

A Forrester Total Economic Impact™
Study Commissioned By Microsoft
March 2018

The Total Economic Impact™ Of Microsoft Dynamics 365 For Customer Service

Investing In A Foundation For Customer
Experience

Table Of Contents

Executive Summary	1
Key Findings	2
TEI Framework And Methodology	4
The Dynamics 365 For Customer Service Customer Journey	5
Interviewed Organizations	5
Key Challenges	5
Key Results	6
Composite Organization	7
Financial Analysis	8
Agent Efficiency	8
Cost Avoidance — Employee Retention	9
Reduced Onboarding And Training Costs	10
Incremental Sales And Gross Margin	11
Incremental Output For IT Staff	12
License Cost Avoidance — Prior CRM System(s)	12
Unquantified Benefits	12
Flexibility	13
Annual License Cost For Customer Service	14
Internal IT Implementation Labor Costs	15
Professional Service Fees For Implementation	15
Training Cost	16
Financial Summary	17
Microsoft Dynamics 365 for Customer Service: Overview	18
Appendix A: Total Economic Impact	19
Appendix B: Endnotes	20

ABOUT FORRESTER CONSULTING

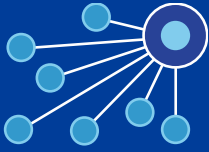
Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

© 2018, Forrester Research, Inc. All rights reserved. Unauthorized reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to forrester.com.

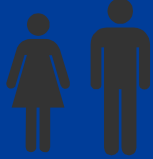
Project Director:
Jeffrey North,
Principal Consultant

Executive Summary

Benefits And Costs



Contact center staff efficiency:
\$5.8 million



Employee retention:
\$5.6 million



Training cost savings, increased sales, IT cost savings
\$2.5 million



License for Customer Service cloud platform:
\$2.3 million

In today's world, customers decide how customer-centric a company is. Good customer service should capture the fundamentals of a great experience: ease, effectiveness, and emotion. For many companies, this level of service is a cornerstone of their customer experience strategy. Good customer experiences can help control costs and provide a foundation for sustainable top-line growth.

Forrester's research shows that customer experience (CX) leaders grow revenue faster than customer experience laggards, drive higher brand preference, and can charge more for their products.¹ Further, there is new evidence that CX quality can even affect stock performance.² As a result, customer service technology is high on the list of many organizations' investment priorities.

The rate of technology advances in customer service applications — including artificial intelligence (AI), process automation, enhanced self-service capabilities like chatbots, and new cloud deployment options — has made it easier to deliver great customer service.

These advances allow customer service organizations to modernize established technology and reimagine how they provide service, by leveraging automation, data, and agents' skills. These advances also allow customer service organizations to be agile enough to react to customers' changing expectations for service and to stay a step ahead of their competition.

Microsoft provides a customer service platform with multiple deployment options — cloud-based, on-premises, and hybrid — that helps organizations serve their customers with a unified, omnichannel, adaptable service environment. The platform integrates and automates across applications to bring tools, guidance, and data from any varied collection of repositories and resources. The automation of processes enhances employee productivity as well as customer satisfaction.

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) organizations may realize by deploying Dynamics 365 for Customer Service. This study focuses on cloud deployments, although the solution offers on-premises and hybrid deployment options as well. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Dynamics 365 for Customer Service within their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed six Microsoft customers with experience using Dynamics 365 for Customer Service in their customer-facing organizations. They described how the application enabled better customer experience, with fewer employees, lighter infrastructure requirements, and some offloading of development work from IT to business units.

Prior to using Dynamics 365 for Customer Service, the organizations that participated in this study faced challenges of providing competitive customer service using older, disjointed applications atop unsynchronized data stores. This made the job of customer service more difficult, more frustrating, and more costly. These limitations led to an evaluation and proof-of-concept trials of modern alternatives for cloud-based customer service platforms.



ROI
259%



Benefits PV
\$13.9 million



NPV
\$10.0 million



Payback
7 months

Key Findings

Quantified benefits. The following risk-adjusted quantified benefits are representative of those experienced by the companies interviewed:

