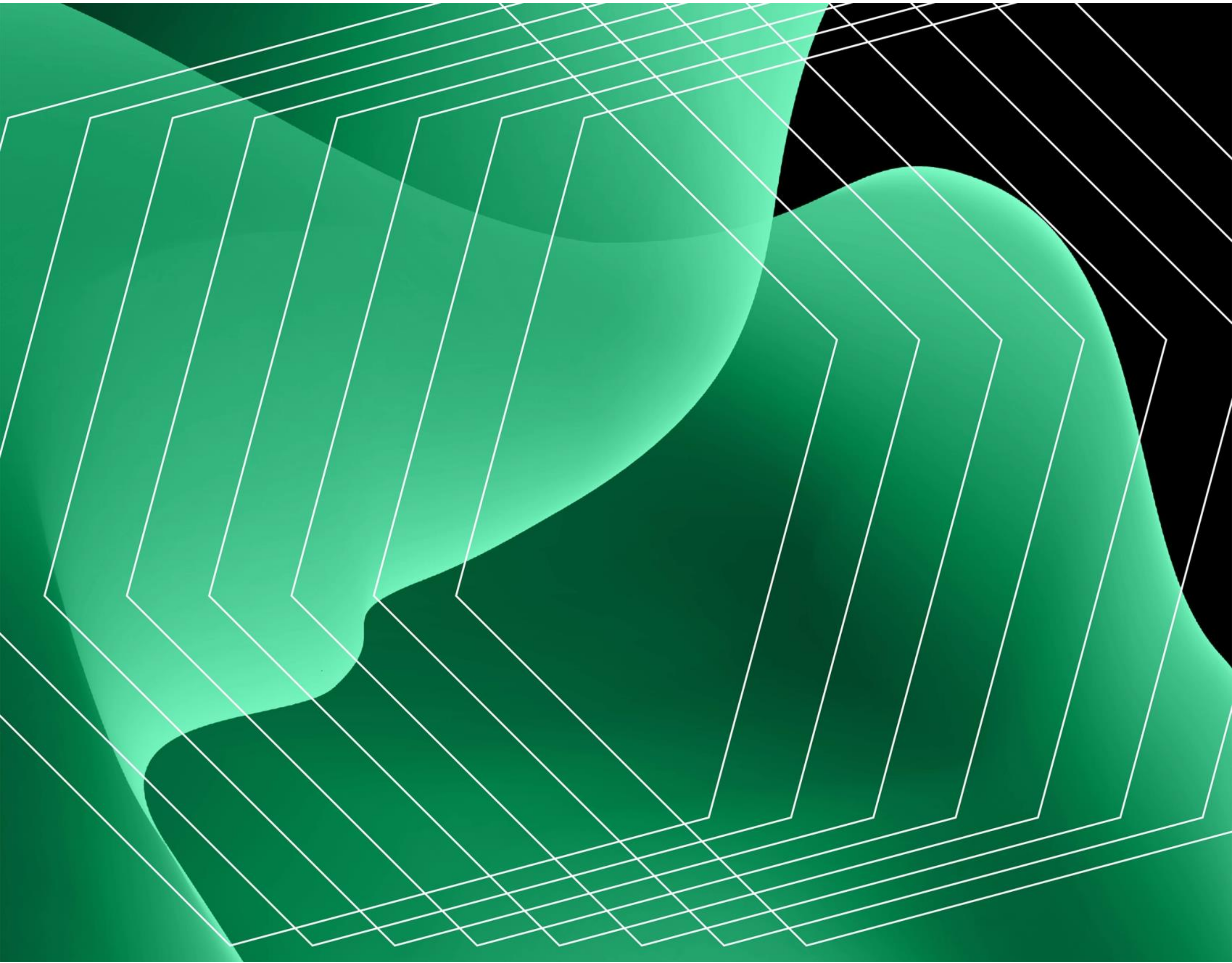
The Total Economic Impact™ Of The Microsoft Commercial Marketplace

Cost Savings And Business Benefits Enabled By The Microsoft Commercial Marketplace

A FORRESTER TOTAL ECONOMIC IMPACT STUDY
COMMISSIONED BY MICROSOFT, DECEMBER 2023



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ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute their specific priorities using a unique engagement model that ensures lasting impact. For more information, visit forrester.com/consulting.

Executive Summary

As the software landscape becomes more complex, organizations face a growing need to simplify software purchasing while maintaining strong security, corporate, and governance policies and balancing costs. With a variety of solutions available, organizations require a streamlined platform to efficiently purchase and manage their software assets. The Microsoft commercial marketplace provides a single hub for organizations to access a wide range of vetted solutions, simplify sourcing processes, and meet their software needs to successfully drive business outcomes.

The Microsoft commercial marketplace is a centralized platform that offers a diverse catalog of software solutions for organizations to procure and implement. Through the Microsoft commercial marketplace, businesses can find, try, buy, and deploy various software offerings, ranging from productivity and infrastructure to AI tools and industry-specific applications.

