

A Forrester Total Economic Impact™  
Study Commissioned By Microsoft  
September 2019

# The Total Economic Impact™ Of Migrating Microsoft Dynamics CRM To Dynamics 365 In The Cloud

Cost Savings And Business Benefits  
Enabled By A Microsoft Dynamics 365  
Cloud Migration

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## ABOUT FORRESTER CONSULTING

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### 7% TCO reduction

IT savings of migrating from Dynamics CRM 2013 to Dynamics 365 in the cloud



### 63% ROI

Including both IT savings and impacts to end users



### 10 months

Payback period

**“Dynamics 365 is the backbone, the foundation. It’s a must-have — there’s no way we could run our business without it.”**

*Global marketing programs manager, professional services*

## Executive Summary

Microsoft Dynamics 365 is a suite of integrated business applications that can underpin essential business processes for customers from sales to field service and from finance to retail. Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ study examining the potential return on investment (ROI) organizations may realize by migrating on-premises deployments of Dynamics CRM to Dynamics 365 in the cloud. This study’s purpose is to provide a framework for readers to evaluate the potential financial impact of a migration at their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four customers who migrated from on-premises Dynamics CRM 2011 or 2013 to Dynamics 365. Interviewees invested in these migrations to overcome stale and, in some cases, highly customized environments that were expensive to maintain and difficult to use. By migrating, interviewees aimed to reduce administrative cost and labor, enhance data collection, adopt new capabilities, improve user experience (UX), and ultimately drive long-term business growth.

### Key Findings

Interviewed customers either matched or marginally reduced their CRM’s total cost of ownership (TCO) by migrating from CRM 2011 or CRM 2013 to Dynamics 365 in the cloud. Forrester’s model found a typical TCO reduction of 7% as the cloud migration helps organizations:

- › **Avoid on-premises user licensing and support costs.** These include Client Access License (CAL) purchases for new users and annual software assurance costs. Migrations also generally reduce partner independent software vendor (ISV) and managed services costs due to the additional functionality included in Dynamics 365 along with the simplicity of the cloud.
- › **Avoid on-premises data center costs.** One-time hardware, storage, networking, and software costs for server refreshes would have cost \$60,249 per server, while ongoing heating, cooling, electric, and maintenance costs would have cost \$29,912 per server, per year.
- › **Reallocate CRM administration labor.** Cloud migrations simplify CRM administration, reduce data entry and validation, and eliminate hardware administration needs — saving labor costs and empowering employees to refocus on more impactful work instead of “keeping the lights on.”
- › **Recapture CRM developer labor.** Power users can work on forms, fields, and workflows with low-code customization — freeing 30% of CRM developers’ expensive time for more complex, high-impact tasks.

To find the true Total Economic Impact of such a migration, it’s essential to look beyond IT savings as a TCO-only analysis neglects the most important benefits of the cloud migration: the impacts for end users. Forrester modeled a 63% ROI for a Dynamics 365 cloud migration on a workforce of sales and customer service users, as organizations:

- › **Shorten onboarding for new sellers by one week.** Not only do new hires benefit from Dynamics 365’s easier-to-learn user interface, but they also benefit as user CRM adoption and usage increases — improving data depth, accuracy, and quantity in the CRM.

"[Dynamics 365] is providing efficiency, productivity gains, and helping us provide a better service for our clients — it helps us fulfill our promises."

CRM manager,  
real estate



- › **Boost seller productivity.** With a global CRM accessible on the go and improved data collection, reminders, and sync, sellers increased reusability of proposals and meeting decks by 4%, increased mobile productivity by 8%, and reduced time spent on data entry by 4%.
- › **Increase seller effectiveness.** Using data, reminders, personalization, and reusability, sellers can provide better service and ultimately increase their sales performance by at least 1%.
- › **Improve sales manager productivity.** Consolidated data, dashboards, and automated reporting help managers increase productivity for tasks of monitoring team performance and updating leadership by 20%.
- › **Boost customer service agent productivity.** Agents become 3% more productive and deliver better service with the new UX and enriched data.
- › **Improve customer service manager productivity.** Managers can avoid after-hours or weekend office work to address issues through mobile access and improved systems tracking and automation.

## Modeled financial impact for a composite organization



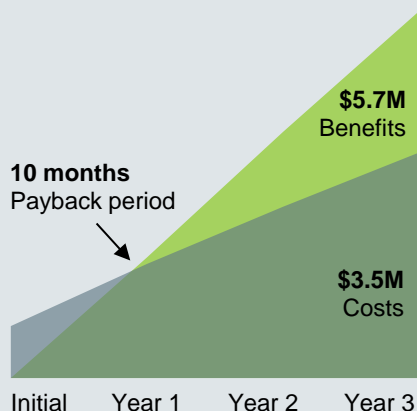
**Benefits PV**  
**\$5.7 million**



**Costs PV**  
**\$3.5 million**



**NPV**  
**\$2.2 million**



Interviewees also explained that users reported greater satisfaction with the new user experience and features, driving adoption and regular usage. Organizations collected more data with better detail and accuracy, helping generate new insights, enhance decision making, and improve business outcomes — and leveraging Power BI, PowerApps, AI, and machine learning amplified the impact. Dynamics 365 also strengthened security and helped organizations achieve and prove compliance with key regulations, especially the General Data Protection Regulation (GDPR). And finally, migrating to Dynamics 365 Field Service helped resolve issues more quickly and with fewer labor hours.

Migrating to the cloud also opened the door to future opportunities that could help organizations scale, change strategy, or take on new business opportunities. Companies can immediately gain access to the newest Dynamics 365 features rather than waiting for them to reach on-premises versions, and the flexibility of consuming the range of Microsoft's solutions from the cloud with a subscription model can help these organizations quickly scale users, add Dynamics modules, and adopt and integrate other Microsoft offerings (such as Office 365) or ISV solutions.

Interviewed customers identified four key cost categories for their migrations, which Forrester modeled to calculate TCO savings and return on investment. Migration timelines (and cost) varied substantially between three to 18 months, depending on the environment's complexity. Forrester estimates that a typical migration requires six months with a 33% risk of delays, incurring both internal labor and partner migration services costs plus several hours of training per end user. Enterprises that meet minimum seat requirements may be eligible for Microsoft's FastTrack program, which provides services and tools to accelerate and simplify the cloud migration for virtually no cost aside from nominal Azure staging costs. Beyond the migration, administration was simpler than before with the only new ongoing cost of labor and professional services being the testing and deployment of Microsoft's biannual upgrades.

To evaluate the Total Economic Impact of such a cloud migration, Forrester constructed a TEI framework, a composite organization, and an associated ROI analysis based on the four interviewed organizations. This composite organization reduces the TCO of its CRM by 7% over three years, with IT savings of \$3.7 million versus costs of \$3.5 million. The migration also drove \$1.9 million in benefits to end users for a three-year, risk-adjusted ROI of 63% and a net present value (NPV) of \$2.2 million.

The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

## TEI Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering upgrading on-premises deployments of Microsoft Dynamics CRM to Microsoft Dynamics 365 in the cloud.

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 a Dynamics 365 cloud migration can have on an organization:



### **DUE DILIGENCE**

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Dynamics 365 cloud migrations.



### **CUSTOMER INTERVIEWS**

Interviewed four organizations who migrated to Dynamics 365 in the cloud to obtain data with respect to costs, benefits, and risks.



### **COMPOSITE ORGANIZATION**

Designed a composite organization based on characteristics of the interviewed organizations.



### **FINANCIAL MODEL FRAMEWORK**

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



### **CASE STUDY**

Employed four fundamental elements of TEI in modeling a Dynamics 365 cloud migration's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide 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 Dynamics 365.

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.