- › **Fewer staff can care for more customers.** Contact center staff become 5% to 15% more efficient with better tools and immediate access via a single interface, to rich knowledge of the customer aggregated from core customer service applications, and extended data sources and applications that were not previously accessible via their legacy customer service tools. Ultimately call center agents can take better care of more customers, which is worth nearly \$5.8 million to an organization over three years.
- › **Employees stay with the company longer.** Customer service representatives experience less frustration and enjoy greater job satisfaction when armed with tools to do a better job. Thus, employees stay with their companies longer, which is worth nearly \$5.6 million in Forrester's model.
- › **New hires contribute more, faster.** The automation, intuitive interface, and customer resource aggregation across Dynamics 365, legacy and third-party applications reduce onboarding and training costs. Savings of nearly \$274,000 accrue as a result.
- › **Satisfied customers spend more.** Conservative estimates of customer retention and spending that can accrue because of enhanced customer experience sum to about \$1 million. Readers of this study should use the model parameters to estimate their own boosts to sales and gross margin.
- › **Development shifts from IT to the business.** The business organizations were happy to take ownership of some of the light development duties in Dynamics 365, which has allowed them to be more agile and to roll out innovation faster to agents and customers. This is a resource-saving feature for the IT organization, but it is even more valuable to the business that can compress the time to better customer engagement.
- › **Organizations can eliminate legacy licenses.** Microsoft customers interviewed for this study described the legacy licenses that become obsolete with Dynamics 365. They now avoid these annual costs, which sum to \$1.2 million in savings over three years.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:

- › **Choosing cloud or on-premises.** The organizations in this study had decided to move their customer service workloads to the cloud. They retain the option to move back to the data center or to a hybrid deployment, however, with the investment in Microsoft. That is not the case with some competing alternatives, which do not have on-premises solutions. This is a valuable option for several scenarios — in mergers and acquisitions (M&A), in which one business unit could run in the cloud while another runs on-premises, or for operations in countries that do not permit cloud solutions.

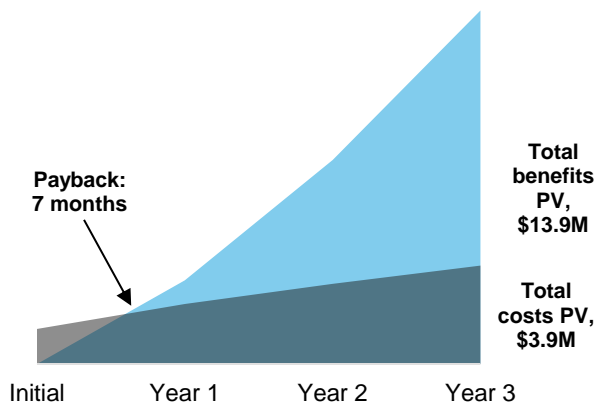
- › **Integrating the Dynamics 365 for Customer Service solution with the rest of the Microsoft technology stack.** Dynamics 365 for Customer Service is built on the same platform as other Dynamics 365 business applications, such as Dynamics 365 for Sales and Field Service, and integrates tightly with Office 365, Power BI, AI framework, bot framework, Cortana, and Azure Machine Learning.

Costs. The interviewed organizations experienced the following risk-adjusted PV costs:

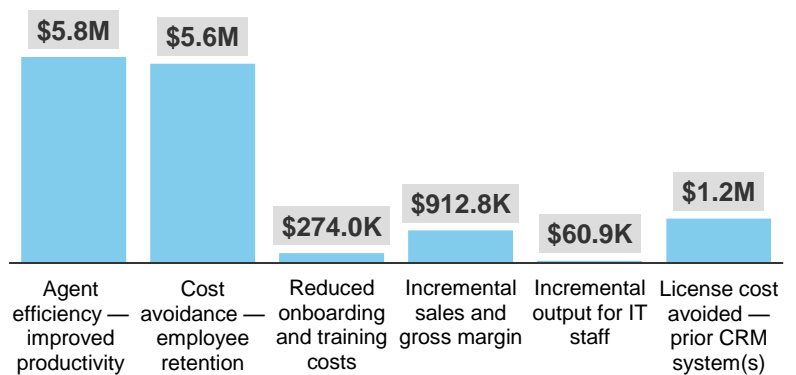
- › **Annual fee to Microsoft.** For a customer service force of 800 agents and 200 support staff, the license cost amounts to \$931,200 annually (based on list price; volume discounts typically apply), or \$2.3 million (present value) over three years.
- › **Internal IT implementation labor.** The companies' own IT staffs need to dedicate time and talent for their Dynamics investment. This amounts to \$226,200 (present value) over three years.
- › **Professional services fee for implementation.** All the companies in this study engaged a Microsoft partner for implementation assistance for technical and training services valued at \$1.2 million.
- › **Internal training costs.** Agent and support personnel training calculates to \$111,258 in present value terms over three years for an organization of 1,000 affected employees.

Forrester's interviews with six existing customers and subsequent financial analysis found that an organization based on these interviewed organizations experiences benefits of \$13.9 million over three years versus costs of \$3.9 million, adding up to a net present value (NPV) of nearly \$10 million and an ROI of 259%.

Financial Summary



Benefits (Three-Year)



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 implementing Microsoft Dynamics 365 for Customer Service.

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 Dynamics 365 for Customer Service can have on an organization:



DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to the Microsoft Dynamics 365 product.



CUSTOMER INTERVIEWS

Interviewed 6 organizations using Dynamics 365 for Customer Service 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 the Microsoft Dynamics 365 for Customer Service 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 for Customer Service.