Forrester research shows that cloud marketplaces play a crucial role in balancing speed and agility while minimizing the challenges of SaaS sprawl.[1] Marketplaces provide businesses with a trusted platform to research and explore applications, which ultimately reduces costs and mitigates risk. Forrester research has found that cloud marketplace users have realized significant cost savings by leveraging bundled offerings or meeting minimum spend requirements.

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) organizations may realize by using the Microsoft commercial marketplace.[2] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of adopting the Microsoft commercial marketplace for their organizations.

To better understand associated benefits, costs, and risks, Forrester interviewed ten customers with experience using the Microsoft commercial marketplace. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a global organization with 5,000 employees and annual revenue of $4 billion. The composite organization has a Microsoft Azure Consumption Commitment

(MACC) agreement, which commits it to a certain level of Azure cloud usage in exchange for discounted pricing. While this impacts benefits around preserving discounted pricing, it does not impact other financial benefits described in the study. Interviewees mentioned that prior to using the Microsoft commercial marketplace, their organizations struggled to efficiently identify and implement new software solutions. Their legacy procurement processes were slow, labor-intensive, and required several months of effort to vet, onboard, and integrate new applications. Some interviewees shared that their teams purchased tools from resellers and suppliers on an ad hoc basis, which sometimes resulted in departments purchasing redundant applications or risks to security and compliance.

After adopting the Microsoft commercial marketplace, the interviewees' organizations saved money on their overall Azure spends, improved their procurement processes, reduced proof of concept fees, and enhanced vendor onboarding efficiencies. This led to cost savings, streamlined operations, and increased agility in software acquisition and integration.

KEY STATISTICS

Return on investment (ROI)
587%

Net present value
$4.26M

Payback
<6 months

Benefits PV
$4.98M

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Reduced employee effort required for each procurement engagement by 50%.** The Microsoft commercial marketplace simplifies the composite organization's procurement by streamlining the process of researching, vetting, and approving software purchases. By reducing the number of employees required to buy new solutions, the composite organization saves a risk-adjusted $2.0 million in internal labor costs over the course of the three-year analysis period.
- **Optimized Azure cloud budget due to marketplace purchases, recapturing up to 50% of at-risk spend.** Purchasing software through the Microsoft commercial marketplace allows the composite organization to fulfill a portion of its minimum spend outlined in its MACC agreement. By optimizing its Azure cloud spend through the Microsoft commercial marketplace, the composite organization realizes savings of $2.1 million in preserved discounts over three years.
- **Improved time savings of 30% for the payments and finance purchasing team.** With the Microsoft commercial marketplace, the composite organization significantly reduces the amount of employee time devoted to processing and consolidating invoices, correcting billing errors, and other manual finance processes. The productivity gains are worth a risk-adjusted $570,700 to the composite organization over three years.
- **Avoided proof-of-concept fees.** The Microsoft commercial marketplace provides the composite organization with free access to trial versions of software solutions, enabling it to evaluate and test the solutions before committing to full purchases. Over the three-year analysis period, the composite organization saves a risk-adjusted $173,400 on proof-of-concept fees it would otherwise incur.
- **Reduced employee time required for onboarding new vendors by 75%.** The Microsoft commercial marketplace simplifies the vendor onboarding process for the composite organization, lessening the amount of internal labor it requires to enroll each new vendor. This benefit is worth $50,900 to the composite organization over the three-year analysis period.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified for this study include:

- **Faster deployment of new solutions.** By procuring software through the Microsoft commercial marketplace, the composite organization significantly reduces the time required to implement new applications. This enables users to experience the benefits of these solutions at an accelerated pace compared with traditional procurement processes.
- **Improved security and compliance.** The Microsoft commercial marketplace offers a wide selection of software solutions that have undergone rigorous security and compliance assessments, and this enables the composite organization to choose and deploy applications that align with its specific policy and regulatory requirements.
- **Ability to maintain flexible payment terms.** The Microsoft commercial marketplace offers flexible payment terms that can accommodate both the composite organization and the supplier’s specific needs. This allows the composite organization to maintain its preferred payment terms and ensures a smooth and successful buying process.
- **Improved visibility into the software tech stack.** Using the Microsoft commercial marketplace provides the composite organization with a single platform to access and manage its software in one place. This allows for better tracking and monitoring of software usage, which optimizes costs.

Costs. While there are no direct costs to the composite organization for adopting the Microsoft commercial marketplace, it does incur labor costs for implementation and management. Three-year, risk-adjusted PV costs for the composite organization include:

- **Implementation and training time.** The composite organization assigns an internal team to handle change management and setup tasks during the implementation process. Additionally, its employees require a varying degree of training based on their roles. In total, the composite organization devotes $69,000 in labor costs to implementation and training over the three-year analysis period.

- **Ongoing management costs.** Two of the composite organization's employees are responsible for managing the organization's usage of the Microsoft commercial marketplace. Over three years, the composite organization spends $656,500 on ongoing management costs.

The representative interviews and financial analysis found that a composite organization experiences benefits of $4.98 million over three years versus costs of $726,000, adding up to a net present value (NPV) of $4.26 million and an ROI of 587%. The organization's payback period is less than six months.

