

A Forrester Total Economic Impact™
Study Commissioned By Microsoft
August 2020

The Total Economic Impact™ Of Microsoft Dynamics 365 Customer Service

Business Benefits And Cost Savings
Enabled By Dynamics 365 Customer
Service

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ABOUT FORRESTER CONSULTING

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Executive Summary

Customers demand superior service and support as the price of their ongoing loyalty and patronage. And firms realize the importance of delivering excellent customer experience (CX): Just 6% of global telecom industry decision makers say improving CX is not a priority.¹ It's no wonder that in today's experience-based economy, companies are ramping up their CX efforts. Customer service organizations must deliver context-driven interactions that precisely target visitors and customers at the right points in their journeys to educate and help them in their moments of need.²

As part of its business applications portfolio built on the Power Platform, Microsoft Dynamics 365 Customer Service provides service organizations with the streamlined data and unified technology they need to deliver seamless, personalized experiences across any channel. Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Dynamics 365 Customer Service. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Customer Service on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers and partners with years of experience using Customer Service. Prior to using Customer Service, the interviewed organizations used mostly homegrown and disparate sets of difficult-to-maintain tools that lacked the interconnectivity to enable their customer service professionals with a complete view of their customers. This hindered their ability to deliver an informed and efficient service experience to their end customers. Handle times increased as agents struggled to access the right information in a timely manner amid increases in call volumes and service requests.

After migrating to Customer Service in the cloud, customer service professionals across the organizations are in a better position to deliver the seamless experiences that customers have come to expect, and other areas of the organization also benefit from having the right information at the right time — all while reaping the total cost of ownership (TCO) savings of the cloud.

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the companies interviewed:

- › **Improvements to current support agent productivity of \$1 million over three years.** Facilitation of support agent functionality, automation of customer requests, improved visibility across the Dynamics 365 platform, and other enhancements for customer support agents help organizations improve on key metrics such as average handle time and total support requests. This yields productivity savings to these support personnel, which allows them to handle additional volume.



ROI
131%



Benefits PV
\$2.9 million



NPV
\$1.6 million



Payback
8.0 months

Key Benefits



Productivity and hiring:
\$1,636,731



Impact on profit:
\$298,422



Cost avoidance:
\$925,830

- › **Avoided support agent hires of nearly \$600,000 over three years.** As organizations develop additional services or offerings, support capacity requirements increase. Interviewees reported that Customer Service enables greater contributions from their newly hired agents, which allows for a reduction of required hires.
- › **Improvements to profit attributable to Customer Service of nearly \$300,000 over three years.** The interviewees collectively noted the potential impact that a better-enabled customer service function can have on their organization's bottom line.
- › **Cost savings from prior customer support tools of \$925,000 over three years.** By moving to Customer Service, the interviewees' organizations saved on license fees, personnel hours, and the related infrastructure for their previous customer support solutions.

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

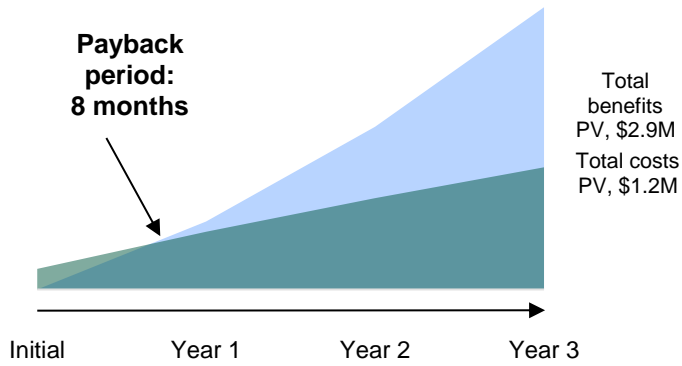
- › **Integration with other Microsoft products.** The interviewees noted the value of seamless integration between Customer Service, the rest of their Dynamics 365 applications, and other Microsoft products.
- › **Improvements to the employee experience.** Customer Service allows organizations to provide tools for their customer service reps that facilitate the tedious aspects of their jobs and improves their daily experiences.
- › **An improved customer support experience.** Less time customers spend waiting for support is inherent to reductions in key support metrics such as average handle time and total volume. That fosters a better experience.