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 Dynamics 365 For Customer Service Customer Journey

BEFORE AND AFTER THE DYNAMICS 365 FOR CUSTOMER SERVICE INVESTMENT

Interviewed Organizations

For this study, Forrester conducted six interviews with organizations using Microsoft Dynamics 365 for Customer Service. Interviewed customers include the following:

INDUSTRY	REGION	INTERVIEWEE	SCOPE
Financial services	Pan-Europe	CRM program manager	650 agents serving 4,500 independent financial advisors, 1 million customers
Retail banking	UK	Head of CRM solutions	200 agents, 100 locations, 1 million customers
Business process outsourcing (BPO) for customer service	Italy	Director general, IT	800 agents in call center support to enterprise clients' customers in finance, utilities, telecom
Personal care products	Korea	Development supervisor and four dev team members	130 agents providing customer service support to independent business owners
Air cargo	USA	Manager of corporate security	1,000 agents engaged in physical security case management
Rail transportation	Scandinavia	Business support manager	500 agents with the ability to cross- and up-sell

Key Challenges

The customer service IT specialists and business unit leaders interviewed for this study described a range of challenges and opportunities that drove their decisions to invest in and deploy Dynamics 365 for Customer Service.

- › **Legacy “systems” were difficult and costly to maintain.** Older systems from multiple vendors, as well as in-house/local vendor custom apps, no longer comprised an enterprise solution. Organizations needed a consolidated CRM system, especially if some development could be decentralized and give the business the ability to make system changes.
- › **Customer service agents’ jobs were more difficult.** Greater degrees of difficulty with agent desktops translated into lower levels of customer service and care, as agents lost focus on the customer conversation. Organizations needed to synchronize the customer service front end with databases and back-end systems. Without such synchronization, agents had to toggle back and forth, in and out of various systems, all of which required separate passwords and login routines.

“We had used multiple systems to perform customer consulting. We wanted to advance our customer service with one solution to cover all processes, with better operational efficiency.”

Development supervisor, personal care products



- › **Organizations wanted to shift from basic customer service to holistic customer engagement.** Most of the organizations interviewed for this study needed their customer service capabilities to be competitive differentiators. They sought better response times, faster case resolution, and greater customer satisfaction scores to underpin customer loyalty and ultimately market share. This underscored their need for real-time voice-of-the-customer reports, for example.
- › **Cost was a concern.** For the one Dynamics 365 user organization that built a net-new implementation, with no legacy considerations, the lower cost of the Microsoft solution and lower attendant implementation and maintenance costs won out in evaluations of alternatives.

“Dynamics costs about the same as the system it replaces, but our speed-to-market is 10 times faster. Our environment now is agile, so we can respond fast to feedback, and development is a lot easier. Especially when the business, not IT, can perform that development.”

IT manager for corporate security, air cargo carrier



Key Results

The interviews revealed that key results from the Dynamics 365 for Customer Service investment include:

- › **Consolidation into one system.** Organizations sought and found one place to consolidate customer information.
- › **Faster resolution of customer inquiries.** Shorter resolution times result because the solution is intelligent. Agents are smarter when the system allows them to focus on the customer interaction, supported by a host of agent-enabling functionality.
- › **Faster onboarding of new agents.** New hires experience faster time-to-proficiency as the result of training, tailored guidance, and automation across the applications that are built into the platform.
- › **Voice of the engaged customer.** The customer journey is richer when experiences are connected across channels and data is connected across sources to create a full 360-degree view of the customer. A comprehensive view of the customer, using a host of inputs, is game-changing for the companies in this study.
- › **New agile platform business development.** Several organizations interviewed for this study reported value in shifting some development tasks from IT to the business unit.
- › **Future proofing customer service.** The common data service and deep integration creates options for integrating campaign management, outbound sales, and new customer engagement programs.

“This is about being smarter with the information we have about customers.”


CRM solution head, banking



- › **Job enrichment of agents.** Agents spend more time with customers, solving issues faster, and spend less time training for routine system processes that are now automated or offloaded via deflection. Dynamics 365 for Customer Service eliminates multiple password authentications, reduces errors, ends the need for note taking and cut-and-pasting from one screen to the screen of another system or database, and reduces after call work (ACW) time. What was manual and duct-taped is now automated and system-supported behind Microsoft’s Unified Service Desk. This works magic on retention, absenteeism, and, ultimately, revenue.
- › **Sales and market share.** Forrester research shows that industry-leading customer engagement is likely to result in revenue growth that is much greater than that of competitors that place less emphasis on care for their customers. Interviewees in this study have not yet strongly documented evidence for increases in sales volumes, and greater competitive presence in their markets; most are just out of the starting blocks with their Dynamics 365 investments. Nevertheless, one financial services firm in this study cited its Net Promoter Scores as well above industry averages.³ Sales follow satisfaction. Further, Forrester research shows that superior customer experience drives superior revenue growth, especially in industries where customers are free to switch business and competitors deliver differentiated customer experience.⁴

“With Unified Service Desk, when a client calls, the whole system context is keyed on the client’s ID, so the rep uses one system synchronized to the knowledge base of the bank — instead of having to navigate and remember how to use 18 systems.”