Reduction in employee effort required to procure new software

50%

"The Microsoft commercial marketplace is like a lens which allows you to capture all the companies around the world which are working on that solution. It will dramatically speed up that ability to [adopt] new software."

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ROI

587%

BENEFITS PV

$4.98M

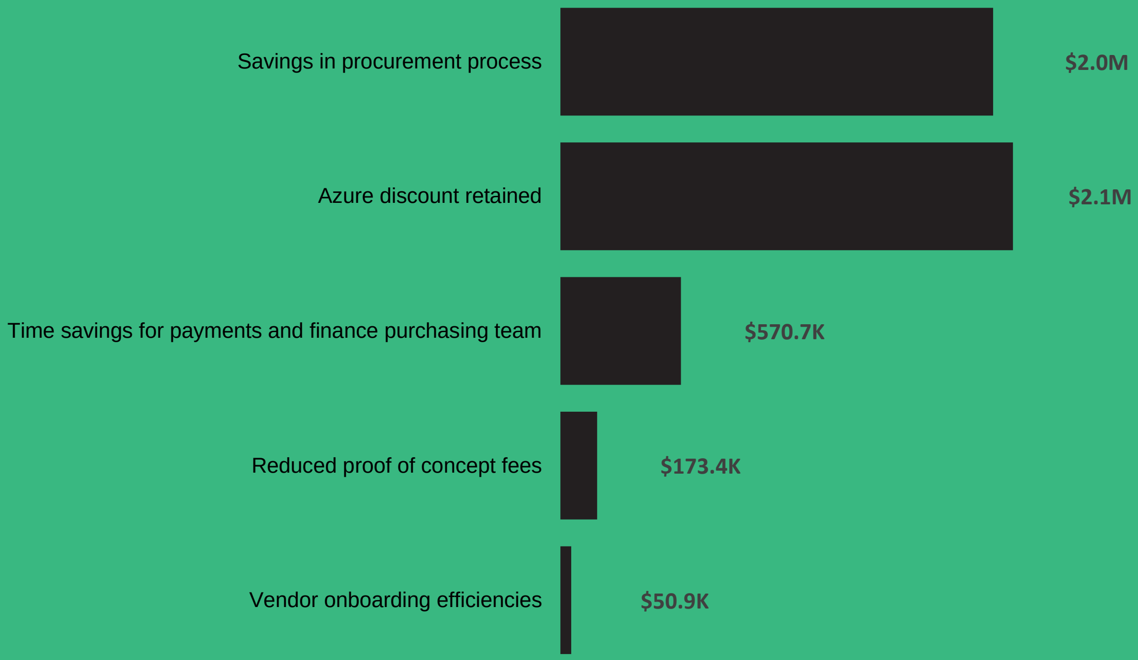
NPV

$4.26M

PAYBACK

<6 months

Benefits (Three-Year)



TEI Framework And Methodology

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering adopting the Microsoft commercial marketplace.

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 the Microsoft commercial marketplace can have on an organization.

1. **Due Diligence**
   Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to the Microsoft commercial marketplace.
2. **Interviews**
   Interviewed 10 representatives at organizations using the Microsoft commercial marketplace to obtain data about costs, benefits, and risks.
3. **Composite Organization**
   Designed a composite organization based on characteristics of the interviewees' organizations.
4. **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 interviewees.
5. **Case Study**
   Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

DISCLOSURES

Readers should be aware of the following:

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

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of adopting the Microsoft commercial marketplace.

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

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

The Microsoft Commercial Marketplace Customer Journey

Drivers leading to the adoption of the Microsoft commercial marketplace

Interviews

Role	Industry	Region	Employees
Executive director	Government	EMEA	2,500
IT sourcing specialist	Manufacturing	Global	100,000
Director of information security	Food distribution	Global	130,000
Director of IT	Financial services	Global	7,000
Consultant	Software sales	EMEA	200
Principal engineer	Chip manufacturing	US	800
Director of global supply chain	Telecommunications	Global	100,000
Machine learning engineer	Education	Global	2,000
CIO	Industrial lighting	North America	12,000
VP of information services	Energy services	North America	2,000

Key Challenges

Before adopting the Microsoft commercial marketplace, the interviewees' organizations struggled to efficiently identify, vet, and source new software products. Different departments or teams within the organizations often purchased solutions directly from suppliers on an ad hoc basis, or they relied on individual employees to research and recommend solutions and lead negotiations with vendors.

The interviewees noted how their organizations struggled with common challenges, including:

- **Slow procurement processes.** Prior to adopting the Microsoft commercial marketplace, the organizations struggled with lengthy procurement processes that hindered the timely acquisition of software solutions. The executive director at a government agency stated that previously, purchasing a software solution would take several months: “We used to have nightmares whenever we had to procure IT solutions … and we also had very long-winded processes that were complex and difficult.”

- **Inconsistent approaches to procurement.** Interviewees shared that without the Microsoft commercial marketplace, their organizations lacked a uniform approach to purchasing and implementing software solutions, which resulted in fragmented purchasing decisions and inconsistent practices. Different departments or teams within the organizations often purchased solutions as needed, and that made it difficult to assess overall spend and identify cost-saving opportunities.

