

The Total Economic Impact™ Of Microsoft Dynamics 365 Customer Service

Cost Savings And Business Benefits Enabled By Dynamics 365 Customer Service

A Forrester Total Economic Impact™ Study
Commissioned By Microsoft, March 2024



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Executive Summary

Microsoft Dynamics 365 Customer Service provides service organizations' agents the tools they need to deliver faster, seamless, personalized experiences across any channel. Dynamics 365 (D365) Customer Service simplifies and automates support agent processes with Copilot in Dynamics 365 Customer Service while delivering faster support experiences to organizations' customers, which can improve customer satisfaction and lead to additional revenue and profit.

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](#).¹ The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Dynamics 365 Customer Service on their organizations.



Return on investment (ROI)

315%



Net present value (NPV)

\$11.16M

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed six representatives with experience using Dynamics 365 Customer Service at five organizations. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#) that generates revenue of \$1 billion per year and has 500 full-time support agents.

The interviewees said that prior to using Dynamics 365 Customer Service, their organizations used a collection of disparate customer service tools that lacked the interconnectivity to enable their customer service agents with complete views of their customers. This hindered their ability to deliver informed and efficient service experiences to end customers. Handle times increased because agents struggled to access the right information in a timely manner amid increases in call volumes and service requests. Support across multiple channels, AI-driven support, automation, and

customer self-service was not possible or feasible given the organizations' environments.

Interviewees said that after migrating to Dynamics 365 Customer Service, their organizations' customer service agents are in a better position to deliver the seamless support that customers have come to expect while saving time and sharing critical customer information within other areas of the organizations to drive better customer experiences, increase revenue, and create more personalized relationships.

KEY FINDINGS

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

- **Improved support agent productivity by reducing average handling time (AHT) by 40%.** Implementing Dynamics 365 Customer Service allows the composite organization to automate the manual aspects of its agents' day-to-day responsibilities. This greatly reduces the amount of time the agents spend collecting customer information and supporting best practices, which prepares them for shorter, more efficient interactions with customers. Across the composite organization's 500 agents, an average of 468 hours per agent are saved each year, which saves the organization \$8.9 million PV over three years.
- **A 20% improvement to first-call resolution and a 15% decrease in misrouted support calls by Year 3.** With Dynamics 365 Customer Service, the composite's support cases are automatically routed to the best specialists (who are supported by broad knowledge bases and collaborate with human and AI experts) depending on the nature of the case, which increases first-call resolution rates and decreases instances of misroutes. Each of the composite's agents, on average, save between 175 and 292 hours annually during the three-year period, which is worth \$4.7 million PV to the organization.
- **Improvement to sales pipeline generation leading to a revenue increase of \$1.13 million, driving additional profitability.** The composite organization shares customer information across its Dynamics 365 modules and other Microsoft solutions, which keys sales personnel into sales opportunities that would have been lost in the organization's previously siloed environment. This

revenue improvement (valued over \$1.1 million) translates to \$164,000 in PV profit to the composite over three years.

- **Cost savings of \$978,000 in retired customer support solutions.** Once migrated to Dynamics 365, the composite organization retires its previous customer support solutions, which saves on annual license fees, infrastructure costs, and personnel maintenance hours required for these customer service tools.

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

- **Integration with other Microsoft products.** The composite organization realizes the value of seamless integration and shared data between D365 Customer Service and the rest of the organization's Dynamics 365 modules and Microsoft products.
- **Improved customer experience for support.** Inherent to reductions in key support metrics such as handle time, hold time, and resolution rates is an improvement to overall customer experience for the organizations' customers. Dynamics 365 Customer Service allows the composite's agents to deliver a faster, more personalized, and more in-depth support experience that can help the organization build better relationships with its customers in the future.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Subscription fees for Microsoft 365 Customer Service Enterprise.** The composite organization pays between \$1.17M to \$1.24M in annual subscription fees to Microsoft for its Dynamics 365 Customer Service deployment based on its total monthly users. This costs the composite a total of \$2.98 million PV over three years.
- **Implementation, training, and ongoing management costs of \$562,000 over three years.** The composite organization dedicates FTE effort across both IT and business personnel to successfully deploy and manage its Dynamics 365 Customer Service instance. Once deployed, FTEs spend additional hours in training and on ongoing development.