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

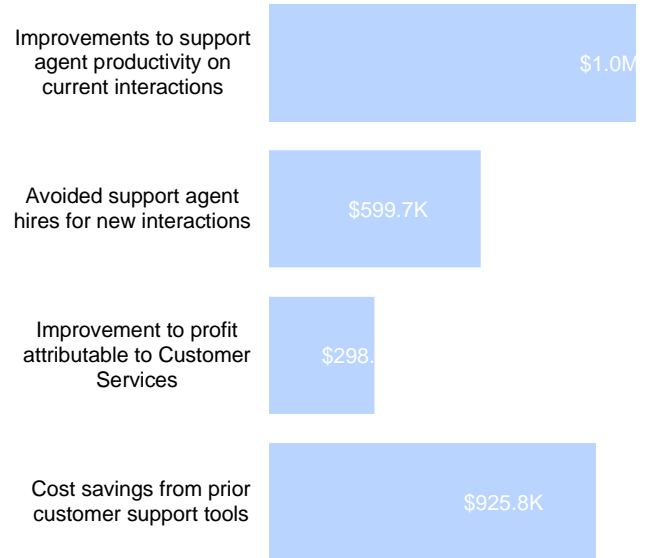
- › **Subscription fees of around \$750,000 over three years.** The organizations paid a yearly subscription fee to Microsoft for their Dynamics 365 deployment priced by their total monthly users.
- › **Implementation, training, and ongoing management of around \$495,000 over three years.** Interviewees described their organization's FTE efforts across both IT and business personnel to successfully deploy and manage their Customer Service instances. Once deployed, FTEs spend additional hours on training and ongoing development.

Forrester's interviews with four existing customers and Microsoft partners and subsequent financial analysis found that an organization based on these interviewed organizations would experience benefits of just over \$2.9 million over three years versus costs of just over \$1.2 million, adding up to a net present value (NPV) of \$1.6 million and an ROI of 131%.

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 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 Customer Service can have on an organization:



DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Customer Service.



CUSTOMER INTERVIEWS

Interviewed four organizations using 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 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 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 Customer Service Customer Journey

BEFORE AND AFTER THE CUSTOMER SERVICE INVESTMENT

Interviewed Organizations

For this study, Forrester conducted four interviews with Customer Service customers. Interviewed customers include the following:

INDUSTRY	REGION	INTERVIEWEE	NUMBER OF USERS
Aviation	Global	Senior analyst, customer enablement	~800 agents
Government	United States	Project manager	~60 users
Manufacturing	United States	Operations manager	~100 users
Systems integrator (Microsoft partner)	Global	Director, solutions architect	N/A, services multiple Dynamics 365 Customer Service clients

Key Challenges

- › **A disparate stack of aging customer support and customer relationship management (CRM) tools.** Many of the interviewed organizations lacked a central customer support solution plugged into a central CRM. They instead relied on a collection of customer support and CRM tools that did not connect with each other and required specialized agent training and IT support. This reduced both agent and IT personnel productivity. One interviewee said: “Some of our customer support teams had minimal forms support automation and some had absolutely zero support automation. Therefore, the customer experience varied dramatically with whatever rudimentary systems would have been in place from team to team.”
- › **Increasing customer support personnel capacity requirements.** As the interviewed organizations continued to grow and offer new services and products, the customer support capacity requirements also grew. If the organizations were to meet this volume, it would require a significant increase in additional customer support hires down the road, essentially overprovisioning hires for peak demand instead of average demand.
- › **Disconnect between the customer support function and other areas of the organization.** Customer support agents frequently found themselves at a disadvantage when managing customer support instances. Important information was often inaccessible or not readily available, driving an increase in handle times while also fostering a poor customer experience. In other areas of the organization, information that could be valuable from the customer support team was not readily available, leading to inefficiencies and/or missed opportunities. Disconnect was also pervasive among the customer support teams themselves as processes, best practices, and customer information was not efficiently passed along among the team.

“Some of our customer support teams had minimal forms support automation and some had absolutely zero support automation. Therefore, the customer experience varied dramatically with whatever rudimentary systems would have been in place from team to team.”

Operations manager, manufacturing



“For our customer service functionality, we were on the whim of the manager or the programmer or the contractor of that particular week or year or decade. We couldn’t sustain what we had created.”