  The IT sourcing specialist at a manufacturing firm described their organization’s previous approach to procurement: “It was ad hoc. There was nothing that was planned for it, and departments really weren’t going through the proper sourcing and legal process.”

- **Security and compliance challenges.** Without a third-party marketplace, the interviewees’ organizations faced significant security and compliance pain points. Some struggled to vet the security measures implemented by individual vendors, which increased the risk of data breaches and vulnerabilities. Additionally, verifying compliance with industry regulations became challenging, and some organizations had to manually assess each vendor’s adherence to specific standards.

  The machine learning engineer at an education firm described the security challenges from their organization’s previous procurement approach: “When you’re going directly to a supplier, since they are building a solution for you, it’s not really certified. It doesn’t have all these compliances you might be looking for. In our case, we were looking for software compliance, and the supplier didn’t have it, so we needed to seek a consultant to evaluate the compliance of their solution.”

- **Administrative burden of managing software purchases.** Previously, managing, tracking, and approving software purchases involved significant administrative overhead. The organizations had to navigate through multiple vendors, manage disparate agreements and invoices, and track numerous software purchases. This fragmented approach required significant time and resources, which led to administrative inefficiencies and increased costs.

  The director of IT at a financial services organization described how the time-consuming procurement practices drove their firm to consider a third-party marketplace: "[Our previous approach] required more resources to go in and manage everything. … I thought, instead of me dealing with 100 or 200 different providers, why can't I get a central place for doing that administration?"

- **Lack of access to free proofs of concept.** Some interviewees shared that their organizations had to pay for software proofs of concept before they could fully assess the viability and suitability of a solution. This often meant investing money up front without any guarantee of success. The director of IT explained: "Every single piece of software that I bring in, I have to have a proof of concept. … Before, when I was sourcing software, I often had to pay for the trial or proof of concept."

Investment Objectives

The interviewees' organizations searched for a solution that could:

- Optimize overall Azure cloud spend.
- Provide easy discovery and access to software solutions.
- Streamline procurement processes and offer seamless integration with existing workflows.
- Ensure secure and compliant deployment and management of software solutions.
- Centralize billing and reporting for easy tracking and analysis.

Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the 10 interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a global organization with approximately 5,000 employees and annual revenue of $4 billion. The composite has a MACC agreement with Microsoft that commits it to a specific Azure cloud spend. The organization uses the Microsoft commercial marketplace for an increasing share of its software purchases over time.

KEY ASSUMPTIONS

$4 billion annual revenue

5,000 employees

Global operations

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	Savings in procurement process	$573,750	$803,250	$1,147,500	$2,524,500	$2,047,568
Btr	Azure discount retained	$600,000	$840,000	$1,200,000	$2,640,000	$2,141,247
Ctr	Time savings for payments and finance purchasing team	$229,500	$229,500	$229,500	$688,500	$570,733
Dtr	Reduced proof of concept fees	$36,000	$72,000	$108,000	$216,000	$173,373
Etr	Vendor onboarding efficiencies	$14,250	$19,950	$28,500	$62,700	$50,855
	Total benefits (risk-adjusted)	$1,453,500	$1,964,700	$2,713,500	$6,131,700	$4,983,776

Savings In Procurement Process

Evidence and data. Interviewees shared that using the Microsoft commercial marketplace helped their organizations make informed procurement decisions without having to devote significant employee time to researching, evaluating, and selecting a vendor.

- Interviewees reported that the Microsoft commercial marketplace provides their organizations with a single platform to discover and explore a wide range of certified software applications, which saves them time that would previously be spent assessing and vetting potential vendors. The director of global supply chain at a telecommunications organization shared: “We have readily available options for our suppliers that are already vetted and available. [Our teams] can adopt without having to go through elongated procurement processes, additional orders, and administrative processes."

- The executive director at a government agency confirmed that using the Microsoft commercial marketplace has reduced the amount of time employees spend researching solutions because the marketplace includes pricing plans, customer reviews, and other specifications. They said: "Our engineers are able to actually provide solutions quicker as they are able to check what's on the Microsoft commercial marketplace to give them an offering. The turnaround time is much quicker than if they still had to research solutions on the internet, do a comparison of three different products to find the best one, and so forth. This is making it much easier and faster."

- By simplifying the procurement process, interviewees' organizations were also able to reduce the number of employees involved in purchasing solutions. The principal engineer at a chip manufacturer described the time savings: "Before, it could be 20 people who get involved in purchasing a product. These people are on the finance teams, from the legal teams, from the IT teams, and from the architecture and product teams. Using the Microsoft commercial marketplace, the maximum is around five people needed to handle everything. … On average, this purchasing process took at least a month. Right now, with the Microsoft commercial marketplace, the average time is about a week."

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite organization purchases five solutions with the Microsoft commercial marketplace in Year 1 and purchases seven and 10 solutions in Years 2 and 3, respectively.