The representative interviews and financial analysis found that a composite organization experiences benefits of \$14.70 million over three years versus costs of \$3.54 million, adding up to a net present value (NPV) of \$11.16 million and an ROI of 315%.

Average handling time reduction

40%

Decrease in misroutes

15%

Improvement to first-call resolution

20%

Improvement to revenue

\$1.13 million

Avoided annual costs on customer service/support solutions

\$310k-\$472k

“With Dynamics 365 Customer Service, we needed a solution that could support additional contact channels and could automate repetitive questions that have mostly static answers. We also needed a new chat solution to incorporate [AI functionality], previous solution supported.”

CRM PRODUCT MANAGER, TRAVEL AND HOSPITALITY



Return on investment
(ROI)

315%



Benefits PV

\$14.70M



Net present value
(NPV)

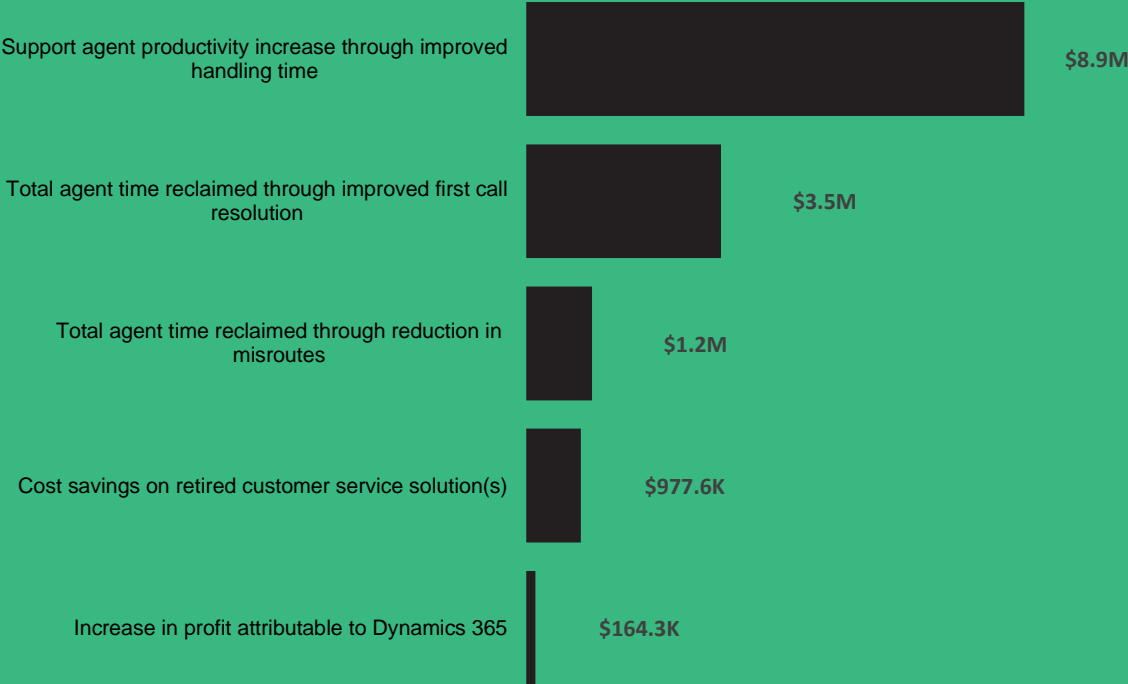
\$11.16M



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 an investment in Microsoft Dynamics 365 Customer Service.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Microsoft Dynamics 365 Customer Service can have on an organization.

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 an investment in 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.

Due Diligence

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Dynamics 365 Customer Service.

Interviews

Interviewed six representatives at five organizations using Dynamics 365 Customer Service to obtain data about costs, benefits, and risks.