CRM program manager, banking



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 six 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 has the following characteristics:

Description of composite. The composite is a \$1 billion multinational business-to-consumer organization providing sales, customer support, and service/warranty support. The organization has a strong orientation toward improving customer experience for about 1 million customers. The organization has global operations across three contact centers, with 800 agents and 200 supporting users of the system.

Deployment characteristics. The organization has recently built customer service functions around the new Dynamics 365 for Customer Service implementation. Several needs drove this endeavor: a need to simplify the agent experience and provide a robust 360-degree view of the customer for more personalized service, a need to shift from reactive customer service to proactive customer engagement, a need for reductions in operating cost, and a need to shift some development from IT to business owners. Previously, the company had relied on 18 separate systems, as well as spreadsheets, email, file sharing, paper, and telephones. The company anticipates it will initiate outgoing communication soon for light selling, marketing campaigns, and proactive customer care.



Key assumptions
800 agents, 200 support staff using Dynamics 365 in three contact centers

Financial Analysis

QUANTIFIED BENEFIT AND COST DATA AS APPLIED TO THE COMPOSITE

Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Agent efficiency — improved productivity	\$1,200,000	\$2,400,000	\$3,600,000	\$7,200,000	\$5,779,113
Btr	Cost avoidance — employee retention	\$1,530,000	\$2,295,000	\$3,060,000	\$6,885,000	\$5,586,627
Ctr	Reduced onboarding and training costs	\$110,160	\$110,160	\$110,160	\$330,480	\$273,952
Dtr	Incremental sales and gross margin	\$250,000	\$375,000	\$500,000	\$1,125,000	\$912,847
Etr	Incremental output for IT staff	\$24,480	\$24,480	\$24,480	\$73,440	\$60,878
Ftr	License cost avoidance — prior CRM system(s)	\$500,000	\$500,000	\$500,000	\$1,500,000	\$1,243,426
	Total benefits (risk-adjusted)	\$3,614,640	\$5,704,640	\$7,794,640	\$17,113,920	\$13,856,843

Agent Efficiency

According to those interviewed for this study, much of the benefit of an investment in Dynamics 365 for Customer Service accrues from the boost in efficiency of contact center staff. The organization can handle a greater number of enquiries with the same number of agents when they are faster and more effective with customer interactions and when incoming customer questions are solved through self-service or deflected to lower cost channels.

Staff save time when they no longer must navigate siloed applications and databases and are freed from multiple password authentications with a single sign-on. Further, they no longer need to remember all the steps necessary to access or enter customer data. Automated tools guide them through about one hundred varied customer interactions.

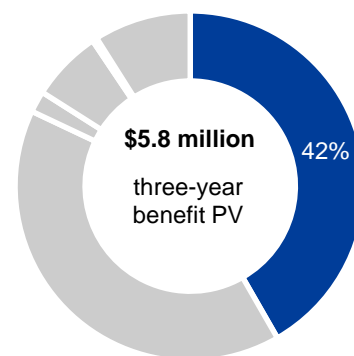
Most importantly, this solution provides the full 360-degree view of the customer as it integrates the organization's body of knowledge across Dynamics 365 and third-party applications and data sources. Staff can take better, faster care of customers, with better first-call resolution rates, fewer escalations and shorter handle times.

Interviewees estimated that their contact center staff are 5% to 15% more efficient with the implementation of Dynamics 365 for Customer Service.

- › Forrester assumes a 5% boost in Year 1 and 15% in Year 3, as shown below, or 40, 80, and 100 full-time equivalents (FTEs) for years 1, 2, and 3, respectively.
- › Fully loaded (including all benefits) annual compensation for contact center personnel is \$37,500.

The potential risks that can impact this benefit include the following:

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of nearly \$13.9 million.



Staff efficiency: 42% of total benefits

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.

- › Implementation could be delayed or incur unexpected complexity.
- › The organization could underestimate the time and effort needed for staff to switch from old systems and practices to the new system capabilities.

To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of \$5,779,113.