- Prior to using the Microsoft commercial marketplace, procuring a solution required the efforts of 30 employees from a variety of internal teams. On average, each of these employees devoted 120 hours to each engagement.

- With the Microsoft commercial marketplace, the composite organization procures each solution with a team of 15 employees who each devote 40 hours to each engagement.
- On average, the fully burdened hourly wage of an employee involved in the procurement process is $45.

Risks. Factors that could affect the impact of this benefit for organizations include the following:

- The amount of employee labor the organization required for each procurement engagement in its legacy state.
- The number of solutions purchased through the Microsoft commercial marketplace each year.
- The fully burdened hourly wages of employees involved in procurement.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $2.0 million.

Reduction in employee effort required for procurement

50%

"The Microsoft commercial marketplace dramatically speeds up your ability to search exactly what you're looking for with your use case and try it out. ... I think it's amazing."

MACHINE LEARNING ENGINEER, GLOBAL EDUCATION FIRM

Savings In Procurement Process					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Procurement engagements impacted by the Microsoft commercial marketplace	Composite	5	7	10
A2	Average fully loaded hourly salary of a procurement employee	TEI standard	$45	$45	$45
A3	Employees involved in procurement process per engagement before using the Microsoft commercial marketplace	Interviews	30	30	30
A4	Time required per engagement before using the Microsoft commercial marketplace (hours)	Interviews	120	120	120
A5	**Subtotal: Total cost of process for engagements prior to using the Microsoft commercial marketplace**	**A1*A2*A3*A4**	$810,000	$1,134,000	$1,620,000
A6	Employees involved in procurement process per engagement with the Microsoft commercial marketplace	Interviews	15	15	15
A7	Time required per engagement with the Microsoft commercial marketplace (hours)	Interviews	40	40	40
A8	**Subtotal: Total cost of procurement processes with the Microsoft commercial marketplace**	**A1*A2*A6*A7**	$135,000	$189,000	$270,000
At	Savings in procurement process	A5-A8	$675,000	$945,000	$1,350,000
	Risk adjustment	↓15%			
Atr	Savings in procurement process (risk-adjusted)		$573,750	$803,250	$1,147,500
	Three-year total: $2,524,500		**Three-year present value: $2,047,568**		

Azure Discount Retained

Evidence and data. Many of the interviewees’ organizations have MACC agreements that commit them to a certain level of Azure consumption in exchange for discounted rates. The interviewees reported that 100% of their organizations’ spending on eligible solutions through the Microsoft commercial marketplace counted toward their MACC agreements, which helped them unlock Azure discounts that they otherwise stood to lose.

- The IT sourcing specialist at a manufacturing firm detailed how MACC savings drove adoption of the Microsoft commercial marketplace: "It burns down our MACC, which is great for us. … If we're spending that money anyway, why not have it help us burn down our commitment at the end of our renewal? … We can have a higher discount."
- The director of information security at a food distributor described how using the Microsoft commercial marketplace helped their organization meet its consumption agreements: "If we renew for $10 million with our security solution, then we shave $10 million off the MACC agreement. … When we burn the MACC quicker, it opens up other opportunities for better deals and savings with Microsoft."

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite organization has a MACC agreement that provides it with annual discounts of $3 million per year.
- In Year 1, 25% of the composite organization's discount recapture is attributable to using the Microsoft commercial marketplace. As the organization begins using the Microsoft commercial marketplace for more of its procurement projects, the discounts are increasingly attributable to the Microsoft commercial marketplace. In Years 2 and 3, 35% and 50% of discounts respectively are attributed to spend on the Microsoft commercial marketplace.

Risks. Factors that could affect the impact of this benefit for organizations include the following:

- The total Azure discounts outlined in the organization's MACC.
- The size of the gap between the organization's committed and actual Azure spend.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $2.1 million.

> "It's dollar for dollar. Whatever we spend, 100% of it goes to our spend commitment, and that was a huge deal. For some of [Microsoft's] competitors, [that's] not the case."
>
> IT SOURCING SPECIALIST, MANUFACTURING

Azure Discount Retained					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Microsoft Azure discounts at risk	Composite	$3,000,000	$3,000,000	$3,000,000
B2	Discount recapture attributed to the Microsoft commercial marketplace spending to meet MACC	Interviews	25%	35%	50%
Bt	Azure discount retained	B1*B2	$750,000	$1,050,000	$1,500,000
	Risk adjustment	↓20%			
Btr	Azure discount retained (risk-adjusted)		$600,000	$840,000	$1,200,000
	Three-year total: $2,640,000		**Three-year present value: $2,141,247**		

Time Savings For Payments And Finance Purchasing Team

Evidence and data. Interviewees reported that by leveraging features of the Microsoft commercial marketplace such as automated invoicing and billing systems, their organizations' finance teams reduced manual data entry, eliminated billing errors, and expedited their overall invoice processing and billing cycles, which resulted in significant time savings.