# Customer Journey

## BEFORE AND AFTER MIGRATING TO DYNAMICS 365 IN THE CLOUD

### Interviewed Organizations

For this study, Forrester interviewed four organizations that migrated from on-premises versions of Microsoft Dynamics CRM 2011 or CRM 2013 to Dynamics 365 in the cloud. Interviewed customers include:

INDUSTRY	REGION	INTERVIEWEE	SIZE	CLOUD MIGRATION
Local government	Europe	CRM project manager	1,500 employees 400 Dynamics users	CRM 2011 to Dynamics 365
Real estate	North America	CRM manager	15,000 employees 500 Dynamics users	CRM 2011 to Dynamics Online 2013 to Dynamics 365
Manufacturing	Europe	Head of market to order applications	15,000 employees 1,000 Dynamics users	CRM 2013 to Dynamics 365
Professional services	North America	Global marketing programs manager	20,000 employees 3,400 Dynamics users	CRM 2013 to Dynamics 365

### Decision Drivers

Interviewees decided to migrate from their on-premises Dynamics CRM deployments to Dynamics 365 in the cloud for several key reasons:

- › **Take advantage of new features as soon as they are released.** The local government CRM project manager explained: “An immediate version upgrade was very important. We had fallen so far behind on versions. We did a version just two weeks ago, so we know that we are leveraging the very best of Dynamics 365.” The professional services global marketing programs manager echoed: “When we first moved to Dynamics in 2014, going with the cloud wasn’t an option leadership would consider [due to security concerns]. So we launched on-premises, but it wasn’t too long after we launched that the cloud-first mentality hit our company. . . . We were consistently a step behind because now it’s always cloud-first development.”
- › **Allow IT to stop “fighting fires” and instead add new business value.** Maintaining on-premises hardware and legacy code requires significant internal and professional services labor. Shifting to the cloud enables those employees to shift to further application development and more interesting work that could benefit the business in the long run. The local government CRM project manager explained: “We had lost a lot of our staff, and [leadership] felt that we were spending too much time maintaining equipment. We moved to the cloud to release staff to work on projects and implementing new things as opposed to constantly firefighting, to leverage the best technology that we could, and to enable flexibility like allowing people to work from home.”
- › **Shift to a cloud cost model for improved cash flow, scalability, and flexibility.** Interviewees were unsure whether to expect TCO reductions as they were simultaneously expanding; however, they looked to control and better predict their cash flow with a cloud model. As they grew, they wanted a product and pricing model that could quickly and predictably adapt to changing user counts, seasonality, and use cases.

“The ROI is certainly there. There’s no way we could run our business without something like Dynamics with the global scale of our users and our business.”

*Global marketing programs manager, professional services*



“The advantage of the cloud is you always get the newest version and the newest functions, and they really work in the system.”

*Head of market to order applications, manufacturing*



## Key Results

Interviewed organizations achieved the following key results by migrating to Dynamics 365 in the cloud.

- › Reduced total cost of ownership marginally, while gaining capabilities.
- › Simplified IT administration and reduced complex development needs.
- › Improved user experience, productivity, and effectiveness.
- › Enhanced scalability, flexibility, and agility.

## Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the four companies that Forrester interviewed and is used to present the aggregate financial analysis in the next section.

The composite organization that Forrester synthesized from the customer interviews:

- › Previously ran Dynamics CRM 2013 on-premises for five years.
- › Migrates to Dynamics 365 Sales and Dynamics 365 Customer Service over a six-month period.
- › Leverages Microsoft FastTrack for Dynamics 365 to accelerate and reduce migration costs. FastTrack is a customer success service from Microsoft that assists cloud migrations for qualified customers.
- › Works with a third-party partner to assist with migration planning, implementation, and customization of Dynamics 365.
- › Deploys Dynamics 365 Sales to 600 sellers, 150 sales managers, and 20 business and IT administrators.
- › Deploys Dynamics 365 Customer Service to 200 customer service agents, 50 customer service managers, and 20 business and IT administrators.
- › Experiences 5% year-over-year growth in number of users as the business grows.

In the following analysis, Forrester modeled the three-year financial impact of this cloud migration for the composite organization using the data from the four customer interviews.



### **Composite organization characteristics:**

- › Migration from Dynamics CRM 2013 to Dynamics 365 Sales and Dynamics 365 Customer Service
- › 600 sellers
- › 150 sales managers
- › 200 customer service agents
- › 50 customer service managers
- › 20 IT and cross-functional administrators

# Analysis Of Benefits

## QUANTIFIED BENEFIT DATA AS APPLIED TO THE COMPOSITE

Forrester modeled the financial impact of migrating from an on-premises deployment of Dynamics CRM 2013 to Dynamics 365 in the cloud for the composite organization based on the key findings from the customer interviews. This section discusses the quantified benefits of such a migration, with the cost section following. The following tables and accompanying text detail the cash flow by benefit category over a three-year period. The calculations incorporate risk adjustment, and the table shows the present value (PV) of each benefit at a 10% annual discount rate. More information for each benefit is available in the corresponding section using the category's name or the reference letter (column labeled "Ref.").

**Quantified total cost of ownership (TCO) savings.** The composite organization achieves the following three-year risk-adjusted present value (PV) cost savings:

- › **Avoids \$1.0 million in user licensing and support costs.** This includes Client Access License (CAL) purchases for new users, annual software assurance costs, and reduced partner costs.
- › **Avoids \$1.1 million in data center costs.** Savings across nine servers in three sites include one-time avoided server refreshes at \$60,249 per server plus \$29,912 in annual costs per server.
- › **Reallocates \$1.4 million of CRM administration labor.** By Year 2, the composite organization reallocates three IT administrators, two CRM developers, and two CRM specialists.
- › **Recaptures \$214,428 in CRM developer labor by enabling low-code customization.** The composite's four CRM developers free up 30% of their time for more complex, high-impact tasks.

### Total Cost Of Ownership Savings

Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Avoided on-premises user licensing and support costs	\$350,070	\$425,713	\$445,291	\$1,221,074	\$1,004,628
Btr	Avoided on-premises data center costs	\$770,877	\$255,748	\$255,748	\$1,282,372	\$1,104,305
Ctr	CRM administration savings	\$337,500	\$696,600	\$696,600	\$1,730,700	\$1,405,887
Dtr	Low-code customization efficiency	\$109,350	\$72,900	\$72,900	\$255,150	\$214,428
<i>Subtotal: Reduced TCO</i>		<i>\$1,567,797</i>	<i>\$1,450,961</i>	<i>\$1,470,538</i>	<i>\$4,489,296</i>	<i>\$3,729,248</i>

**Quantified end user benefits.** The composite organization recognizes the following three-year risk-adjusted PV benefits for end users in sales and customer service roles:

- › **Shortens onboarding for new sellers by one week, recapturing \$266,329 in added value.** The composite ramps 150 new hires faster based on a 600-person salesforce and a 25% annual turnover.
- › **Improves seller productivity, recapturing \$608,838 in added value.** The 600 sellers increase sales collateral reusability by 4%, increase mobile productivity by 8%, and reduce data entry time by 4%.
- › **Increases seller effectiveness, yielding \$431,317 of increased operating profit.** The composite's 600 sellers increase their average \$500,000 in annual sales by at least 1% at an 8.9% profit margin.
- › **Improves sales manager productivity, recapturing \$156,094 in added value.** The composite's 150 managers increase productivity by 20% for monitoring and reporting tasks.
- › **Improves customer service agent productivity, recapturing \$387,449 in added value.** The composite's 200 agents become 3% more productive with the new UX and enriched data.
- › **Improves customer service manager productivity, recapturing \$87,360 in added value.** The composite's 50 customer service managers avoid six 8-hour days per year with mobile access.