Agent Efficiency — Improved Productivity

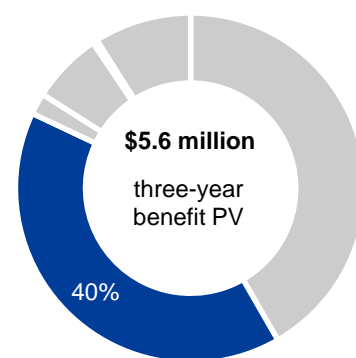
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Efficiency improvement	5% - 15% (per interviews)	5%	10%	15%
A2	Number of call center agents	Composite	800	800	800
A3	Full-time equivalent value	A1*A2	40	80	120
A4	Annual compensation	\$30,000+25% benefits	\$37,500	\$37,500	\$37,500
At	Agent efficiency — improved productivity	A3*A4	\$1,500,000	\$3,000,000	\$4,500,000
	Risk adjustment	↓20%			
Atr	Agent efficiency — improved productivity (risk-adjusted)		\$1,200,000	\$2,400,000	\$3,600,000

Cost Avoidance — Employee Retention

When Dynamics 365 for Customer Service replaces multiple legacy systems, contact center staff benefit from an enriched platform from which to serve their customers. These employees be more effective during customer engagements and thus gain greater job satisfaction due to a simplified, more intelligent, more satisfying, and less frustrating work environment. System ease of use increases, as described throughout this study. Automation reduces the strain and allows staff to focus on customer concerns, acquire new skills more rapidly, and deliver more successful engagements and business results. Organizations in the study explained how Dynamics engenders a great deal of “rep happiness” when employees see that their organization invests in their tools and technical infrastructure. The result is higher retention and lower cost of recruiting and replacing staff.

For the composite organization, Forrester assumes that:

- › Retention improves by 5% in Year 1, or 40 contact center staff that do not leave the organization, followed by 60 in Year 2 (7.5%) and 80 in Year 3 (10%).
- › The fully loaded compensation for contact center personnel is \$37,500.



Employee retention: **40%**
of total benefits

- › The cost to replace an employee amounts of 1.5 times the base salary, or \$45,000.

The reduction in this expense will vary with:

- › The duration and effectiveness of the Dynamics implementation.
- › The labor market in the region.
- › The average salary of contact center staff.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of \$5,586,627.

Cost Avoidance — Employee Retention					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Number of employees retained due to job enrichment	Interviews	40	60	80
B2	Cost to replace employee	1.5*\$30,000	\$45,000	\$45,000	\$45,000
Bt	Cost avoidance — employee retention	B1*B2	\$1,800,000	\$2,700,000	\$3,600,000
	Risk adjustment	↓15%			
Btr	Cost avoidance — employee retention (risk-adjusted)		\$1,530,000	\$2,295,000	\$3,060,000

Reduced Onboarding And Training Costs

Dynamics 365 for Customer Service reduces the “time-to-contribution” for new hires in the contact center. Automation dynamically guides them through processes, bringing data from multiple applications to the customer engagement in intelligent ways. Finally, new hires are productive sooner when they do not need to learn the vagaries of multiple, un- or semi-connected applications and databases. This reduces training time, and practical experience begins sooner.

For the composite organization, Forrester assumes:

- › Eighty-five new hires per year.
- › An hourly wage (with benefits) of \$18.00.
- › Average reduction on training time of 80 hours or about two weeks.

To account for the risks that would cause overestimation of this benefit, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of just under \$274,000.



Unified Service Desk
integrates company
knowledge, alleviating the
search and training burdens.

Reduced Onboarding And Training Costs

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Number of workers		85	85	85
C2	Hourly rate per person	A4/2,080	\$18.00	\$18.00	\$18.00
C3	Number of hours saved		80	80	80
Ct	Reduced onboarding and training costs	C1*C2*C3	\$122,400	\$122,400	\$122,400
	Risk adjustment	↓10%			
Ctr	Reduced onboarding and training costs (risk-adjusted)		\$110,160	\$110,160	\$110,160

Incremental Sales And Gross Margin

Forrester's customer experience research shows better CX correlates with higher revenue growth in most industries.⁵ Customers interviewed for this study were in the early stages of their Dynamics 365 implementation and had not documented their sales or profit increases resulting from their Dynamics investment. Yet organizations would not invest in a state-of-the-art CRM system without an assumption that better customer experience would result in additional sales and profit. Further, Forrester includes this benefit category with modest monetary assumptions, to help readers build an ROI model with their own estimates of this value.

For the composite organization, Forrester assumes that:

- › There are 1,000 new or retained customers in Year 1, 1,500 in Year 2, and 2,000 in Year 3.
- › Each customer spends \$1,000 each per year.
- › The organization reports a gross margin of 25%.

No risk adjustment is used for this benefit calculation as it will vary by organization and industry, and the amounts included here are minimums. The simplified calculation yields a three-year total PV of \$912,847.

Incremental Sales And Gross Margin

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
D1	Customers retained or acquired		1,000	1,500	2,000
D2	Average net revenue per customer		\$1,000	\$1,000	\$1,000
D3	Gross margin		25%	25%	25%
Dt	Incremental sales and gross margin	D1*D2*D3	\$250,000	\$375,000	\$500,000
	Risk adjustment	0%			
Dtr	Incremental sales and gross margin (risk-adjusted)		\$250,000	\$375,000	\$500,000

Incremental Output For IT Staff

Interviewed customers offloaded light development tasks from IT departments to business units. With legacy systems and temperamental connectivity (“Why is the system slow this morning?”), IT needed to be on hand to make even the smallest changes. With Dynamics 365, user teams can make many of the simple changes they request, which frees IT for other initiatives.