Project manager, government



Key Results

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

- › **Improvements to agent productivity.** Improved agent visibility and customer self-service functionality on the Dynamics 365 platform drives key customer support metrics down, enabling greater agent productivity and allowing them to service more customers and improve the support experience.
- › **Additional customer visibility throughout the organization.** Once onboarded to Dynamics 365 Customer Service, organizations have much greater visibility into customer interactions, leading to further productivity gains and additional opportunities in other areas of the organization. One interviewee cited customer support information from Customer Service as a major enabler for improved sales pipeline creation. Another noted that data passed along from Customer Service is used to iterate on their organization's production process based on common support issues.
- › **Elasticity to the customer support function.** The cloud-based delivery of the Dynamics 365 platform allows the interviewed organizations to scale Customer Service-enabled agents for current demand, rather than to overprovision for the peak number of users and level of demand. Interviewees cited the increased importance of this flexibility in the pandemic and post-pandemic business world of 2020 and beyond.
- › **Streamlined management and ongoing development.** By standardizing customer support and CRM functionality on Dynamics 365, the interviewed organizations retired their previous set of now-redundant tools. This saves on license fees, infrastructure cost, and support or development personnel costs.

"Our reps pass along visibility to every quality or support issue, and that helps us staff and manage our production processes accordingly. I mean, it's amazing. Knowledge is king."

*Operations manager,
manufacturing*



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 and partners 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 \$1 billion, 5,000-employee composite organization is industry-agnostic and operates at multiple locations across the globe. Two-hundred-fifty of these employees are customer support agents who support the organization's growing customer base. Forrester conservatively assumes that these customer support employees spend an average of half their working hours on customer support interactions. As the customer base continues to grow and the organization continues to expand its offering of products and services, the organization's expected support capacity is set to increase.

Deployment characteristics. Before migrating to Customer Service, the organization relied on a collection of on-premises, homegrown customer support and CRM tools that provided little interconnectivity, required very specific ongoing development from IT personnel, and were nearing end of life.



Key assumptions

- 250 support agents
- \$1 billion revenue growing annually
- 50% of support agent time spent on customer interaction

Analysis Of Benefits

QUANTIFIED BENEFIT DATA AS APPLIED TO THE COMPOSITE

Total Benefits						
REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Improvements to support agent productivity on current interactions	\$185,640	\$417,690	\$696,150	\$1,299,480	\$1,036,990
Btr	Avoided support agent hires for new interactions	\$164,250	\$246,375	\$328,500	\$739,125	\$599,741
Ctr	Improvement to profit attributable to Customer Service	\$120,000	\$120,000	\$120,000	\$360,000	\$298,422
Dtr	Cost savings from prior customer support tools	\$288,000	\$378,000	\$468,000	\$1,134,000	\$925,830
Total benefits (risk-adjusted)		\$757,890	\$1,162,065	\$1,612,650	\$3,532,605	\$2,860,983

Improvements To Support Agent Productivity On Current Interactions

The interviewees collectively described the limitations of their companies' previous customer service tools and how they limited their agents' abilities to deliver a cohesive and efficient customer service experience. Agents lacked visibility into their customers' histories and their team's best practices for service and resolution. Service case routing was rudimentary at best, leading to suboptimal customer resolutions. Because of this, average customer handle times were higher than desired, first call resolution was low, and agents struggled to keep up with an increasing volume of service requests.

- › At the manufacturing company, poor connectivity between the customer support team and the sales team led to productivity challenges for both groups, and the sales team would frequently need to contribute to customer service pains. The operations manager said: "We polled our sales team on how much time they spent on customer service-related activities. The number was alarming. Our sales team spent 40% of its time on customer service activities like product quality issues and customer credits."
- › The project manager for the government agency noted that the disparate and disconnected nature of their organization's previous customer support tools for agents didn't put it in a position to become "data-centric" to improve on customer service delivery. The interviewee said, "The way our customer data was stored, we were inherently crippled in our ability to access it in the way that we needed to."

After migration to Customer Service, agent productivity improved greatly for the interviewed companies. Visibility into customer records and connectivity to the rest of the team and organization equipped the agents with the right information at the right time to improve resolution times and service outcomes. Handle times decreased significantly enough to enable customer service agents to comfortably take on the organizations' increasing volume of service requests.

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 more than \$2.8 million.