Composite Organization

Designed a composite organization based on characteristics of the interviewees' 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 interviewees.

Case Study

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

The Microsoft Dynamics 365 Customer Service Customer Journey

Drivers leading to the Dynamics 365 Customer Service investment

Interviews			
Role	Industry	Region	Support agents
Senior product manager, customer experience	Banking	North America	200
Enterprise architect, corporate solutions	Financial services	North America	1,200
Commercial customer experience business relationships manager Omnichannel manager	Manufacturing	North America	250
Vice president of IT	Retail	North America	120
CRM product manager	Travel and hospitality	Europe	100

KEY CHALLENGES

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

- **A disparate stack of aging customer support and customer relationship management (CRM) solution(s).** Interviewees told Forrester about the fragmented state of their organizations' customer support solutions, which were acquired over time for specific functionality or through acquisition. The organizations were often paying for redundant functionality across several tools, and supporting these tools took an inordinate amount of IT personnel time.

More than one interviewee noted their organization had previously been using five or more customer service solutions prior to consolidating on Dynamics 365 Customer Service. An interviewee at a manufacturer noted: "It wasn't until after we migrated to Dynamics 365 that we realized how much time our support

agents were wasting navigating between systems to find the information they needed. I think it was on average, like, 20 minutes to a half an hour to try to get context and [get] back up to speed so they could be in a position to respond to the customer.”

- **Siloed customer data, which led to suboptimal support.** Because their organizations’ customer data resided within several disparate customer support tools, support agents were forced to navigate these disparate systems to piece together the full story for each of their customer interactions. This led to support delays, frustrated customers, and missed upsell opportunities.
- **Increasing support capacity requirements.** As the organization grows, so does its need for customer support personnel. Interviewees said that with legacy tools, agents were limited in their ability to support this increasing volume of requests, which mandated additional hires. The senior product manager, customer experience at a banking organization summarized: “[Our requirement for support] is growing because of [the] sheer scale of business. We need to support all of these new customers. We needed a [solution] that could help support this growth while keeping our support budget in check.”
- **An inconsistent and one-sized customer experience.** Many interviewees told Forrester that given their organizations’ environments, their support experiences were lacking. Misrouted support requests, a limited ability to assist across multiple channels, and a lack of insights into a support knowledge base hindered the organizations’ abilities to drive good customer experiences. One interviewee said: “[Our previous solution] could answer calls and everything, but it didn’t give us the ability to see what a particular call was about and route it appropriately. There were no analytics behind it. We needed a more robust solution to enhance our customer service overall.”

INVESTMENT OBJECTIVES

The interviewees’ organizations searched for a solution that could:

- Integrate seamlessly with other Microsoft solutions, including other Dynamics 365 modules, Microsoft Power BI, and Microsoft Teams.

- Deliver automation and AI-driven insights to the customer support function to enable agents to deliver a better support experience while limiting the requirement for additional support agents.
- Help establish and curate a knowledge base to further support the customer experience.

“We’re not a basic contact center where you [call in] and our agents read scripts and then we get off the phone as quickly as possible. We’re the opposite. We want to keep the customer on the phone and make sure that we’ve identified, uncovered, [and] upsold if we get the opportunity. And we make sure that the customer has one phone call and they’re done. Understanding previous interactions helps us understand that customer and really facilitates a better discussion.”

OMNICHANNEL MANAGER, MANUFACTURING

“Dynamics 365 Customer Service has allowed us to create a knowledge base and set up workflows that automatically assign cases to the right agent based on the issue. Instead of wasting our customers’ time, we are quickly resolving those issues.”

VICE PRESIDENT OF IT, RETAIL

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 six 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 \$1 billion composite organization is industry-agnostic and operates at multiple locations across the globe. It has 5,000 employees, and 500 of which are customer support agents who support the organization’s growing customer base. Forrester conservatively assumes that these customer support employees spend an average of 75% of their working time on customer support interactions.