For the composite organization, Forrester assumes:

- > Five IT developers.
- > A loaded compensation of \$36.00 per hour.
- > Time savings of 160 hours per year (about four weeks).

A risk adjustment of 15% is used for this benefit calculation, as it will vary by organization and technical parameters and complexity. The calculation yields a three-year total PV of \$60,878.

Incremental Output For IT Staff					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
E1	Number of IT staff		5	5	5
E2	Hourly rate per person (rounded)	$\frac{\$60,000 \times 1.25}{2,080}$	\$36.00	\$36.00	\$36.00
E3	Number of hours saved		160	160	160
Et	Incremental output for IT staff	$E1 \times E2 \times E3$	\$28,800	\$28,800	\$28,800
	Risk adjustment	↓15%			
Etr	Incremental output for IT staff (risk-adjusted)		\$24,480	\$24,480	\$24,480

License Cost Avoidance — Prior CRM System(s)

With the implementation of Dynamics 365, the composite organization, like the companies interviewed for this study, no longer incurs the cost of its prior CRM system. Forrester assumes the composite company eliminates \$500,000 annually from the cost of customer service. No risk adjustment is made to this category, as the amount is set by contract and the organization can be certain of the amount saved.

Unquantified Benefits

The interviewed organizations experienced the following benefits, which are not quantified for this study, but which we include here:

- > **Organizations can leverage industry standard processes.** Microsoft has developed some out-of-the-box functionality tailored to specific industries. This means that the need to customize software to highly specialized scenarios has declined.

“We don’t have a multitude of systems to maintain. If you got that multitude of systems, it probably means they all need the same data. We have the challenge of keeping all that data consistent. With any change you make to any of those platforms or any of those data, you need to remap that to everywhere else.”

CRM program manager, banking



- › **Organizations can enlarge their geographic footprint.** Best-practice companies find that the most effective approach is to implement changes in a specific business unit or geographic region first. Then, after absorbing the startup lessons, they can expand to new locations.
- › **Organizations have the choice of cloud, hybrid, or on-premises.** Some organizations wish to maintain the *option* of cloud, on-premises, or hybrid infrastructure for their customer service platforms. Dynamics 365 for Customer Service functions equally well in each of these environments, and an investment in the cloud version could be transferred to a data center-hosted instance, and vice versa.
- › **Organizations can integrate the Dynamics 365 for Customer Service solution with the rest of their Microsoft technology stack.** Dynamics 365 for Customer Service is built on the same platform as other Dynamics 365 business applications, such as Dynamics 365 for Sales and Field Service, and integrates tightly with Office 365, Power BI, AI framework, bot framework Cortana, and Azure Machine Learning.

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 implement Dynamics 365 for Customer Service and later realize additional uses and business opportunities, including:

- › Deployment of other Dynamics 365 applications: Dynamics 365 for Sales, Field Service and Project Service Automation.

Interviewees indicated other initiatives under evaluation or part of their road maps, including:

- › Power BI implementation and use of unstructured data for business intelligence (BI) to achieve enhanced analytics and reporting.

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.

Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Gtr	Annual license cost for Customer Service	\$0	\$931,200	\$931,200	\$931,200	\$2,793,600	\$2,315,757
Htr	Internal IT implementation labor costs	\$180,000	\$30,000	\$12,000	\$12,000	\$234,000	\$226,206
Itr	Professional service fees for implementation	\$1,104,000	\$110,400	\$0	\$0	\$1,214,400	\$1,204,364
Jtr	Training cost	\$89,100	\$8,910	\$8,910	\$8,910	\$115,830	\$111,258
	Total costs (risk-adjusted)	\$1,373,100	\$1,080,510	\$952,110	\$952,110	\$4,357,830	\$3,857,585

Annual License Cost For Customer Service

For the composite organization, with 800 agents using Dynamics 365 for Customer Service, the license cost per seat (list price) is \$95 per month. For 200 support staff who require access to reporting, accounting, and analytics, the team license cost is \$8 per user per month.

No risk adjustment is made to this category as the amount is set by contract and the organization can be certain of the cost.

The license costs sum to a PV of \$2,315,757 over three years.

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 \$3.9 million.