- › The operations manager for the manufacturing company estimated a productivity increase of up to 20% for customer service personnel due to automation capabilities on Dynamics 365. The interviewee said: “We have Dynamics 365 integrated with our telephony system. When a call comes in, the user interface that that service rep is using displays the history of cases, the history of quality issues, the credits issued, the credits in process, and the recent interaction and form of tasks, emails, and phone calls. [We have] all those components of CRM on a customer dashboard simply based on the system recognizing who’s calling. We never had that before.” They added that the organization’s productivity benefits extended to its sales teams as well, since resolution outcomes improved to a point where the teams did not need to get involved with service issues as frequently.
- › With newfound visibility and capabilities that the Dynamics 365 platform provides, the government agency was able to decrease case backlog by over 80% while redesigning customer support processes based on best practices from across the agency. It improved on its most significant metric, resolution time, from an average of 62 days to 17. Given the nature of the process, which involves people’s livelihoods, the project manager noted that this is a monumental shift. Other processes improved substantially, and the interviewee estimated a 210% increase in personnel capacity because of these gains. They noted that, amid the 2020 pandemic, the Dynamics 365 platform in the cloud allowed their organization’s agents to access key information remotely to “keep information readily and consistently available for instant decision making.”
- › The airline company was able to create dashboards to monitor cases and compare key metrics such as average handle time and resolution status across its different customer service teams. This visibility gives its teams the necessary information to compare and share best practices to drive down these metrics and continuously improve.

For the composite organization, Forrester assumes:

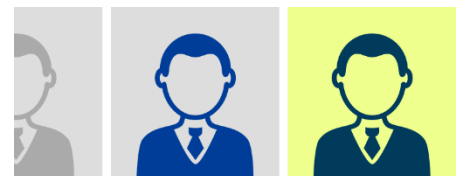
- › Two-hundred (out of the organization’s 250 total customer service representatives) are working on service requests that are affected by the productivity improvements that Customer Service grants. The other 50 service representatives are working on new process support workstreams (see the next benefit section).
- › Adoption of Customer Service among these representatives is 80% in Year 1, gradually increasing to full adoption by Year 3.
- › Customer service employees spend half of their working hours on customer interaction (either live or follow-up) that is positively impacted by Customer Service.
- › The productivity of these agents improves by 5% each year to 15% by Year 3. This is a conservative assumption based on the improvements the interviewed organizations noted.
- › Productivity reclaimed by Customer Service is not all repurposed to handling additional support volume. Forrester applied a 75% productivity capture.

These assumptions will vary based on:

- › The sophistication of an organization’s previously deployed customer service tools as it relates to the functionality improvement on Dynamics 365.

“We achieved a capacity gain of 210%. We could do 210% more work because of Dynamics 365 Customer Service.”

Project manager, government



Interviewees collectively estimated a **15% productivity increase** for service staff once ramped.

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.

- › The organization's industry as it relates to the nature and volume of customer service requests. For this analysis, Forrester assumed an industry-agnostic organization based on those interviewed.
- › The skill and capacity of an organization's customer service personnel.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year risk-adjusted total PV of \$1,036,990.

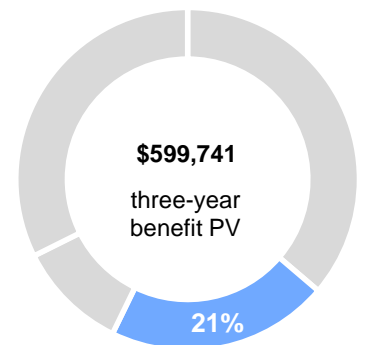
Improvements To Support Agent Productivity On Current Interactions: Calculation Table					
REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
A1	Baseline: support agents on Dynamics 365		200	200	200
A2	Adoption percentage among agents		80%	90%	100%
A3	Total agents on Dynamics 365 Customer Service	A1*A2	160	180	200
A4	Hours per agent per day		8	8	8
A5	Baseline: percentage of daily time spent on customer interaction		50%	50%	50%
A6	Baseline: average yearly time spent on customer interaction	A4*A5*260 workdays	1,040	1,040	1,040
A7	Customer interaction reduction due to automation, improvement to first call resolution, etc.		5%	10%	15%
A8	Yearly reduction to customer interactions per agent (hours)	A6*A7	52	104	156
A9	Average support agent hourly rate (rounded value shown)	\$73,000/2,080	\$35	\$35	\$35
A10	Productivity capture		75%	75%	75%
At	Improvements to support agent productivity on current interactions	A3*A8*A9*A10	\$218,400	\$491,400	\$819,000
	Risk adjustment	↓15%			
Atr	Improvements to support agent productivity on current interactions (risk-adjusted)		\$185,640	\$417,690	\$696,150

Avoided Support Agent Hires For New Interactions

As the required support capacity for an organization continues to increase organically due to growth, the launching of new products and services also contributes to the growth in service volume and required capacity to meet it. Interviewees noted that before migration to Customer Service, hiring additional service personnel was necessary to meet these increases in volume. Once migrated to Dynamics 365, the functionality and productivity benefits (see above) offered on Dynamics improved the productivity, time-to-ramp, and effectiveness of each new hire. This decreased the required amount of hires.