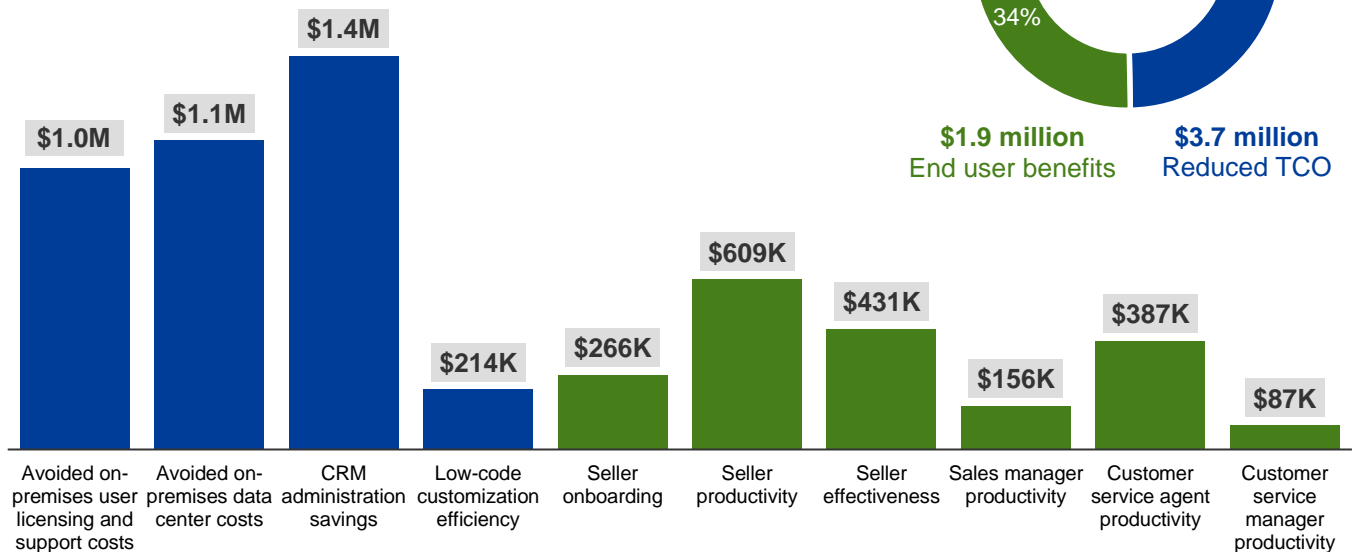
## End User Benefits

Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Etr	Seller onboarding	\$102,000	\$107,440	\$112,880	\$322,320	\$266,329
Ftr	Seller productivity	\$129,792	\$272,992	\$353,024	\$755,808	\$608,838
Gtr	Seller effectiveness	\$100,125	\$210,596	\$221,276	\$531,998	\$431,317
Htr	Sales manager productivity	\$36,192	\$76,235	\$80,110	\$192,537	\$156,094
Itr	Customer service agent productivity	\$90,000	\$189,000	\$198,894	\$477,894	\$387,449
Jtr	Customer service manager productivity	\$20,250	\$42,930	\$44,550	\$107,731	\$87,360
<i>Subtotal: End user benefits</i>		<i>\$478,359</i>	<i>\$899,194</i>	<i>\$1,010,735</i>	<i>\$2,388,288</i>	<i>\$1,937,387</i>

TCO savings and end user benefits combine for a three-year present value total benefit of \$5,666,635 for the composite organization.

### Benefits

Three-year, risk-adjusted present values



Reduced total cost of ownership:  
**\$3.7 million** in benefits

Impact to sales and customer service end users:  
**\$1.9 million** in benefits

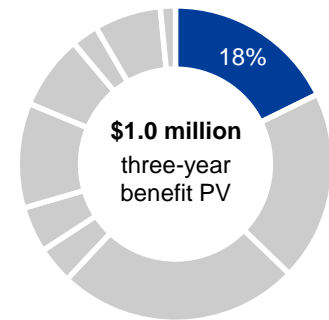
## REDUCED TOTAL COST OF OWNERSHIP

### Avoided On-Premises User Licensing And Support Costs

On-premises deployments of Dynamics CRM required purchase of perpetual per-user Client Access Licenses with annualized maintenance fees known as Software Assurance from Microsoft, levied as a percentage of total license value. By migrating to the cloud, organizations avoided further purchases of these legacy licenses and ceased spending on their annual maintenance costs.

Forrester's model of the composite organization includes 1,020 users — 1,000 end users plus 20 business and IT administrative users — which grows by 5% annually. The organization therefore avoids just over 50 new CRM 2013 license purchases at list price in Years 2 and 3 and avoids the annual software assurance costs for all user licenses. Further, while the composite organization still works with third-party managed service providers and independent software vendors, it trims this spending by reducing customizations and complexity in the cloud.

The amount of avoided license, maintenance, and partner costs will vary by organization depending on number of users, types of licenses, environment complexity, customization, and desired support level. Forrester adjusted this benefit downward by 5% to account for risks and variability, yielding a three-year, risk-adjusted cumulative total of \$1,221,074 and a PV of \$1,004,628 for the composite organization.



**Avoided on-premises user licensing and support costs: 18% of total benefits**

### Avoided On-Premises User Licensing And Support Costs: Calculation Table

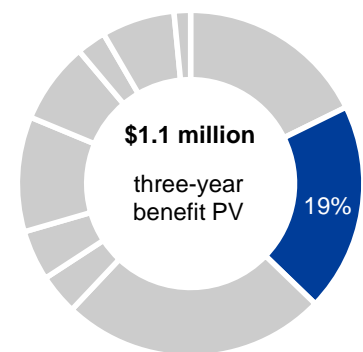
Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Total number of professional users	5% annual growth	1,020	1,071	1,125
A2	Avoided Dynamics CRM 2013 CALs	List pricing	\$0	\$63,699	\$67,446
A3	Avoided software assurance costs	List pricing	\$318,495	\$334,420	\$351,281
A4	Reduction to ISV and managed services costs	Forrester estimate	\$50,000	\$50,000	\$50,000
At	Avoided on-premises user licensing and support costs	A2+A3+A4	\$368,495	\$448,119	\$468,727
	Risk adjustment	↓5%			
Atr	Avoided on-premises user licensing and support costs (risk-adjusted)		\$350,070	\$425,713	\$445,291
		Three-year, risk-adjusted cumulative total for the composite organization: <b>\$1,221,074</b>	Three-year, risk-adjusted present value for the composite organization: <b>\$1,004,628</b>		

### Avoided On-Premises Data Center Costs

Moving to the cloud allowed organizations to retire or repurpose existing hardware that previously supported their on-premises deployments. The interviewed organizations avoided additional hardware refresh purchases and related upfront costs for when servers reached end of life along with the various ongoing costs such as electricity, heating, cooling, and software support associated with running hardware in the data center.

Using a combination of customer interview data and Forrester market data, Forrester modeled the avoided data center costs for the composite organization using the following assumptions:<sup>1</sup>

- › The legacy environment required nine servers spread across three sites (three servers per site) to support its major global markets.
- › Servers had reached end of life after five years of the CRM 2013 implementation. The organization therefore avoids investing in nine replacement servers with the following costs per server:
  - \$20,000 in server hardware.
  - \$4,000 in network equipment.
  - \$15,000 in storage costs.
  - \$2,500 in operating system licenses.
  - \$11,249 in licenses for the operating system, management, security, disaster recovery, and Dynamics CRM Server 2013.



**Avoided on-premises data center costs: 19% of total benefits**

› The organization also avoids the following annual costs per server for these nine servers:

- \$9,750 in maintenance costs.
- \$15,600 in power, cooling, and facilities costs.
- \$4,562 in maintenance costs for server software and software assurance costs for Dynamics CRM Server 2013 licenses.

Initial and ongoing data center costs will vary by company depending on its deployment size, global presence, the specific hardware and software selected, and regional costs for space, heating, cooling, and electricity. Should recommended replacements have been delayed if the environment was not migrated, then replacement costs would not have been otherwise incurred — meaning the costs would not actually have been avoided. Forrester adjusted this benefit downward by 5% to account for these risks and variability, yielding a three-year, risk-adjusted cumulative total of \$1,282,372 and a PV of \$1,104,305 for the composite organization.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

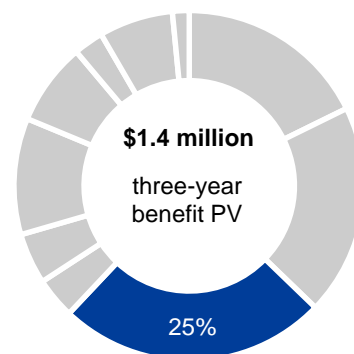
### Avoided On-Premises Data Center Costs: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Server replacements avoided	Customer interviews	9		
B2	Hardware costs per new server	Forrester estimate	\$39,000		
B3	Avoided server hardware	B1*B2	\$351,000		
B4	Software costs per new server	Forrester estimate	\$21,249		
B5	Avoided server licenses	B1*B4	\$191,241		
B6	Number of servers decommissioned	B1, annualized	9	9	9
B7	Ongoing costs per server	Forrester estimate	\$29,912	\$29,912	\$29,912
B8	Avoided ongoing server costs	B6*B7	\$269,208	\$269,208	\$269,208
Bt	Avoided on-premises data center costs	B3+B5+B8	\$811,449	\$269,208	\$269,208
	Risk adjustment	↓5%			
Btr	Avoided on-premises data center costs (risk-adjusted)		\$770,877	\$255,748	\$255,748
Three-year, risk-adjusted cumulative total for the composite organization: <b>\$1,282,372</b>		Three-year, risk-adjusted present value for the composite organization: <b>\$1,104,305</b>			

## CRM Administration Savings

Administrative labor savings were not only the largest financial benefit for the interviewed organizations, but they also resonated the most with the interviewees. By migrating to the cloud, organizations eliminated substantial maintenance, support, development, and data management labor previously required to keep their CRM systems running. Major factors that drove administrative savings include:

- › Eliminated data center management.
- › Significantly reduced labor for Dynamics support and enhancement, including configuration, customization, and user management.
- › Significantly reduced custom development needs with usage of out-of-the-box capabilities and “citizen development” rather than fully custom scripting for simple forms, fields, and similar elements.