Deployment characteristics. Before migrating to Dynamics 365 Customer Service, the organization relied on a homegrown collection of on-premises customer support and CRM tools that provided little interconnectivity, required very specific ongoing development from IT personnel, and were nearing end of life. The lack of interconnectivity led to disproportionate amounts of agent time dedicated to searching for customer information, which led to delays and impersonal support interactions. Dynamics 365 Customer Service is deployed to replace these solutions on one, unified platform. The organization’s full-time agents are given Dynamics 365 Customer Service

Enterprise licenses, along a mix of with Microsoft Copilot in Dynamics 365 Customer Service, Digital Messaging, Voice, and Chat add-ins.

Key Assumptions

\$1 billion revenue

500 support agents

Each agent works an average of 6 hours per day

75% of agent time is spent on support interactions

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	Support-agent productivity increase through improved handling time	\$3,480,750	\$3,585,173	\$3,692,728	\$10,758,650	\$8,901,672
Btr	Improvement to first-call resolution and misroutes	\$1,380,220	\$1,896,134	\$2,441,762	\$5,718,116	\$4,656,330
Ctr	Profit increase from new sales pipeline generation	\$45,000	\$67,500	\$90,000	\$202,500	\$164,313
Dtr	Cost savings on retired customer service solution(s)	\$310,500	\$411,750	\$472,500	\$1,194,750	\$977,558
Total benefits (risk-adjusted)		\$5,216,470	\$5,960,557	\$6,696,990	\$17,874,016	\$14,699,873

SUPPORT-AGENT PRODUCTIVITY INCREASE THROUGH IMPROVED HANDLING TIME

Evidence and data. Interviewees cited several inefficiencies across their organizations' previous customer support solutions that hindered support-agent productivity and drove up the time of support interactions. Several noted that their organization relied on multiple solutions for different customer support functions, leading to siloed customer data or relevant support information.

They also said agents lacked visibility into customer histories and their teams' best practices for service and resolution. Service-case routing was rudimentary at best, leading to a one-size-fits-all approach to support. Automation of common support tasks and obtaining AI-driven insights for support agents were not possible. As a result, average customer handle times were higher than desired, and agents struggled to keep up with increasing volumes of service requests.

Interviewees said implementing Dynamics 365 Customer Service allowed their organizations to automate the manual aspects of their agents' day-to-day responsibilities, which greatly reduced the amount of time they needed to spend

collecting customer information and supporting best practices and prepared them for shorter, more efficient interactions with customers.

- The interviewees at the manufacturer explained that support agents struggled to piece together customer information across systems before engaging on support interactions and that they spent an estimated 20 to 30 minutes per interaction on manual tasks to prepare.

The organization's Omnichannel manager noted: "It became pretty obvious how much additional effort our agents were putting in to connect to customers, work with customers, note the interactions, save it appropriately, and reference them in the newer interactions. That was the moment when we realized that we needed to make this better."

The interviewee explained that by migrating to Dynamics 365 Customer Service, support agents are automatically enabled with the right customer information immediately at the beginning of a support interaction, eliminating manual work entirely and supporting a better customer experience. The Omnichannel manager summarized: "There used to be anxiety that you would feel when the phone rang. But now the right information shows up before the call even comes in, which takes the experience to another level. That's helping our agents so much more."

- The CRM product manager at a travel and hospitality organization said that given the amount of customer information required for a successful support interaction in the travel space, Dynamics 365 Customer Service was the only solution their company explored that could not only connect all of its customer information (e.g., current and past travel reservations and account history), but that could also unify it across multiple channels. The interviewee explained: "[For example,] we wanted to have the ability to drive multiple parallel live bots, like voice bot interactions. Today, all of our customer calls are routed to [virtual agents] before they're handed off to a live agent so they can get immediate support. There is never a waiting time before you get to talk to a virtual agent."

The interviewee said their organization shares insights from Dynamics 365 Customer Service with Microsoft Power BI, allowing the curation of a knowledge

base and skill-based routing based on the support topic: “With Microsoft Dynamics 365, we can be present for the customer at all touchpoints. We can harness and use all of the customer-related data that we have because we use so many different Microsoft business applications and custom processes that we’ve built through the [Microsoft] Power Platform that we have so much data available. We use this to better understand customer behavior and customer favorables, which we believe is important to deliver proactive service. We’re meeting customers wherever they are at a certain point during the customer journey.”