- › The manufacturing interviewee noted to Forrester that despite growth, their organization would not need up to 20% of the support headcount that would have been necessary due to the increased effectiveness of each new hire.
- › The system integrations interviewee noted that the impact on hiring is one of the greatest benefits for their organization's customers. Some organizations can reduce their required amount of hires by as much as 50% given their size and complexity.

For the composite organization, Forrester assumes:



Avoided support agent hires for new interactions: 21% of total benefits

- › Fifty of the organization’s 250 customer support employees work on new customer service workstreams that will require new hires. The hire decrease is conservatively calculated based on 50 employees, rather than the full 250 for this benefit.
- › Fifty percent of this benefit is attributed to Customer Service. One interviewee said, “The technology was only one piece of the puzzle in that the Dynamics 365 platform enabled us to implement an entirely new set of customer services processes.”
- › The burdened annual rate for the organization’s support personnel is \$73,000.



10 avoided customer service hires in Year 3

This benefit will vary based on:

- › The growth of an organization’s required support capacity.
- › The skill and capacity of an organization’s customer service personnel.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$599,741.

Avoided Support Agent Hires For New Interactions: Calculation Table

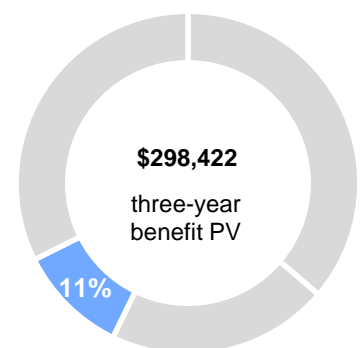
REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
B1	Baseline agents assigned to new processes		50	50	50
B2	Required capacity increase		10%	15%	20%
B3	Avoided hires	B1*B2	5	7.5	10
B4	Annual rate		\$73,000	\$73,000	\$73,000
B5	Attribution to Dynamics 365 Customer Service		50%	50%	50%
Bt	Avoided support agent hires for new interactions	B3*B4*B5	\$182,500	\$273,750	\$365,000
	Risk adjustment	↓10%			
Btr	Avoided support agent hires for new interactions (risk-adjusted)		\$164,250	\$246,375	\$328,500

Improvement To Profit Attributable To Customer Service

Beyond productivity and hiring flexibility benefits, some customers articulated impact to revenue related to their Customer Service migration. The manufacturing interviewee noted that on their organization’s pre-Dynamics 365 set of customer service tools, representatives had no way to link potential sales opportunities in the form of replacement parts or products to the sales organization without picking up the phone. As a result, the organization left potential sales on the table. After implementing Customer Service, service personnel could seamlessly pass opportunities to sales personnel for pipeline creation. The operations manager for the manufacturing company estimated a 10% increase in pipeline attributed to opportunities passed along through the Dynamics 365 platform. That could lead to potential revenue and profit in the future.

For the financial model, Forrester assumes:

- › An increase in pipeline of 5% per year attributable to leads passed through Dynamics 365.
- › A 3% opportunity to deal conversion rate.



Improvement to profit attributable to Dynamics 365 Customer Services: 10% of total benefits

- › A 10% gross margin on each deal. This is a conservative estimate for the composite organization based on the industry gross margins of the interviewed organizations.

This benefit will vary due to:

- › The level of connectivity between customer service and sales personnel on an organization's previous CRM tool(s) as it relates to sales opportunity creation.
- › An organization's revenue, opportunity conversion rate, and gross margin.

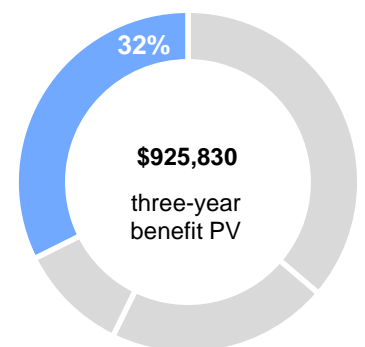
To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of \$298,422.