License cost: \$77,600 per month for the composite company

Annual License Cost For Customer Service

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
G1	Number of agent licenses			800	800	800
G2	License cost (per agent per month)			\$95.00	\$95.00	\$95.00
G3	Number of team licenses			200	200	200
G4	License cost (per user per month)			\$8.00	\$8.00	\$8.00
Gt	Annual license cost for Customer Service	$(G1 \cdot G2 + G3 \cdot G4) \cdot 12$	\$0	\$931,200	\$931,200	\$931,200
	Risk adjustment	0%				
Gtr	Annual license cost for Customer Service (risk-adjusted)		\$0	\$931,200	\$931,200	\$931,200

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

Internal IT Implementation Labor Costs

Organizations interviewed for this study described the amount and duration of the internal effort to implement Dynamics 365 for Customer Service while decommissioning legacy CRM systems.

- › For the initial stand-up efforts, four IT staff are engaged for 750 hours each, at a cost of \$48 per hour (\$80,000 annual compensation), summing to \$180,000 for the initial period.
- › Subsequently, to conclude implementation and commence a maintenance mode, two IT staff are engaged for 250 hours each in Year 1 and 100 hours each in years 2 and 3, as shown in the table below.

The potential risks that can impact the cost include a host of factors that can delay the project and require more staff. To account for these risks, Forrester adjusted this cost upward by 25%, yielding a three-year risk-adjusted total PV of \$226,206.



18 months
Total implementation
and deployment time

Internal IT Implementation Labor Costs: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
H1	Number of people		4	2	2	2
H2	Hourly rate per person (rounded)	$\frac{\$80,000 * 1.25}{2,080}$	\$48.00	\$48.00	\$48.00	\$48.00
H3	Hours		750	250	100	100
Ht	Internal IT implementation labor costs	$H1 * H2 * H3$	\$144,000	\$24,000	\$9,600	\$9,600
	Risk adjustment	↑25%				
Htr	Internal IT implementation labor costs (risk-adjusted)		\$180,000	\$30,000	\$12,000	\$12,000

Professional Service Fees For Implementation

All interviewed companies relied on external resources, such as Microsoft-certified integration partners, for much of the integration expertise required for their enterprise investment in Dynamics 365 for Customer Service.

As implementation and integration tasks can take longer and incur unexpected complications, Forrester adjusted this cost upward by 15%, yielding a three-year risk-adjusted total PV of \$1,204,364.

Professional Service Fees For Implementation

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
I1	Number of people		3	3		
I2	Hourly rate per person		\$160.00	\$160.00		
I3	Hours		2,000	200		
I _t	Professional service fees for implementation	$I1 \times I2 \times I3$	\$960,000	\$96,000	\$0	\$0
	Risk adjustment	↑15%				
I _{tr}	Professional service fees for implementation (risk-adjusted)		\$1,104,000	\$110,400	\$0	\$0

Training Cost

Interviewees described the modest time requirements for orientation and light training for users and associated support personnel. Training requirements are modest, since Dynamics 365 contains the capabilities for immersive training when ramping up new staff. Immersive learning for new users, and out-of-the-box and custom guided tasks cut onboarding time for new users.

Forrester assumes that:

- › Initially, all 1,000 customer service and supporting staff will receive orientation and training.
- › In years 1 through 3, 100 new hires annually will undergo the same preparation for working with the Dynamics environment.
- › To account for the risks of delays or greater time requirements, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$11,258.