- Some interviewees cited AI features through Copilot in Dynamics 365 as a driver of additional agent productivity and better customer support outcomes. The CRM product manager at the travel and hospitality organization explained: “AI-driven features on [Dynamics 365 Customer service] bring benefit because they are essential in helping us anticipate customer needs and ensure our service is proactive and not just reactive. These insights will allow us to further reduce support efforts and reallocate resources to build stronger customer relationships.”
- The vice president of IT at a retail organization said consolidating several siloed sources of customer and support information into a centralized knowledge base as well as new Dynamics 365-enabled customer self-service options led to a 70% decrease in average support call time. The interviewee explained the new self-service process: “The chat feature available on Dynamics 365 was not available in our previous support environment at all. So, a lot of these calls that used to get through to agents on common support issues don’t make it to agents at all now.”
- The enterprise architect, corporate solutions at a financial services organization told Forrester that support-call duration at their organization has decreased by more than 25% since implementing Dynamics 365 Customer Service because agents have seamless access to customer data: “From a productivity perspective, our agents are happy because they have their information available at their fingertips. They don’t need to switch between multiple screens and multiple systems the way they used to.” The same interviewee also highlighted the impact of Copilot in Dynamics 365 Customer Service on agents, noting that it

further equips them with the tools to provide more responsive support to their customers and to improve the customer experience.

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

- The composite's support agents work an average of 6 hours per day.
- These agents spend 75% of their working time on support interactions.
- Dynamics 365 Customer Service leads to a 40% decrease in handling time through a reduction in required manual lookup tasks, customer self-service, and Copilot in Dynamics 365 Customer Service AI-driven agent support through the organization's knowledge base.
- The average hourly rate of a support agent is \$35.
- The composite has a 50% productivity recapture rate because not all time reclaimed will be reallocated to value-added activities.

Risks. This benefit will vary among organizations based on:

- The sophistication of the organization's previously deployed customer service solution(s) as it relates to potential for functionality improvements on Dynamics 365 Customer Service.
- The organization's industry as it relates to the volume and nature of customer service requests.
- The skill and capacity of the organization's customer service personnel.

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 \$8.9 million.

40%

Reduction in support interaction duration

“We did see significant improvements to average handle time when we went to Dynamics 365. [We saved] 10% to 15% right off the bat when we switched.”

SENIOR PRODUCT MANAGER, CUSTOMER EXPERIENCE, BANKING

ANALYSIS OF BENEFITS

Support-Agent Productivity Increase Through Improved Handling Time					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Total support agents on Dynamics 365 Customer Service	Composite	500	515	530
A2	Time per agent per day (hours)	Assumption	6	6	6
A3	Baseline percentage of daily time spent on customer interaction	Assumption	75%	75%	75%
A4	Average time spent on customer interactions per agent pre-Dynamics 365 Customer Service (hours)	A2*A3*260 work days	1,170	1,170	1,170
A5	Average handling time pre-Dynamics 365 (minutes)	Interviews	15	15	15
A6	Average handling time on Dynamics 365 Customer Service (minutes)	Interviews	9	9	9
A7	Improvement to handling time on Dynamics 365 Customer Service	1-(A6/A5)	40%	40%	40%
A8	Time saved on customer interactions per agent on Dynamics 365 Customer Service (hours)	A4*A7	468	468	468
A9	Average hourly rate of a support agent (rounded, blended for part-time and full-time)	TEI standard	\$35	\$35	\$35
A10	Productivity recapture	Assumption	50%	50%	50%
At	Support-agent productivity increase through improved handling time	A1*A8*A9*A10	\$4,095,000	\$4,217,850	\$4,344,386
	Risk adjustment	↓15%			
Atr	Support-agent productivity increase through improved handling time (risk-adjusted)		\$3,480,750	\$3,585,173	\$3,692,728
Three-year total: \$10,758,650			Three-year present value: \$8,901,672		