Improvement To Profit Attributable To Customer Service: Calculation Table					
REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
C1	Annual revenue of composite		\$1,000,000,000	\$1,000,000,000	\$1,000,000,000
C2	Increase in pipeline attributable to Dynamics 365 Customer Service		5%	5%	5%
C3	Pipeline growth attributable to Dynamics 365 Customer Service	C1*C2	\$50,000,000	\$50,000,000	\$50,000,000
C4	Opportunity conversion rate		3%	3%	3%
C5	Total increase in revenue	C3*C4	\$1,500,000	\$1,500,000	\$1,500,000
C6	Gross margin		10%	10%	10%
Ct	Improvement to profit attributable to Customer Service	C5*C6	\$150,000	\$150,000	\$150,000
	Risk adjustment	↓20%			
Ctr	Improvement to profit attributable to Customer Service (risk-adjusted)		\$120,000	\$120,000	\$120,000

Cost Savings From Prior Customer Support Tools

Most of the interviewees said their organizations migrated to Dynamics 365 from a collection of homegrown and difficult-to-maintain tools. They often added functionality as needed, which created a complex stack of nonconnected solutions for customer service personnel to navigate. Once migrated to Dynamics 365, the organizations retired their previous solutions and saved on license fees, infrastructure costs, and personnel maintenance hours for the prior customer service tools.

- › The project manager for the government agency noted that each time the organization needed a new customer service function, it would bring in a different developer to create and manage the homegrown application. That opened up the organization to risk when these developers eventually left. In addition, it was increasingly expensive to maintain multiple solutions at various stages of their useful life. The interviewee said: "We had a technology audit discover that we were 27 patches behind on one of our key solutions. There was so much manual work that needed to be done before each update could be applied that we were kind of frozen in time."



Cost savings from prior customer support tools: 32% of total benefits

- › Due to a lack of a centralized customer service and CRM platform, the manufacturing organization relied on a completely decentralized customer service function across multiple manufacturing locations. The operations manager said: “By migrating to Dynamics 365, we are now able to centralize all of customer service at one location. So, all of the enhancements that we have realized from Dynamics 365 have been nearly 100% improvements.”
- › The airline company migrated from another customer service and CRM platform to Dynamics 365, which saved in consolidated license fees.

For the composite organization, Forrester assumes:

- › A yearly cost for the now-redundant customer service and CRM tool(s) of \$400,000 annually. This cost includes license fees and infrastructure purchase and refreshes. This is an assumption based on the spend of the interviewed companies.
- › One IT manager at a \$120,000 yearly rate dedicated to maintaining and continuing to develop of the functionality of these solutions.
- › A rolling retirement of the prior tools starting with 50% retired in Year 1 and avoiding these costs entirely by Year 3 of the analysis.

This benefit will vary among organizations based on:

- › The total scope, complexity, and contract situations of an organization’s prior customer service and CRM deployment as it relates to total spend.
- › The skill and capacity of an organization’s IT staff as it relates to management and ongoing development efforts.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$925,830.

“By migrating to Dynamics 365, we are now able to centralize all of customer service at one location. So, all of the enhancements that we have realized from Dynamics 365 have been nearly 100% improvements.”

*Operations manager,
manufacturing*



Cost Savings From Prior Customer Support Tools: Calculation Table

REF.	METRIC	CALCULATION	YEAR 1	YEAR 2	YEAR 3
D1	Cost of incumbent customer service solutions		\$400,000	\$400,000	\$400,000
D2	Percentage of total spend retired		50%	75%	100%
D3	Retired spend	D1*D2	\$200,000	\$300,000	\$400,000
D4	IT personnel dedicated to ongoing development and management of incumbent solution(s)		1	1	1
D5	IT personnel annual rate		\$120,000	\$120,000	\$120,000
Dt	Cost savings from prior customer support tools	D3+(D4*D5)	\$320,000	\$420,000	\$520,000
	Risk adjustment	↓10%			
Dtr	Cost savings from prior customer support tools (risk-adjusted)		\$288,000	\$378,000	\$468,000

Unquantified Benefits

- › **Integration with other Microsoft products.** The interviewees noted the value of seamless integration between Customer Service and the rest of their licensed Dynamics 365 and other Microsoft products. Interviewees collectively noted that improved visibility into their customers has benefits beyond customer service delivery.
- › **Improvements to the employee experience.** While reducing the burden on support agents through “quality of life” improvements to their job on Customer Service, the interviewees also described an ability to concurrently offer more opportunities for these employees in the form of growth projects, which allows for ongoing career development.
- › **An improved customer support experience.** Inherent to reductions in key support metrics such as average handle time and total volume is less time customers spend waiting for support. This fosters a better experience. In addition, more visibility into each customer allows customer service representatives to tailor and streamline each customer’s experience uniquely. One interviewee said, “We simply know more about our customers, which allows us to enhance our customer experience.”