**CRM administration savings: 25% of total benefits**

- › Significantly reduced data reentry and verification with a unified environment and seamless Office 365 integrations — driving CRM adoption.
- › Reduced labor for data analysis and reporting with better data capture, improved visibility, and enhanced reporting, especially for compliance.

Interviewees also identified that any upgrades to their older systems required far more labor and cost. The local government CRM project manager explained: “When an upgrade happens now, it’s not a big major thing for us where in the past, we prepared [extensively] for an upgrade to anything. It was a huge waste, and now, it’s handled by Microsoft.” The real estate company had customized so heavily, it had become such “a nightmare” to manage that the company mostly started from scratch with best practices during its migration. The CRM manager explained: “Before, we wrote a lot of unsupported code in our on-premises version, which made it a nightmare for us to do upgrades. . . . Now, we went through best practices so that, when Microsoft does upgrades twice a year, we can take those upgrades with it being more of a non-event.”

Based on the workforce reallocation reported by interviewees across these key areas, Forrester modeled the following internal labor savings for CRM administration for the composite organization:

- › Reallocation of three IT administrators to alternative projects, including new CRM-related applications and enhancements.
- › Reallocation of two CRM developers to build new applications and enhancements using Dynamics, PowerApps, Azure, and beyond.
- › Reallocation of two CRM specialists from data entry and verification to supporting additional lines of business and bringing in more data.

Labor savings will vary depending on organizational structure, environment size and complexity, customization, industry, and regional salaries. Forrester’s salary assumptions are based on PayScale salary data at the time of publishing.<sup>2</sup> For some organizations, these savings may be overstated if leadership chooses to hold on to legacy processes with the new environment. Forrester therefore adjusted this benefit downward by 10% to account for these risks and variability, yielding a three-year, risk-adjusted cumulative total of \$1,730,700 and a PV of \$1,405,887 for the composite organization.

“Dynamics 365 definitely requires less scripting [for customization and configuration] than the previous [on-premises] version did in order to achieve the same results, if not better.”

*CRM project manager, local government*



“When we were on-premises, we had to click a button to sync our Exchange server to our CRM server. We were getting a bunch of duplicates and issues, and almost all those issues have gone away now that we are in the cloud.”

*CRM manager, real estate*



### CRM Administration Savings: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Reallocated IT administrators	Customer interviews	2	3	3
C2	IT administrator fully burdened salary	PayScale salary data	\$120,000	\$120,000	\$120,000
C3	Reallocated CRM developers	Customer interviews	1	2	2
C4	Developer fully burdened salary	PayScale salary data	\$135,000	\$135,000	\$135,000
C5	Reallocated CRM specialists	Customer interviews	0	2	2
C6	CRM specialist fully burdened salary	PayScale salary data	\$72,000	\$72,000	\$72,000
Ct	CRM administration savings	$C1 \times C2 + C3 \times C4 + C5 \times C6$	\$375,000	\$774,000	\$774,000
	Risk adjustment	↓10%			
Ctr	CRM administration savings (risk-adjusted)		\$337,500	\$696,600	\$696,600
	Three-year, risk-adjusted cumulative total for the composite organization: <b>\$1,730,700</b>	Three-year, risk-adjusted present value for the composite organization: <b>\$1,405,887</b>			

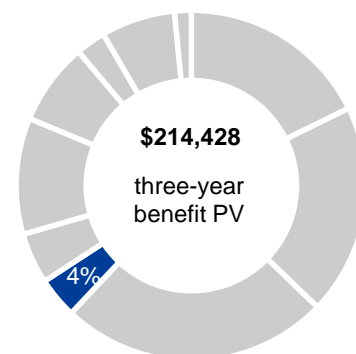
## Low-Code Customization Efficiency

With Dynamics 365, interviewees found that updating or creating new forms, fields, or workflows could now often be completed by a nontechnical resource or business administrator — rather than a time-consuming process of making a request, gathering requirements, and having a highly paid developer make updates and go through a review process to ensure it matched the businessperson’s need. Instead of waiting for IT to make changes that would help the CRM work more optimally for end users, lines of business could do it themselves. Not only did this improve functionality and UX faster, but it also allowed developers to instead divert their high-cost labor hours to more advanced tasks worthy of their skills and that offered growth opportunities for the company.

The real estate CRM manager explained: “Now we can assign someone with an administrative CRM knowledge to add a field, whereas in the past, we would need a developer. Developers cost more per hour, so now they’re working on more complex customizations and building applications instead of simple tasks like adding a field.”

Forrester modeled this benefit for the composite organization based on a four-person development team, for which one developer has been fully reallocated in Year 1 and two developers in Year 2 (see above benefit). Those CRM developers who remain to support the environment and its customizations achieve a 30% productivity improvement as they cut out basic tasks from their workload, driving a greater impact on business outcomes rather than “keeping the lights on.”

Not all organizations will approach development in the same way, and some may not have been as customized initially. Further, enhancement requires change management and team support to change processes; if organizations choose to keep processes the same, they would not recognize this benefit despite its potential. Further risks to the evaluated impact include the number of affected developers, whether they are internal or contracted, and their average salary. Forrester therefore adjusted this benefit downward by 10% to account for risks and variability, yielding a three-year, risk-adjusted cumulative total of \$255,150 and a PV of \$214,428 for the composite organization.



Low-code customization efficiency: 4% of total benefits

“Now we can assign [business administrators] to add a field, whereas in the past, we would need a developer. Developers cost more per hour, so now they’re working on more complex customizations and building applications instead of simple tasks.”

CRM manager, real estate



### Low-Code Customization Efficiency: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
D1	Number of CRM developers	Customer interviews	3	2	2
D2	Percent of time saved by developers	Customer interviews	30%	30%	30%
D3	Developer fully burdened salary	C4	\$135,000	\$135,000	\$135,000
Dt	Low-code customization efficiency	D1*D2*D3	\$121,500	\$81,000	\$81,000
	Risk adjustment	↓10%			
Dtr	Low-code customization efficiency (risk-adjusted)		\$109,350	\$72,900	\$72,900

Three-year, risk-adjusted cumulative total for the composite organization: **\$255,150**

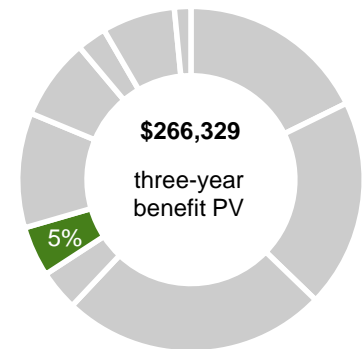
Three-year, risk-adjusted present value for the composite organization: **\$214,428**

## Seller Onboarding

Sellers enjoyed the more modern interface, new features, seamless integrations, and mobile capabilities with Dynamics 365 —driving seller adoption and continued use of the CRM. Synchronized integrations with Outlook collected more interaction data with minimal effort, while sellers added more data and accessed the CRM more frequently while on the go thanks to the improved mobile interface. Finally, some companies that previously had multiple CRM instances in different sites now had a single CRM system, unifying data across regions.

One key outcome of having more data with more detail was that new hires could instantly access this wealth of information to ramp up and begin selling more quickly — with one company shaving off months of time previously dedicated to creating custom lists. Further, new hires found that the Dynamics 365 interface was more familiar due to their prior experience with other Microsoft offerings and were able to learn to use the interface more quickly. “It’s a way better [user experience] than what we had on-premises,” described the real estate company’s CRM manager. He continued, “Today, we can get a new employee trained with access to our CRM data to make calls right away.”

Based on the customer interviews, Forrester modeled that new sellers could be ramped up one week faster. Assuming a 25% annual turnover rate for 600 sellers and an average fully burdened salary of \$83,200 and estimating that only 50% of hours saved are used productively, the composite organization recaptures approximately \$800 in additional value per new seller. Savings will vary depending upon prior state, customizations, industry, turnover, and typical salaries. Forrester’s salary assumption for sellers is based on “The Total Economic Impact Of The Microsoft Sales Productivity Solution,” a Forrester Consulting report commissioned by Microsoft.<sup>3</sup> Forrester adjusted this benefit downward by 15% to account for risks and variability, yielding a three-year, risk-adjusted cumulative total of \$322,320 and a PV of \$266,329 for the composite organization.



**Seller onboarding:  
5% of total benefits**

“It’s a way better [user experience] than what we had on-premises. Today, we can get a new employee trained with access to our CRM data to make calls right away.”