- The director of global supply chain at a telecommunications firm described how using the Microsoft commercial marketplace has simplified the overall billing process: "There [are] definitely savings from the administrative and internal work that we have to do to set up POs (purchase orders) and manage those invoices and invoice routing and making sure that there are no misapplied payments or credits or anything like that. It all just flows through the Microsoft commercial marketplace invoicing, and it's much cleaner and easier to manage. … We don't have to worry about issuing POs and invoices and invoice tracking and all the administrative pieces."
- The machine learning engineer at an education firm said using the Microsoft commercial marketplace has streamlined their organization's billing process: "It's just one invoice, basically. You can go to billing and see a granular, itemized billing where they tell you exactly what the charges are. But there's really not too much to do on the billing side. It's just one page where you can see all your costs. So, this is very, very simple for a buyer."

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite organization has a 10-person finance and payments team that manages software invoices.
- Each member of the team has a fully burdened salary of $85,000.
- With the Microsoft commercial marketplace, the composite organization reduces the amount of time employees spend managing invoices by 30%.

Risks. Factors that could affect the impact of this benefit for organizations include the following:

- The size of the organization's finance and payments team.
- The organization's preexisting process for managing software invoices.
- The average fully burdened salaries of finance employees.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $570,700.

Finance team time savings for billing

30%

"Once I buy a solution from the marketplace, I don't have the nightmare of managing invoices and checking for accuracy."

EXECUTIVE DIRECTOR, GOVERNMENT

Time Savings For Payments And Finance Purchasing Team					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Payments and finance team members associated with software purchases	Composite	10	10	10
C2	Percent of time saved due to the Microsoft commercial marketplace consolidating invoicing and enabling faster work with procurement	Interviews	30%	30%	30%
C3	Fully loaded annual salary of a payment and finance team member	TEI standard	$85,000	$85,000	$85,000
Ct	Time savings for payments and finance purchasing team	C1*C2*C3	$255,000	$255,000	$255,000
	Risk adjustment	↓10%			
Ctr	Time savings for payments and finance purchasing team (risk-adjusted)		$229,500	$229,500	$229,500
	Three-year total: $688,500		**Three-year present value: $570,733**		

Reduced Proof Of Concept Fees

Evidence and data. Before using the Microsoft commercial marketplace, interviewees' organizations often had to pay up-front fees for proofs of concept to evaluate new software solutions. However, interviewees said their organizations were able to more easily access trial options through the Microsoft commercial marketplace, which resulted in cost savings on proof-of-concept expenses. The machine learning engineer at an education firm described how this benefits software buyers: "When you go to the Microsoft commercial marketplace, there are different trial options; they have test-drive options. This is great because usually people want to try things out. They don't necessarily trust what the description is saying. They want to verify on their own that this solution actually works."

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- In Year 1, the composite organization requires proofs of concept for two procurement engagements. In Years 2 and 3, it requires four and six proofs of concept, respectively.
- Before using the Microsoft commercial marketplace, each proof of concept cost the composite organization $20,000.

Risks. Factors that could affect the impact of this benefit for organizations include the following:

- The number of engagements that require a proof of concept.
- Whether the vendor offers free proofs of concept through other modes.
- The average cost of proofs of concept in the organization's legacy state.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $173,400.

Reduced Proof Of Concept Fees

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Engagements that require a PoC per year purchased via the Microsoft commercial marketplace	Composite	2	4	6
D2	Fees for PoC per engagement in prior state	Interviews	$20,000	$20,000	$20,000
Dt	Reduced proof of concept fees	D1*D2	$40,000	$80,000	$120,000
	Risk adjustment	↓10%			
Dtr	Reduced proof of concept fees (risk-adjusted)		$36,000	$72,000	$108,000
	Three-year total: $216,000		**Three-year present value: $173,373**		

Vendor Onboarding Efficiencies

Evidence and data. Interviewees noted that using the Microsoft commercial marketplace makes vendor onboarding easier by simplifying the process of reviewing paperwork and explaining processes to new vendors. They said that instead of manually handling these tasks, the Microsoft commercial marketplace provides a single platform on which vendors can submit required documentation and access necessary information. This streamlines the onboarding process and reduces the administrative burden.

- The director of information security at a food distributor described how the Microsoft commercial marketplace simplified the vendor onboarding process: “Without the Microsoft commercial marketplace, it takes two [or] three months to get a vendor onboarded at times, and that holds up everything else. Being able to go through the Microsoft commercial marketplace means you don’t have to onboard the vendor in the traditional sense. That’s definitely helped us get things done quicker.”
- The director of IT at a financial services firm noted that using the Microsoft commercial marketplace has helped minimize the amount of back-and-forth between their organization’s buying teams and vendors: “The Microsoft commercial marketplace has been really useful for fulfilling my day-to-day activities and facilitating my vendor relationships. … The contract and red tape is handled by Microsoft. I don’t have to go deep into my NDAs (non-disclosure agreements), legal documents, or contract redlining, and all those kinds of things.”

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- Prior to using the Microsoft commercial marketplace, the composite organization had a team of 10 employees involved in vendor onboarding.
- The fully burdened hourly wage of an employee who manages vendor onboarding is $50.

