit estimate. NPV Sources in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value Sources 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.


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