*CRM manager, real estate*



### Seller Onboarding: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
E1	Number of sellers	Composite organization	600	631	663
E2	Percent annual turnover	Forrester assumption	25%	25%	25%
E3	Number of sellers onboarded	E1*E2	150	158	166
E4	Hours saved for onboarding per new seller	Customer interviews	40	40	40
E5	Hours saved for seller onboarding	E3*E4	6,000	6,320	6,640
E6	Seller fully burdened annual salary	Forrester assumption	\$83,200	\$83,200	\$83,200
E7	Percent of time recaptured for business value	Forrester assumption	50%	50%	50%
E8	Recaptured business value per hour of seller productivity saved	E6*E7/2,080	\$20	\$20	\$20
Et	Seller onboarding	E5*E8	\$120,000	\$126,400	\$132,800
	Risk adjustment	↓15%			
Etr	Seller onboarding (risk-adjusted)		\$102,000	\$107,440	\$112,880

Three-year, risk-adjusted cumulative total for the composite organization: **\$322,320**

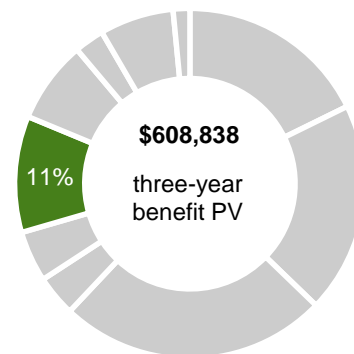
Three-year, risk-adjusted present value for the composite organization: **\$266,329**

## Seller Productivity

The improved user experience and mobile access of Dynamics 365, enhanced capabilities (such as reminders, email sync, and AI-powered suggestions), globally unified data, enhanced data entry and reporting, and centralized storage of past sales efforts and collateral combined to significantly increase seller productivity.

- › “Working faster is a huge benefit of the cloud,” described the head of market to order applications at the manufacturing company. He continued: “We’ve become more global in all ways, and we need central hubs with the power of seamless communication flow about opportunities together with using Outlook, storing customer information, and reusing content in a central place instead of with each department. They all had lots of information before, but they kept it within their own silos.”
- › The real estate CRM manager explained how mobile streamlined field sales: “If [our sellers] are out and drop by a potential client, with the mobile app, they can do a quick search to see ‘Do we know anybody at this company?’”

Many factors impact seller productivity such as industry, selling motions, and the customizations or capabilities that are changed during the migration. Further, it is difficult to quantify the discrete changes to workforce behavior as it may vary widely by employee. To account for the high risk of variation, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted cumulative total of \$755,808 and a PV of \$608,838 for the composite organization.



**Seller productivity: 11% of total benefits**

“Now, [sellers] can get CRM data without ever leaving Outlook. Vice versa, they can see all the email interactions in CRM cards instead of tracking them down. It’s all there and visible because of the connectivity with [Office 365].”

*CRM manager, real estate*



### Seller Productivity: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
F1	Number of sellers	E1	600	631	663
F2	Percent of time spent preparing for sales meetings and creating proposals	Forrester assumption	15%	15%	15%
F3	Increased reusability with unified cloud CRM	Customer interviews	1%	2%	4%
F4	Seller hours saved with reusability	$F1 * F2 * F3 * 2,080$	1,872	3,937	8,274
F5	Percent of time spent mobile or in remote locations	Forrester assumption	10%	10%	10%
F6	Increased productivity with mobile UX and performance	Customer interviews	4%	8%	8%
F7	Seller hours saved while mobile	$F1 * F5 * F6 * 2,080$	4,992	10,500	11,032
F8	Percent of time spent on retrospective or duplicative data entry	Forrester assumption	5%	5%	5%
F9	Reduced time spent on data entry with global CRM, Office 365 integration, and mobile access	Customer interviews	2%	4%	4%
F10	Seller hours saved for data entry	$F1 * F8 * F9 * 2,080$	1,248	2,625	2,758
F11	Total seller hours saved	$F4 + F7 + F10$	8,112	17,062	22,064
F12	Recaptured business value per hour of seller productivity saved	E8	\$20	\$20	\$20
Ft	Seller productivity	$F11 * F12$	\$162,240	\$341,240	\$441,280
	Risk adjustment	↓20%			
Ftr	Seller productivity (risk-adjusted)		\$129,792	\$272,992	\$353,024

Three-year, risk-adjusted cumulative total for the composite organization: **\$755,808**

Three-year, risk-adjusted present value for the composite organization: **\$608,838**

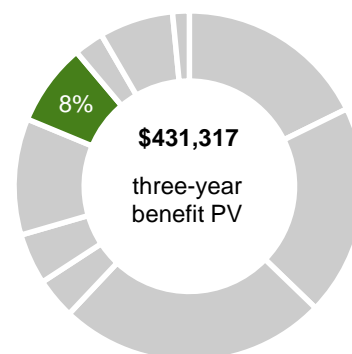
## Seller Effectiveness

The user interface, new capabilities, automated reminders, and beyond didn't just free up labor hours — they also made sellers more effective by helping them stay on top of opportunities, provide more personalized service, and leverage data and past learnings to move more quickly and shorten sales cycles.

- › “[Dynamics 365] is providing efficiency, productivity gains, and helping us provide a better service for our clients,” explained the real estate CRM manager. “It helps us fulfill our promises.”
- › For the professional services company, the global marketing programs manager explained that getting a better understanding of prospects was essential to driving sales: “Our goal is to create a 360-degree view of the client. We want to understand what interactions we're having with [prospects] and clients, and what their sentiment is towards us. We need to create a more personalized and rich experience organically — creating moments that matter — and help [sellers] interact with clients in a more natural and meaningful way.”

Forrester modeled the benefit using a marginal increase in revenue delivered per seller of up to 1% with average sales quotas estimated at \$500,000 per year for the 600 sellers. Forrester assumed a generic operating profit margin of 8.9% to accommodate costs of sales, based on data from the Stern School of Business at New York University.<sup>4</sup>

Measuring and attributing revenue uplift can be highly subjective and subject to market conditions beyond the control of sellers or the organization — making it difficult to tie Dynamics 365 to the achieved sales outcome. Further, each organization's selling motion, average revenue/deal size, and margin will vary. To account for variation and the difficulty of tying the CRM to sales outcomes, Forrester adjusted this benefit downward by 25%, yielding a three-year risk-adjusted cumulative total of \$531,998 and a PV of \$431,317 for the composite organization.



**Seller effectiveness: 8% of total benefits**

“We need to create a more personalized and rich experience organically — creating moments that matter — and help [sellers] interact with clients in a more natural and meaningful way.”

*Global marketing programs manager, professional services*



### Seller Effectiveness: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
G1	Number of sellers	E1	600	631	663
G2	Annual revenue per seller	Composite organization	\$500,000	\$500,000	\$500,000
G3	Percent increase in effectiveness	Customer interviews	0.5%	1.0%	1.0%
G4	Incremental revenue	$G1 * G2 * G3$	\$1,500,000	\$3,155,000	\$3,315,000
G5	Operating profit margin	Stern at NYU, January 2019	8.9%	8.9%	8.9%
Gt	Seller effectiveness	$G4 * G5$	\$133,500	\$280,795	\$295,035
	Risk adjustment	↓25%			
Gtr	Seller effectiveness (risk-adjusted)		\$100,125	\$210,596	\$221,276

Three-year, risk-adjusted cumulative total for the composite organization: **\$531,998**

Three-year, risk-adjusted present value for the composite organization: **\$431,317**

## Sales Manager Productivity

Productivity improvements from the cloud migration to Dynamics 365 benefited sales managers as well, who could now more quickly evaluate sales performance, pipeline, and trends and generate reporting links or dashboards to communicate results with leadership.



Based on the customer interviews, Forrester modeled that sales managers previously spent approximately 5% of their time on data gathering and reporting and see up to a 20% improvement in productivity for those tasks. Assuming 150 sales managers and an average fully burdened annual salary of \$120,150 and estimating that only 50% of hours saved are used productively, the composite organization recaptures approximately \$600 per sales manager annually. Savings will vary depending upon prior state, sales motions, organizational structure, and typical salaries. Forrester's salary assumptions are based on PayScale salary data at the time of publishing.<sup>5</sup> To account for variation, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted cumulative total of \$192,537 and a PV of \$156,094 for the composite organization.