- Prior to using the Microsoft commercial marketplace, each of these employees had to devote 8 hours of work to managing paperwork and explaining processes to each new vendor.
- After adopting the Microsoft commercial marketplace, the time spent on these tasks is reduced by 75%.
- The composite organization onboards five vendors in Year 1, seven vendors in Year 2, and 10 vendors in Year 3.

Risks. Factors that could affect the impact of this benefit for organizations include the following:

- The time the organization devoted to its legacy vendor onboarding process.
- The number of new vendors onboarded.
- The fully burdened hourly wages of employees on the vendor onboarding team.

Results. To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $50,900.

Reduction in time spent on vendor onboarding tasks

75%

Vendor Onboarding Efficiencies					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
E1	Employees required for vendor onboarding prior to using the Microsoft commercial marketplace	Interviews	10	10	10
E2	Time spent onboarding vendors in legacy state (hours)	Interviews	8	8	8
E3	Instances of vendor onboarding	A1	5	7	10
E4	Fully loaded hourly salary of an employee involved with vendor onboarding	TEI standard	$50	$50	$50
E5	Cost of vendor onboarding prior to using the Microsoft commercial marketplace	E1*E2*E3*E4	$20,000	$28,000	$40,000
E6	Reduction in effort to onboard new vendors with the Microsoft commercial marketplace	Interviews	75%	75%	75%
Et	Vendor onboarding efficiencies	E5*E6	$15,000	$21,000	$30,000
	Risk adjustment	↓5%			
Etr	Vendor onboarding efficiencies (risk-adjusted)		$14,250	$19,950	$28,500
	Three-year total: $62,700		**Three-year present value: $50,855**		

Unquantified Benefits

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

- **Faster deployment of new solutions.** By using the Microsoft commercial marketplace, interviewees’ organizations were able to significantly reduce the amount of time required to implement new software, which resulted in accelerated access to the benefits of these solutions. The director of IT at a financial services organization stated: “I can actually do procurement faster. I can make sure that my products get released faster, bringing benefits faster to the company.”

- **Improved security and compliance.** Interviewees said that Microsoft commercial marketplace has an extensive range of vetted software solutions that enabled their organizations to choose and deploy applications that align with their specific security and regulatory requirements. The machine learning engineer at an education organization detailed the improvements in security and compliance: “When you go to the Microsoft commercial marketplace, they’re telling you directly what the compliance requirement of this solution is. The containers are already scanned for malware … [and] you don’t need to hire anybody to assess the compliance of the solution. [It’s] very simple.”
- **Ability to maintain flexible payment terms.** Interviewees reported that the Microsoft commercial marketplace has adaptable payment terms, which accommodates the unique needs of both the buyer and the vendor and ensures a seamless and successful purchasing process while allowing their organizations to uphold their preferred payment conditions. The director of information security at a food distributor explained: “We have 120-day payment terms. ... A lot of suppliers obviously don’t like that. With the Microsoft commercial marketplace, Microsoft will pay them annually up front at the anniversary date of each year. … So they’re happy, they get all their money, and we stay on our payment terms with Microsoft.”
- **Improved visibility into the software tech stack.** Interviewees shared that the Microsoft commercial marketplace provided their organizations with a comprehensive overview of their software subscriptions. The increased visibility allowed for better tracking of software usage and optimized costs by identifying underutilized or redundant software. The VP of information services at an energy services organization described the improvements: “The growth and SaaS sprawl was absolutely an issue that the Microsoft commercial marketplace has helped with. I think reporting and visibility into spend and being able to help us forecast and track that has been probably the biggest benefit.”

> "I thought it sounded too good to be true, but my experience on the Microsoft commercial marketplace has been phenomenal."
>
> **EXECUTIVE DIRECTOR, GOVERNMENT**

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**
Ftr	Implementation and training time	$69,046	$0	$0	$0	$69,046	$69,046
Gtr	Ongoing management costs	$0	$264,000	$264,000	$264,000	$792,000	$656,529
	Total costs (risk-adjusted)	$69,046	$264,000	$264,000	$264,000	$861,046	$725,575

Implementation And Training Time

Evidence and data. Interviewees reported that while there are no hard costs for adopting the Microsoft commercial marketplace, their organizations incurred internal labor costs related to the implementation. They noted that employees required varying levels of training to use the Microsoft commercial marketplace depending on their role.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite organization has a team of three people that leads the implementation of the Microsoft commercial marketplace. Each team member devotes 160 hours to the process.
- The average fully burdened hourly wage of an employee on the implementation team is $58.
- The organization has a 30-person procurement team, and each member requires 16 hours of training to use the Microsoft commercial marketplace.

- The average fully burdened hourly wage of an employee on the procurement team is $45.
- The composite also has 200 business users who each require 1 hour of training.
- The average fully burdened wage of a business user is $53.

Risks. Factors that could affect the impact of this cost for organizations include the following:

- The organization’s internal implementation and training needs.
- The average salaries of team members who implement the Microsoft commercial marketplace or receive training to use it.

Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $69,000.