IMPROVEMENT TO FIRST-CALL RESOLUTION AND MISROUTES

Evidence and data. Interviewees said that with legacy customer support tools before implementing Dynamics 365 Customer Service, their organizations lacked an easily accessible knowledge base of common support issues and/or specialists who could best support them. Support cases were often misrouted to the wrong specialists, and interviewees noted that first-call resolution rates were much higher than desired. They said that with Dynamics 365 Customer Service, support cases are automatically routed to the best specialists (supported by broad knowledge bases and collaboration with human and AI experts) depending on the nature of the case, which increases first-call resolution rates in addition to shortening the overall time of each interaction as quantified in Benefit A.

- An interviewee at the manufacturing organization told Forrester that because agents have instant access to customer information and support best practices, it allows them to dramatically improve first-call resolution rates despite the complexity of their typical support cases given the company's industry and products.
- The vice president of IT at the retail organization noted that customers were often passed along to several different agents before reaching someone who could resolve their issues. But the interviewee said that by automating routing on Dynamics 365, the right agent is automatically assigned to the cases they can best support. They estimated their organization has gained nearly 10% in support capacity because of these efficiencies.
- The enterprise architect, corporate solutions in financial services said that by implementing agent and customer self-service functionality and virtual agents through Copilot in Dynamics 365 Customer Service, their organization now deflects nearly 40% of its inbound support requests, which frees agents to support more complex customer issues or manage spikes in support demand common to the industry.

The interviewee explained: "AI has helped us reduce our time to resolution as we're able to auto-resolve many of the problems or questions we have from a customer-support perspective without having the need to have a human being on the end." They said their organization has been able to manage these periods of increased support demand while hiring 75% fewer part-time agents than it did before.

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

- The composite's support agents work an average of 6 hours per day.
- These agents spend 75% of their working time on support interactions.
- The average duration per support interaction is 15 minutes.
- With Dynamics 365 Customer Service, the composite improves its first-call resolution rate for support interactions by 10% in Year 1, by 15% in Year 2, and by 20% in Year 3.

- The composite reduces support misroutes by 15%.
- The average hourly rate of an agent is \$35.
- The composite has a 50% productivity recapture because not all time reclaimed will be reallocated to value-added activities.

Risks. This benefit will vary among organizations based on:

- The sophistication of the organization's previously deployed customer service solution(s) as it relates to potential for improvements to resolution and misroute rates on Dynamics 365 Customer Service.
- The organization's industry as it relates to the volume and nature of customer service requests.
- The skill and capacity of the organization's customer service personnel.

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 \$4.7 million.

20%

Improvement to first-call resolution

“There was too much passing [customers] along on [the legacy solution]. Now, on Dynamics, we have the ability to say, ‘Hey, which support tech do we need to get a solution?’ So, from the get-go, we don’t have to pass around. We have the ability to quickly resolve those open issues in a timely manner.”