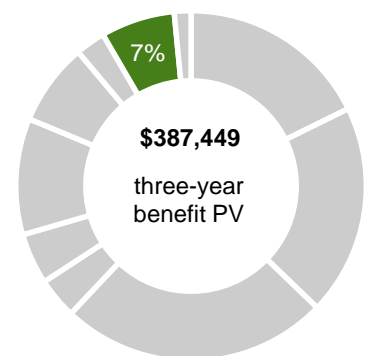
### Sales Manager Productivity: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
H1	Number of sales managers	Composite organization	150	158	166
H2	Percent of time spent gathering and preparing data	Forrester assumption	5%	5%	5%
H3	Percent increase in productivity for gathering and preparing data	Customer interviews	10%	20%	20%
H4	Sales manager hours saved	$H1 \times H2 \times H3 \times 2,080$	1,560	3,286	3,453
H5	Sales manager fully burdened annual salary	PayScale salary data	\$120,150	\$120,150	\$120,150
H6	Percent of time recaptured for added business value	Forrester assumption	50%	50%	50%
H7	Recaptured business value per hour of sales leader productivity saved	$H5 \times H6 / 2,080$	\$29	\$29	\$29
Ht	Sales manager productivity	$H4 \times H7$	\$45,240	\$95,294	\$100,137
	Risk adjustment	↓20%			
Htr	Sales manager productivity (risk-adjusted)		\$36,192	\$76,235	\$80,110
Three-year, risk-adjusted cumulative total for the composite organization: <b>\$192,537</b>		Three-year, risk-adjusted present value for the composite organization: <b>\$156,094</b>			

### Customer Service Agent Productivity

As Dynamics 365 helped organizations enhance the volume, accuracy, and detail of their data, customer service agents benefited from a 360-degree view of the customer's previous experience and background.<sup>6</sup> Further, the new user interface helped agents work more efficiently. Forrester modeled up to a 3% improvement in agent productivity at an average annual salary of \$37,500 for the composite organization based on customer interviews and referencing only 20% of the total 15% increase in agent productivity for new Dynamics 365 customers as discussed in "The Total Economic Impact Of Dynamics 365 For Customer Service".<sup>7</sup>

The impact will vary based on industry, organizational structure, agent responsibility, and level of customization. Further, as measuring and attributing productivity gains associated with the migration can be difficult to prove and may vary by agent or team, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted cumulative total of \$477,894 and a PV of \$387,449.



Customer service agent productivity: **7%** of total benefits

### Customer Service Agent Productivity: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
I1	Number of customer service agents	Composite organization	200	210	221
I2	Baseline percent improvement in agent productivity	Estimate across drivers	1.5%	3%	3%
I3	Total agent productivity hours saved	$I1 * 2,080 * I2$	6,240	13,104	13,790
I4	Agent fully burdened annual salary	Forrester assumption	\$37,500	\$37,500	\$37,500
It	Customer service agent productivity	$I3 / 2,080 * I4$	\$112,500	\$236,250	\$248,618
	Risk adjustment	↓20%			
Itr	Customer service agent productivity (risk-adjusted)		\$90,000	\$189,000	\$198,894
	Three-year, risk-adjusted cumulative total for the composite organization: <b>\$477,894</b>	Three-year, risk-adjusted present value for the composite organization: <b>\$387,449</b>			

### Customer Service Manager Productivity

Now that customer service managers could access the breadth of Dynamics 365 capabilities anywhere and at any time, they could handle unexpected critical issues occurring during off hours without having to come into the office — helping resolve issues faster and saving these managers from frustrating extra hours and trips into the office. The CRM project manager for a local government explained: “Before, only people physically in the offices could take phone calls from the public. Now, those calls can be routed to staff’s mobile phones and logged immediately in Dynamics 365. It means we don’t have to come in on weekends or during major weather events.”

Forrester modeled that customer service managers avoid six instances of unscheduled office visits per year, saving 8 hours of labor each time. Assuming 50 customer service managers and an average fully burdened annual salary of \$87,750 and estimating that only 50% of hours saved are used productively, the composite organization recaptures approximately \$1,000 per customer service manager annually. Savings will vary depending upon prior state, organizational structure, and typical salaries. Forrester’s salary assumptions are based on PayScale salary data at the time of publishing.<sup>8</sup> To account for variation, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted cumulative total of \$107,731 and a PV of \$87,360.

“Before, only people physically in the offices could take [service request] calls. Now, those calls can be routed to staff’s mobile phones and logged immediately in Dynamics 365. It means we don’t have to come in on weekends or when major issues occur.”

*CRM project manager, local government*



### Customer Service Manager Productivity: Calculation Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
J1	Number of customer service managers	Composite organization	50	53	55
J2	Weeks of after-hours or weekend work avoided	Forrester assumption	3	6	6
J3	Work hours avoided per excess week	Customer interviews	8	8	8
J4	Customer service management hours saved	$J1 * J2 * J3 * 2,080$	1,200	2,544	2,640
J5	Customer service manager fully burdened annual salary	PayScale salary data	\$87,750	\$87,750	\$87,750
J6	Percent of time recaptured for added business value	Forrester assumption	50%	50%	50%
Jt	Customer service manager productivity	$J4 / 2,080 * J5 * J6$	\$25,313	\$53,663	\$55,688
	Risk adjustment	↓20%			
Jtr	Customer service manager productivity (risk-adjusted)		\$20,250	\$42,930	\$44,550
	Three-year, risk-adjusted cumulative total for the composite organization: <b>\$107,731</b>	Three-year, risk-adjusted present value for the composite organization: <b>\$87,360</b>			

## Unquantified Benefits

Interviewees also identified a range of benefits that could not be quantified in this study:

- › **Improved user experience and satisfaction.** Users valued the enhanced design of Dynamics 365 along with the way the lines have “blurred” between the CRM and their other key solutions like Outlook and SharePoint. Alongside mobile access and enhanced capabilities, users enjoyed a more pleasant, useful, flexible, and fast CRM.
- › **Generated new business insights and enhanced decision making by consolidating data and leveraging Power BI.** Organizations could better understand their customers, launch new offerings, and become more efficient by leveraging this consolidated data. For example, the local government’s CRM project manager described proactively predicting issues during major events: “If we look at a day like Halloween, there could be a lot of issues with bonfires that we have to deal with. This time, we pulled up the reports from the previous year to see where the hotspots were and had crews on standby. So, when the kids built these massive illegal bonfires, we had crews ready to take the stuff away immediately. It did work.”
- › **Achieved compliance with key regulations, especially GDPR.** Meeting regulatory requirements was a major challenge, especially pertaining to privacy in the CRM system. Overhauling the on-premises environment would have been incredibly complex, expensive, and time-consuming; by adopting Dynamics 365, achieving GDPR compliance was surprisingly simple. The professional services global marketing programs manager explained: “Without Dynamics, we’d be completely non-GDPR-compliant. Having a system like Dynamics in place is hugely beneficial because we have a shared system and practices. There aren’t spreadsheets floating around or that kind of thing, so it’s a huge benefit from a financial risk standpoint. Had we not had Dynamics up and running, we would have been scrambling — it would have been bad — to get GDPR-compliant in time.”
- › **Strengthened security.** Compared to the on-premises environment and internal safeguards, interviewees felt their security risk was lower with using Dynamics 365 as a service from Microsoft.
- › **Reduced risk of lost or inaccurate data.** Improved data collection, scraping, and syncing prevented duplicates and outdated information and ensured everything was captured. This reduced the risk of situations with poor customer experiences, missing paper trails, and excess rework.
- › **Accelerated field service task completion with reduced labor costs.** While this model excludes Dynamics 365 Field Service, interviewees identified similar benefits. The local government CRM project manager explained one example: “We’re hoping to give crews email notifications to their phones to tell them when and where something is happening. Now, they can get there in a more timely manner without having to come back to home base to get the information.”
- › **Accelerated deployment with Microsoft FastTrack.** Microsoft FastTrack for Dynamics 365 is a customer success service from Microsoft that assists cloud migrations for qualified customers. Eligible Fasttrack customers found that the free tool and services successfully reduced the time, cost, and labor required to migrate to Dynamics 365.

“I’m getting positive feedback from our users without even asking them, which is good. I used to get mostly complaints.”

*CRM manager, real estate*



“When major weather events happened, we had to outsource emergency support after-hours. There were no recordings, no scheduling, no reporting. If major events occur now, any related calls that come in will be tagged as associated with that major event. We will then use it for preplanning. If we got a forecast of a high windstorm, we can anticipate high-risk areas based on calls that came in the previous times.”

*CRM project manager, local government*



“Our FastTrack engagement was very successful. The support we got from our FastTrack contact was invaluable. Moving to the cloud would have been a completely different proposition without it because we and our partner didn’t have the migration experience. We were so far behind on CRM 2011, so our systems actually had to go from 2011 to 2013 to 2015 to 2016 and finally to 365 — but we really didn’t see any of that because it was handled by Microsoft FastTrack.”