Implementation And Training Time						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
F1	Employees involved in Microsoft commercial marketplace planning and change management tasks	Interviews	3			
F2	Time spent performing implementation and change management tasks (hours)	Interviews	160			
F3	Blended hourly salary of involved employees	TEI standard	$58			
F4	**Subtotal: Change management costs**	**F1*F2*F3**	**$27,840**			
F5	Procurement team members who require training	A3	30			
F6	Time spent in training (hours)	Interviews	16			
F7	Fully loaded hourly salary of a procurement team member	TEI standard	$45			
F8	**Subtotal: Training costs for procurement team**	**F5*F6*F7**	**$21,600**			
F9	General business users who require training	Interviews	200			
F10	Time spent in training (hours)	Interviews	1			
F11	Fully loaded hourly salary of a general business user	TEI standard	$53			
F12	**Subtotal: Training costs for general business users**	**F9*F10*F11**	**$10,600**			
Ft	Implementation and training time	F4+F8+F12	$60,040	$0	$0	$0
	Risk adjustment	↑15%				
Ftr	Implementation and training time (risk-adjusted)		$69,046	$0	$0	$0
	Three-year total: $69,046			**Three-year present value: $69,046**		

Ongoing Management Costs

Evidence and data. Interviewees reported that their organizations dedicated small internal teams to manage usage of the Microsoft commercial marketplace on an ongoing basis.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite organization has one IT FTE devote 50% of their time to managing data ingestion in the Microsoft commercial marketplace.
- The fully burdened annual salary of this IT resource is $200,000.
- The organization also has an employee dedicated entirely to managing usage policies on the Microsoft commercial marketplace.
- The fully burdened annual salary of the employee who manages usage policies on the Microsoft commercial marketplace is $120,000.

Risks. Factors that could affect the impact of this cost for organizations include the following:

- The organization's internal support needs.
- The average salaries of the internal team members who manage the usage of Microsoft commercial marketplace.

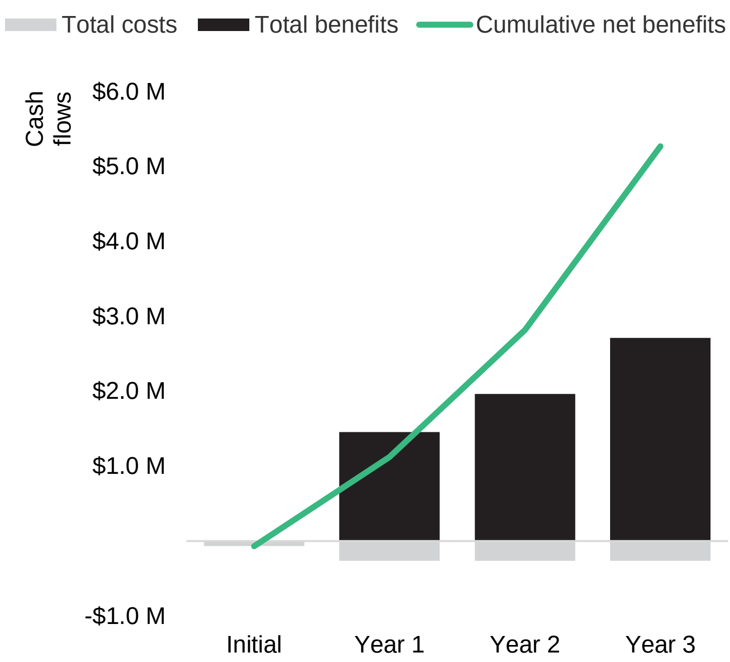
Results. To account for these risks, Forrester adjusted this cost upward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $656,500.

Ongoing Management Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
G1	IT FTEs who manage data ingestion for the Microsoft commercial marketplace	Interviews		0.5	0.5	0.5
G2	Fully loaded annual salary of an IT FTE who manages data ingestion for the Microsoft commercial marketplace	TEI standard		$200,000	$200,000	$200,000
G3	FTEs who manage usage and policies of the Microsoft commercial marketplace	Interviews		1	1	1
G4	Fully loaded annual salary of an FTE who manages usage and policies of the Microsoft commercial marketplace	TEI standard		$120,000	$120,000	$120,000
Gt	Ongoing management costs	(G1*G2)+(G3*G4)	$0	$220,000	$220,000	$220,000
	Risk adjustment	↑20%				
Gtr	Ongoing management costs (risk-adjusted)		$0	$264,000	$264,000	$264,000
	Three-year total: $792,000			**Three-year present value: $656,529**		

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 Analysis (Risk-Adjusted)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($69,046)	($264,000)	($264,000)	($264,000)	($861,046)	($725,575)
Total benefits	$0	$1,453,500	$1,964,700	$2,713,500	$6,131,700	$4,983,776
Net benefits	($69,046)	$1,189,500	$1,700,700	$2,449,500	$5,270,654	$4,258,201
ROI						587%
Payback						<6 months

Appendix A: Total Economic Impact

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

Total Economic Impact Approach

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

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

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

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

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.

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.

Appendix C: Endnotes

[1] Source: "The SaaS Marketplaces Landscape, Q2 2023," Forrester Research, Inc., June 27, 2023.

[2] 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.

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