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 Customer Service and later realize additional uses and business opportunities, including:

- › **The power of the cloud.** Interviewees migrating to Customer Service noted the inherent benefits of moving to the cloud, such as:
 - Scalability of the platform to match current levels of demand, eliminating the need to overprovision infrastructure or personnel for peak levels of demand. Interviewees said this scalability is and will be increasingly important in the uncertain economic climate during and after the pandemic.
 - More frequent updates delivering improved functionality, increased performance, and improved security. The government interviewee said: “The Dynamics 365 platform offers a huge amount of increased security for us, and it helps me sleep at night knowing that there’s a much larger organization managing our security. Our agency can’t come close to the kind of intellectual investment made in security by Microsoft.”
- › **AI and machine learning (ML) applications on the Dynamics 365 platform.** As organizations continue to curate their customer data on the Dynamics 365 platform, decision makers are hopeful that integrations with applications such as Power BI, Power Automate, and Power Virtual Agents will continue to deliver additional productivity and CX delivery improvements to their organizations.

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

“We simply know more about our customers, which allows us to enhance our customer experience.”

*Operations manager,
manufacturing*



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.

Analysis Of Costs

QUANTIFIED COST DATA AS APPLIED TO THE COMPOSITE

Total Costs							
REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Etr	Subscription fees paid to Microsoft	\$0	\$299,250	\$299,250	\$299,250	\$897,750	\$744,190
Ftr	Implementation, training, and ongoing management personnel costs	\$207,625	\$115,225	\$115,225	\$115,225	\$553,300	\$494,173
Total costs (risk-adjusted)		\$207,625	\$414,475	\$414,475	\$414,475	\$1,451,050	\$1,238,363

Subscription Fees Paid To Microsoft

Interviewees said their organizations paid Microsoft a subscription fee for their usage of Customer Service. The license fee is paid on a per-month, per-user basis. Pricing assumptions calculated for the composite organization are assumptions that Forrester made based on the Customer Service list price. Microsoft has reviewed these assumptions. For pricing or configuration options specific to your organization, please contact Microsoft.

The composite organization:

- › Pays \$95 per user per month for Customer Service Enterprise licenses.

This cost will vary among organizations based on:

- › The number of monthly Customer Service users.
- › The specific type of Customer Service license for each user.

To account for these variances, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of \$744,190.

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 more than \$1.2 million.

Subscription Fees Paid To Microsoft: Calculation Table							
REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3	
E1	Total users			250	250	250	
E2	Cost per user per month			\$95	\$95	\$95	
Et	Subscription fees paid to Microsoft	$E1 * (E2 * 12 \text{ months})$	\$0	\$285,000	\$285,000	\$285,000	
	Risk adjustment	↑5%					
Etr	Subscription fees paid to Microsoft (risk-adjusted)			\$299,250	\$299,250	\$299,250	

Implementation, Training, And Ongoing Management Personnel Costs

Interviewees collectively described a migration experience to Customer

Service that averaged nine months and involved stakeholders from both IT and the business. They completed customizations during the implementation process based on the organization. Interviewees indicated that customization was relatively straightforward and did not delay their implementations, and most said their organization used up to a 20% level of customization.

Once deployed, the organizations dedicated some part-time IT FTE resources to manage and continue to develop on the Dynamics 365 platform.

Training for customer service staff was minimal, but employees did undergo up to 3 hours of training on Dynamics 365.

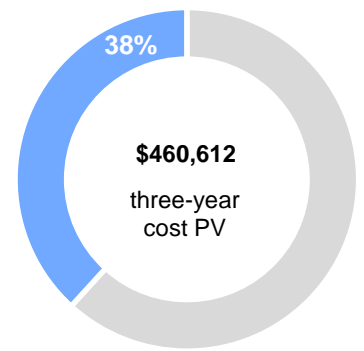
For the composite organization, Forrester assumes:

- › Ten FTEs across IT and the business spend an average of 20% of their working time over the nine-month implementation period focused on the Dynamics 365 deployment.
- › Once deployed, two IT FTEs spend 40% of their working time managing and continuing to develop on Dynamics 365.
- › The average yearly rate for these FTEs involved with implementation and ongoing management is \$120,000.
- › Each of the composite organization's Customer Service users spend 1 hour on initial training, followed by 1 hour of training per year to refresh and/or train on new functionality.