*CRM project manager, local government*



## Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to migrate to Dynamics 365 in the cloud and later realize additional uses and business opportunities, including:

- › Quickly scaling users and modules to adapt to business changes.
- › Adopting other Dynamics 365 applications such as Field Service, Finance and Operations, and Retail quickly and easily.
- › Adopting other Microsoft offerings to enhance the capabilities and data within Dynamics such as AI for Sales, Power BI, and PowerApps.
- › Leveraging AI and machine learning along with the vast troves of cloud data not available to on-premises implementations to enhance decision making and achieve better business outcomes.
- › Integrating with Office 365 offerings such as Outlook, SharePoint, OneDrive, and Teams.
- › Deploying Microsoft's newest Dynamics 365 features as soon as they are launched rather than waiting for them to reach on-premises versions.
- › Utilizing Microsoft AppSource to browse an array of prepackaged applications from independent software vendors to quickly and easily enhance the Dynamics 365 environment.
- › Engaging with partners — systems integrators, managed services providers, and independent software vendors — who are now more heavily invested in Dynamics 365 than on-premises deployments.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.

"One of the nice things about [Dynamics] is that it's scalable. There are many different things you can light up."

*Global marketing programs manager, professional services*



# Analysis Of Costs

## QUANTIFIED COST DATA AS APPLIED TO THE COMPOSITE

Forrester modeled the financial impact of migrating from an on-premises deployment of Dynamics CRM 2013 to Dynamics 365 in the cloud for the composite organization based on the key findings from the customer interviews. This section discusses the quantified costs of such a migration. The following tables and accompanying text detail the cash flow by cost category over a three-year period. The calculations incorporate risk adjustment, and the table shows the present value (PV) of each cost at a 10% annual discount rate. More information for each cost is available in the corresponding section using the category's name or the reference letter (column labeled "Ref.").

**Costs.** The composite organization incurs the following risk-adjusted costs for its cloud migration from Dynamics CRM 2013 to Dynamics 365:

- › Subscription costs of approximately \$1 million per year for Dynamics 365 users along with \$20,000 in annual additional internet bandwidth.
- › Initial migration costs of \$650,000 over a six-month implementation period, including internal labor, partner migration services, and Azure staging costs. Microsoft FastTrack is included at no additional cost.
- › Biannual update costs of internal labor and professional services starting at \$56,215 in Year 1 and falling to \$9,693 by Year 3.
- › Initial training hours valued at \$153,720 to train 1,000 end users on the Dynamics 365's new capabilities and user interface.

## Total Costs

Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Ktr	Subscriptions	\$0	\$1,001,784	\$1,050,420	\$1,102,332	\$3,154,536	\$2,607,027
Ltr	Cloud migration	\$647,944	\$0	\$0	\$0	\$647,944	\$647,944
Mtr	Biannual updates	\$0	\$56,215	\$19,385	\$9,693	\$85,293	\$74,407
Ntr	User training	\$153,720	\$0	\$0	\$0	\$153,720	\$153,720
	<i>Total costs (risk-adjusted)</i>	<i>\$801,664</i>	<i>\$1,057,999</i>	<i>\$1,069,805</i>	<i>\$1,112,025</i>	<i>\$4,041,493</i>	<i>\$3,483,098</i>

## Subscriptions

Shifting to a cloud subscription model replaced upfront license purchases with per-user, per-month subscriptions for the necessary Dynamics 365 modules. Forrester estimated the composite organization's subscription costs using Microsoft's list pricing for organizations migrating from CRM 2013 to Dynamics 365 Sales and Dynamics 365 Customer Service, with pricing validated by customers and third-party partners. Annualized cost for internet bandwidth from internet service providers is also included, as some interviewees required additional bandwidth to accommodate Dynamics 365 traffic.

Pricing for subscriptions will vary per organization depending upon the number of users and needed modules. To account for potential variation, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted cumulative total of \$3.2 million and a PV of \$2.6 million

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of nearly \$3.5 million.

"Our cost per user now is definitely lower."

*Head of market to order applications, manufacturing*



## Subscriptions: Calculation Table

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
K1	Microsoft subscription costs	Microsoft list pricing	\$0	\$934,080	\$980,400	\$1,029,840
K2	Upgraded internet bandwidth	Forrester estimate	\$0	\$20,000	\$20,000	\$20,000
Kt	Subscriptions	K1+K2	\$0	\$954,080	\$1,000,400	\$1,049,840
	Risk adjustment	↑5%				
Ktr	Subscriptions (risk-adjusted)		\$0	\$1,001,784	\$1,050,420	\$1,102,332
Three-year, risk-adjusted cumulative total for the composite organization: <b>\$3,154,536</b>			Three-year, risk-adjusted present value for the composite organization: <b>\$2,607,027</b>			

## Cloud Migration

Forrester estimated the cloud migration cost for the composite organization with the assumption that it qualifies for and leverages FastTrack for Dynamics 365, a migration assistance service provided by Microsoft for qualified customers. The composite organization completes its migration over a six-month period, dedicating four IT staff to the initiative supported by eight partially dedicated employees, FastTrack, and a third-party Microsoft partner for professional migration services. Assuming an average fully burdened salary of \$120,000 per year for IT employees, the organization dedicates \$383,040 of internal labor along with \$200,000 for partner services and \$6,000 for Azure staging costs to support the FastTrack segment of the migration.

Migration labor and third-party cost varied significantly for each interviewed organization. For two organizations, complex customization that had been created in their legacy on-premises environments led to major challenges that required reworking. Two organizations also faced performance challenges that needed to be resolved before going live. This led to longer implementations taking nine to 18 months. On the other hand, other interviewees found the migration to occur quicker than expected in only three to six months. The head of market to order applications at the manufacturing company elaborated: "We used FastTrack for our upgrade, which was free to us. Between them, [our partner], and a few IT staff, we did it in about three months."

To account for these risks, Forrester built in a 33% probability of delays and additionally adjusted this cost upward by a moderate risk of 10%, yielding a risk-adjusted initial cost of \$647,944 for the composite organization.



Migrations varied from 3 to 18 months depending on prior version and customization.

"Our FastTrack engagement was very successful. The support we got from our FastTrack contact was invaluable. Moving to the cloud would have been a completely different proposition without it."

*CRM project manager, local government*



## Cloud Migration: Calculation Table

Ref.	Metric	Calculation	Initial
L1	Internal labor costs	Customer interviews	\$383,040
L2	Azure staging costs for FastTrack	List pricing	\$6,000
L3	Partner migration services	Customer interviews	\$200,000
Lt	Cloud migration	L1+L2+L3	\$589,040
	Risk adjustment	↑10%	
Ltr	Cloud migration (risk-adjusted)		\$647,944

Risk-adjusted initial cost for the composite organization: **\$647,944**

## Biannual Updates

Rather than infrequent major upgrades, organizations received small regular updates as often as weekly along with two larger updates per year. These updates generally required modest labor to test and release, though select organizations with unusual custom deployment needs or extensive external scripting may find updates to be significantly more time-consuming and expensive. In general, interviewees involved a partner and several IT employees for the first couple of updates until they were used to the new way of working, at which point updates became faster, less costly, and more routine for only one to two employees.

Forrester’s model of the composite organization measures three employees for a six-week period with the help of a partner for the first two updates, diminishing to two employees for four weeks and no partner involvement for the next two updates and only one employee for four weeks by the third year. Some interviewees identified that their unusual custom deployments or extensive external scripting caused updates to be significantly more time-consuming and expensive, but organizations using the solution within typical parameters should be able to keep this to a minimum. To account for this risk, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted cumulative total of \$85,293 and PV of \$74,407 for the composite organization.

“When an upgrade happens now, it’s not a big major thing for us where in the past, we prepared [extensively] for an upgrade to anything. It was a huge waste, and now, it’s handled by Microsoft.”

*CRM project manager, local government*



### Biannual Updates: Calculation Table

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
M1	Internal labor costs	Customer interviews	\$0	\$41,538	\$18,462	\$9,231
M2	Professional services costs	Customer interviews	\$0	\$12,000	\$0	\$0
Mt	Biannual updates	M1+M2	\$0	\$53,538	\$18,462	\$9,231
	Risk adjustment	↑5%				
Mtr	Biannual updates (risk-adjusted)		\$0	\$56,215	\$19,385	\$9,693
	Three-year, risk-adjusted cumulative total for the composite organization: <b>\$85,293</b>		Three-year, risk-adjusted cumulative total for the composite organization: <b>\$74,407</b>			

## User Training

To recognize the end user benefits of Dynamics 365’s features and user experience, users must be trained on the new interface and capabilities. Customers found that training was not a major barrier, with users requiring a few hours of time to learn the new systems. Users become more proficient over time while doing tasks, which is reflected in the benefits section of this report as benefits are not fully recognized in the first year. Forrester modeled this cost for the composite organization using the following estimates:

- › Sellers participate in 4 hours of training at a fully burdened cost of \$40 per hour.
- › Sales managers participate in 4 hours of training at a fully burdened cost of \$58 per hour.
- › Customer service agents participate in 2 hours of training at a fully burdened cost of \$18 per hour.
- › Customer service managers participate in 4 hours of training at a fully burdened cost of \$42 per hour.