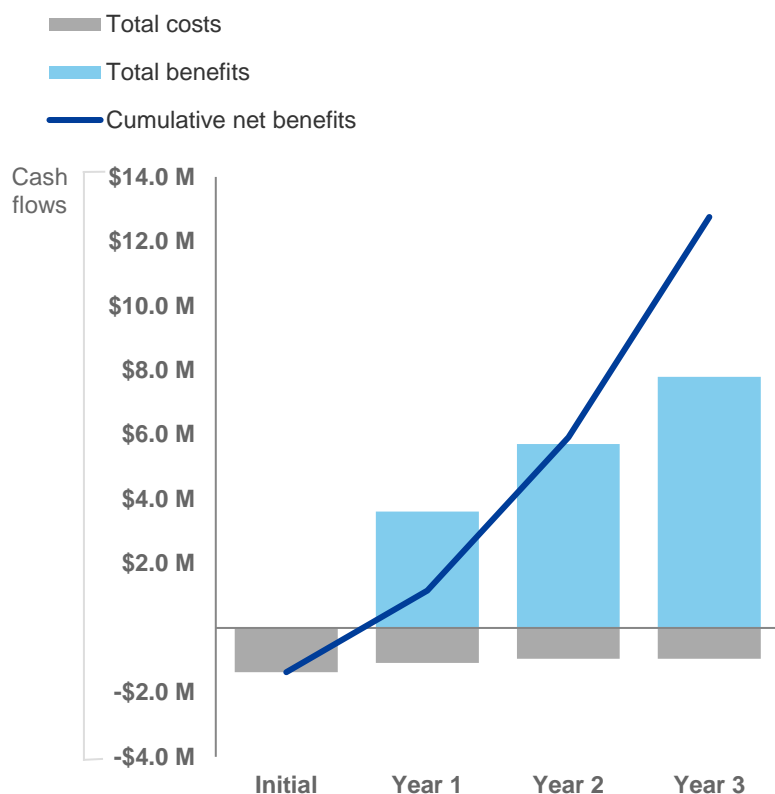
Training Cost

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
J1	Number of people		1,000	100	100	100
J2	Hourly rate per person		\$18.00	\$18.00	\$18.00	\$18.00
J3	Hours		4.5	4.5	4.5	4.5
J _t	Training cost	$J1 \times J2 \times J3$	\$81,000	\$8,100	\$8,100	\$8,100
	Risk adjustment	↑10%				
J _{tr}	Training cost (risk-adjusted)		\$89,100	\$8,910	\$8,910	\$8,910

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 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 Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$1,373,100)	(\$1,080,510)	(\$952,110)	(\$952,110)	(\$4,357,830)	(\$3,857,585)
Total benefits	\$0	\$3,614,640	\$5,704,640	\$7,794,640	\$17,113,920	\$13,856,843
Net benefits	(\$1,373,100)	\$2,534,130	\$4,752,530	\$6,842,530	\$12,756,090	\$9,999,258
ROI						259%
Payback period						7 months

Microsoft Dynamics 365 for Customer Service: Overview

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

Omnichannel engagement

Dynamics 365 enables end-to-end effortless customer service engagements, through any channel and using any device. A unified platform ensures context and visibility across every interaction for a full engagement experience. Customers and agents are empowered with the tools they need to ensure quick and accurate resolution, every time.

Empower customers

Make it easy for customers to solve issue on their own. Microsoft Dynamics 365 for Customer Service empowers businesses to provide a branded, personalized self-service experience that leverages an organized, searchable knowledge base to deliver consistent, up-to-date answers. Microsoft's solution offers a community experience for peer-to-peer support and direct interaction with your subject matter experts. Your customers will experience simple navigation, with seamless transitions between self and assisted support.

Solve cases faster with virtual agents

Automate resolution and free up your agents to work on high-value interactions using the deepest AI framework in the market. Customer-facing and agent-facing bots can speed resolution while reducing costs and improving customer satisfaction. Service bots are smart, interactive, and always available.

Improve productivity with single agent interface

Integrate and automate across Dynamics 365, legacy, and other third-party applications and data sources with the Unified Service Desk (USD) to improve productivity. USD empowers agents with a single dynamic interface that contextually serves up tools, guidance, and data from any resource at exactly the point of need. Enable your agents to speed resolution and avoid escalations with dynamic guidance to the next best action.

Create personalized experiences

Connected experiences across channels and connected data across sources create an unmatched view of the customer. A single interface driven by automation and AI provides contextual access to everything agents need to deliver highly personalized service.

Speed onboarding and adoption

An intuitive agent interface and immersive learning speed onboarding and adoption and keep every agent current on best practices and methodologies. Ensure consistency with a configurable business process flow and a rewards system that promotes optimal behavior around key performance indicators (KPIs).

Create a single source of truth

Empower customers and employees with unified knowledge to provide a single source of truth. Ensure your knowledge is relevant by easily capturing and publishing across your content channels while measuring impact through rich analytics.

Turn insight into action

Deliver critical insights that drive results through personalized dashboards. Drill into details using natural language recognition capabilities and interactive data visualizations. Gain voice-of-the-customer insight through feedback and surveys. Continuously improve using targeted analysis around each step of your service methodology.

Remain agile with no-code tools for business users

No-code visual editors make it easy to adapt the application to your needs and keep up with quickly changing demands. Use a no-code visual designer that includes prebuilt templates to create custom browser-based or mobile apps. Microsoft's solution enables service organizations to remain flexible and manage change with ease.

Extend your environment with AppSource

Add new capabilities to your deployment with first- and third-party solutions, including industry apps, which are launched directly from Dynamics 365. Try any app for free to ensure best fit functionality.

Appendix A: Total Economic Impact

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

Total Economic Impact Approach



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



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



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



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

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



PRESENT VALUE (PV)

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



NET PRESENT VALUE (NPV)

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



RETURN ON INVESTMENT (ROI)

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



DISCOUNT RATE

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



PAYBACK PERIOD

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

Appendix B: Endnotes

¹ Source: “Improving CX Through Business Discipline Drives Growth,” Forrester Research, Inc., June 19, 2017.

² Source: “CX Quality Can Affect Stock Performance,” Forrester Research, Inc., February 22, 2018.

³ Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

⁴ Source: “Improving CX Through Business Discipline Drives Growth,” Forrester Research, Inc., June 19, 2017.

⁵ Source: “Improving CX Through Business Discipline Drives Growth,” Forrester Research, Inc., June 19, 2017.