This cost will vary among organizations based on:

- › The scope, complexity, and customizations of an organization's Dynamics 365 implementation.
- › The skill and capacity of the FTEs working on implementation and management.
- › The skill and capacity of an organization's users as it relates to training requirements.

To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year risk-adjusted total PV of \$460,612.



Implementation, training, and ongoing management personnel costs: 38% of total costs



Nine months
Average implementation and deployment time

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.

Implementation, Training, And Ongoing Management Personnel Costs: Calculation Table

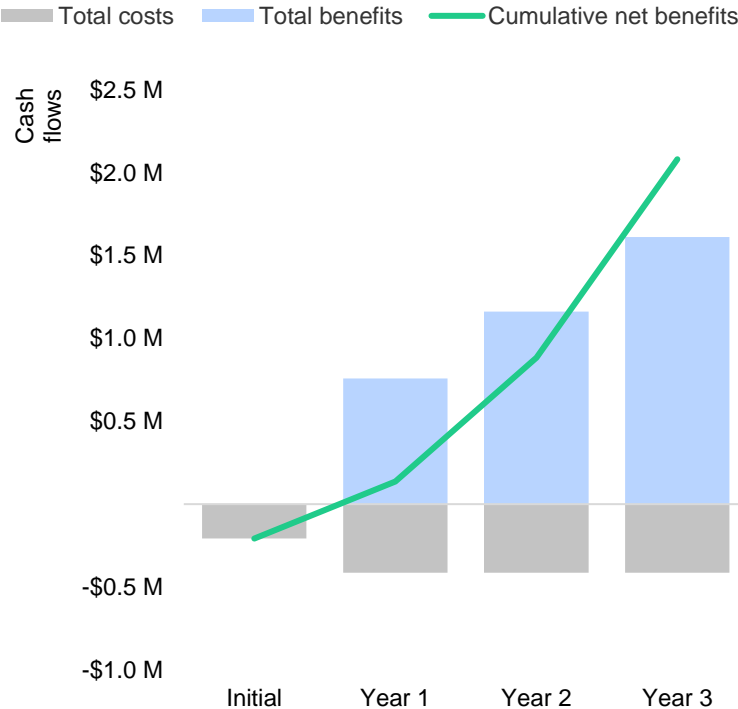
REF.	METRIC	CALCULATION	INITIAL	YEAR 1	YEAR 2	YEAR 3
F1	Implementation: required personnel		10			
F2	Implementation: duration (showing rounded value)		9 months (75% of 12 months)			
F3	Implementation: personnel time on task		20%			
F4	Average personnel yearly rate		\$120,000	\$120,000	\$120,000	\$120,000
F5	Implementation: total personnel cost	$F1 * F2 * F3 * F4$	\$180,000			
F6	Ongoing management: required personnel			2	2	2
F7	Ongoing management: time on task			40%	40%	40%
F8	Ongoing management: total personnel cost	$F4 * F6 * F7$		\$96,000	\$96,000	\$96,000
F9	Training: total support agents		250	250	250	250
F10	Training: hours per user per year		1	1	1	1
F11	Training: user hourly rate (rounded value shown)		\$35	\$35	\$35	\$35
F12	Training: total personnel cost	$F9 * F10 * F11$	\$8,750	\$8,750	\$8,750	\$8,750
Ft	Implementation, training, and ongoing management personnel costs	$F5 + F8 + F12$	\$188,750	\$104,750	\$104,750	\$104,750
	Risk adjustment	↑10%				
Ftr	Implementation, training, and ongoing management personnel costs (risk-adjusted)		\$207,625	\$115,225	\$115,225	\$115,225

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)

Cash Flow Chart (Risk-Adjusted)



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



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

Cash flow analysis (risk-adjusted estimates)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$207,625)	(\$414,475)	(\$414,475)	(\$414,475)	(\$1,451,050)	(\$1,238,363)
Total benefits	\$0	\$757,890	\$1,162,065	\$1,612,650	\$3,532,605	\$2,860,983
Net benefits	(\$207,625)	\$343,415	\$747,590	\$1,198,175	\$2,081,555	\$1,622,620
ROI						131%
Payback period (months)						8.0

Microsoft Dynamics 365 Customer Service

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 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 AI 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 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

¹ Source: “Gauge Your Customer Service Maturity,” Forrester Research, Inc., July 8, 2020.

² Source: “Why And How To Be Digital First For Customer Service,” Forrester, June 19, 2020 (forrester.com/fn/4wrvr2l3aUMEXJP7N3oDPo).