This cost will vary depending on which features are adopted, design customization, prior version, and relative salary of end users. Some users or organizations may find they need more training depending on how much they have redesigned and rearchitected their workflows from their prior versions. To account for this risk, Forrester adjusted this cost upward by 5%, yielding an initial cost of \$153,720 for the composite organization.

### User Training: Calculation Table

Ref.	Metric	Calculation	Initial
N1	Number of sellers	E1	600
N2	Seller training cost	$N1*4*\$40$	\$96,000
N3	Number of sales managers	H1	150
N4	Sales manager training cost	$N3*4*\$58$	\$34,800
N5	Number of customer service agents	I1	200
N6	Customer service agent training cost	$N5*2*\$18$	\$7,200
N7	Number of customer service managers	J1	50
N8	Customer service manager training cost	$N7*4*\$42$	\$8,400
Nt	User training	$N2+N4+N6+N8$	\$146,400
	Risk adjustment	↑5%	
Ntr	User training (risk-adjusted)		\$153,720

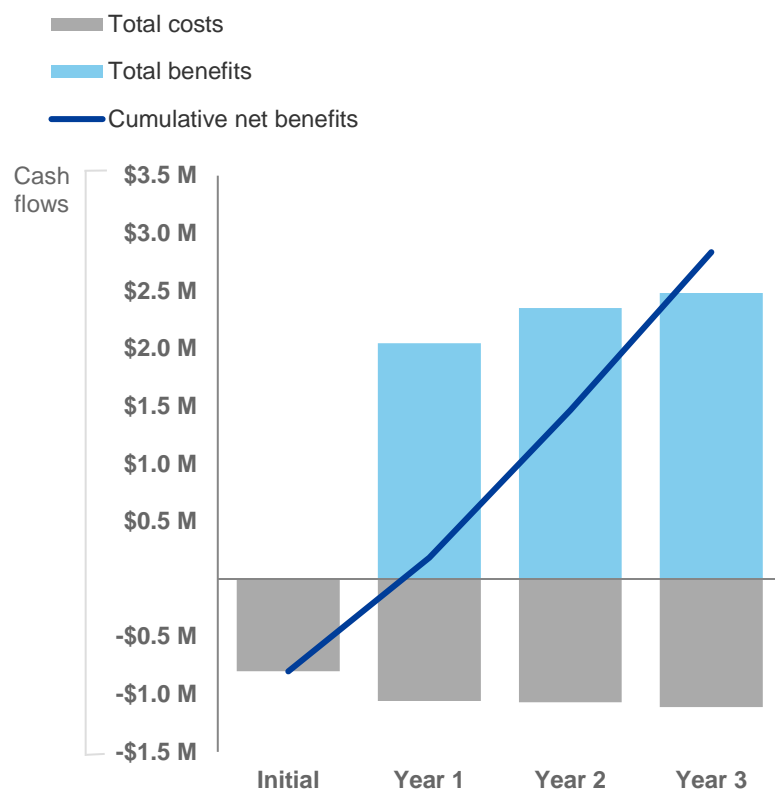
Risk-adjusted initial cost for the composite organization: **\$153,720**



# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

### Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the TCO, 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 TCO, 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	(\$801,664)	(\$1,057,999)	(\$1,069,805)	(\$1,112,025)	(\$4,041,493)	(\$3,483,098)
TCO savings	\$0	\$1,567,797	\$1,450,961	\$1,470,538	\$4,489,296	\$3,729,248
End user benefits	\$0	\$478,359	\$899,194	\$1,010,735	\$2,388,288	\$1,937,387
Total benefits	\$0	\$2,046,156	\$2,350,155	\$2,481,273	\$6,877,584	\$5,666,635
Net benefits	(\$801,664)	\$988,157	\$1,280,349	\$1,369,248	\$2,836,091	\$2,183,537
TCO reduction						7%
ROI						63%
Payback period						10 months

# Microsoft Dynamics 365 Cloud Migration: Overview

The following information is provided by Microsoft. Forrester has not validated any claims and does not endorse Microsoft or its offerings.



## Migrate to the cloud today and do more with Microsoft Dynamics 365

Microsoft Dynamics 365 provides you with access to the data, insights, and innovations that enable your business to thrive. Discover greater business potential with the benefits of the Microsoft cloud and a comprehensive suite of Microsoft Dynamics business applications that meet your business demands.

- › **Improve security, privacy, and reliability.** Get peace of mind knowing your sensitive business data is stored in highly secure, state-of-the-art data centers owned and managed by Microsoft. Your data will be there when you need it, thanks to a 99.9% uptime service-level agreement (SLA).
- › **Enable scalability and flexibility.** Support business growth when you need it without costly changes to your IT infrastructure, including the ability to quickly activate and deploy new users.
- › **Free up IT resources.** Improve IT productivity by reducing the complexity associated with managing hardware and software and providing support. Eliminate the hassle of software maintenance tasks — such as backups, upgrades, and patches — and free up IT staff to focus on strategic planning and other high-priority work items.
- › **Bring all your data together.** Dynamics 365 lets you connect CRM and ERP data for a 360-degree view of your business and access it from familiar solutions like Microsoft Office 365 and Microsoft Power BI. Share secure data across all your Microsoft Dynamics 365 applications with Common Data Service for Apps and utilize built-in tools and create customized apps that can synthesize data across your entire organization.
- › **Adapt to your business needs.** Enhance your Dynamics 365 experience with prebuilt business applications developed by Microsoft and select partners in the AppSource marketplace, or build your own apps with the Microsoft Power Platform and then further customize and extend them. Test new modifications or releases before your production environments are updated using your customizable “sandbox” environments.
- › **Increase collaboration and productivity.** Enhance teamwork and boost productivity with access to information from anywhere, at any time, from any device. Enable remote employees to share information in real time, allowing for easier and more efficient collaboration.
- › **Empower your organization to do more.** Give your team the tools and information they need to compete, succeed, and excel with access to innovations like artificial intelligence (AI) and predictive analytics.
- › **Integrate more products that work better together.** Leverage your data across the full array of Microsoft Dynamics 365 products and the rest of the Microsoft product portfolio.
- › **Gain insights from cloud intelligence.** Plan and strategize confidently with insights that only cloud intelligence can provide. Utilize Power BI, predictive analytics, and artificial intelligence to analyze your business data to make the most informed decisions for your business. For example, increase sales team efficiency with automated lead scoring and prospect prioritization to help you better predict and secure leads.
- › **Simplify training and onboarding.** Improve the training and onboarding experience with easy-to-use online guides for tasks such as creating a new account, opening a PO, or assigning resources to a ticket or project. As an online subscriber, you get access to predictable, incremental app updates rather than large-scale upgrades, which can help reduce your users’ learning curve and simplify training efforts.
- › **Access the latest features immediately.** Gain peace of mind that you are always on the most up-to-date and compliant version of Microsoft Dynamics 365. Regular app updates behind the scenes ensure you have constant access to the latest functionalities and never have to play the version catch-up game. Understand and plan for what’s coming next by accessing comprehensive product release notes.

Contact your Microsoft partner or account manager or visit [dynamics.microsoft.com](https://dynamics.microsoft.com) to learn how Microsoft Dynamics 365 can help transform your organization.

# 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

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- <sup>1</sup> Source: “On-Premises Infrastructure Costs Analysis Tool,” Forrester Research, Inc., January 9, 2015.
- <sup>2</sup> Source: PayScale (<https://www.payscale.com/my/survey/choose>).
- <sup>3</sup> Source: “The Total Economic Impact Of The Microsoft Sales Productivity Solution,” Forrester Consulting report prepared for Microsoft, March 2016.
- <sup>4</sup> Source: “Margins by Sector (US)”, Stern School of Business at New York University, January 2019.
- <sup>5</sup> Source: PayScale (<https://www.payscale.com/my/survey/choose>).
- <sup>6</sup> Source: “The Total Economic Impact Of Dynamics 365 For Customer Service,” Forrester Consulting report commissioned by Microsoft, March 2018.
- <sup>7</sup> Source: Ibid.
- <sup>8</sup> Source: PayScale (<https://www.payscale.com/my/survey/choose>).