VICE PRESIDENT OF IT, RETAIL

ANALYSIS OF BENEFITS

Improvement To First-Call Resolution And Misroutes					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Total support agents on Dynamics 365 Customer Service	Composite	500	515	530
B2	Time per agent per day (hours)	Assumption	6	6	6
B3	Baseline percentage of daily time spent on customer interaction	Assumption	75%	75%	75%
B4	Average annual time spent on customer interactions per agent pre-Dynamics 365 Customer Service (hours)	B2*B3*260 work days	1,170	1,170	1,170
B5	Average duration per interaction (hours)	Composite	0.25	0.25	0.25
B6	Annual support interactions per agent	B4/B5	4,680	4,680	4,680
B7	Improvement in first-call resolution with Dynamics 365 Customer Service	Interviews	10%	15%	20%
B8	Avoided interactions per agent	B6*B7	468	702	936
B9	Time reclaimed per agent through improved first-call resolution (hours)	B8*B5	117	176	234
B10	Percentage of initial support interactions misrouted pre-Dynamics 365 Customer Service	Interviews	20%	20%	20%
B11	Percentage of initial support interactions misrouted with Dynamics 365 Customer Service	Interviews	5%	5%	5%
B12	Reduction in misroutes with Dynamics 365 Customer Service	B10-B11	15%	15%	15%
B13	Agent time lost per misroute (hours)	Composite	0.083	0.083	0.083
B14	Time reclaimed per agent through reduction in misroutes (hours)	B6*B12*B13	58	58	58
B15	Average hourly rate of a support agent (rounded, blended for part-time and full-time)	TEI standard	\$35	\$35	\$35
B16	Productivity recapture	Assumption	50%	50%	50%
Bt	Improvement to first-call resolution and misroutes	B1*(B9+B14)*B15 *B16	\$1,533,578	\$2,106,816	\$2,713,069
	Risk adjustment	↓10%			
Btr	Improvement to first-call resolution and misroutes (risk-adjusted)		\$1,380,220	\$1,896,134	\$2,441,762
Three-year total: \$5,718,116			Three-year present value: \$4,656,330		

PROFIT INCREASE FROM NEW SALES PIPELINE GENERATION

Evidence and data. Beyond productivity benefits, some interviewees articulated impact to revenue related to their organizations' Dynamics 365 Customer Service implementations. Paths to revenue growth included better views into customer needs and an improved ability to upsell, a streamlined platform to pass leads between customer service and sales teams, and revenue retention through improved support experiences. It should be noted that Forrester calculates this benefit in terms of profit, rather than revenue. See "Risks" below for further explanation.

- The CRM product manager at the travel and hospitality organization told Forrester that Dynamics 365 Customer Service automates the majority of the tedious search work suitable for self-service, which allows agents to spend more time on revenue-linked interactions. The interviewee explained: "We can do a lot of upsell of ancillary products, excursions, insurance, and those types of additional products that add on to the booking. When we have a customer who calls in, we'd much rather spend time with that customer refining their booking, offering them more, and improving the relationship than [working on basic lookup tasks]."
- The interviewees at the manufacturing organization said customer information and leads are shared between support agents on D365 Customer Service and sales personnel on D365 Sales, which presents new revenue opportunities. The Omnichannel manager said: "It really was a chore [for sales personnel] to get information out of the [legacy customer service solution] before we moved to Dynamics [365]. Now, it's just all in Dynamics [365]. It's there for our sales teams to use. We can really improve that customer account and, frankly, get them to spend more money with us."

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

- Because of leads passed through Dynamics 365 Customer Service, the composite increases its pipeline by 0.50% in Year 1, by 0.75% in Year 2, and by 1% in Year 3.
- The composite has a 5% opportunity-to-deal conversion rate.

ANALYSIS OF BENEFITS

- The composite has a 20% gross margin on each deal.

Risks. This benefit will vary among organizations based on:

- The level of connectivity between the organization's customer service and sales personnel in its previous CRM tool(s) as it relates to sales opportunity creation.
- The organization's revenue, opportunity conversion rate, and gross margin, as this benefit may vary drastically among organizations based on these factors.

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 \$164,000.

Profit Increase From New Sales Pipeline Generation					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Annual revenue	Composite	\$1,000,000,000	\$1,000,000,000	\$1,000,000,000
C2	Increase in pipeline attributable to Dynamics 365 Customer Service	Interviews	0.50%	0.75%	1%
C3	Pipeline growth attributable to Dynamics 365 Customer Service	C1*C2	\$5,000,000	\$7,500,000	\$10,000,000
C4	Opportunity conversion rate	Composite	5%	5%	5%
C5	Total increase in revenue	C3*C4	\$250,000	\$375,000	\$500,000
C6	Gross margin	Composite	20%	20%	20%
Ct	Profit increase from new sales pipeline generation	C5*C6	\$50,000	\$75,000	\$100,000
	Risk adjustment	↓10%			
Ctr	Profit increase from new sales pipeline generation (risk-adjusted)		\$45,000	\$67,500	\$90,000
Three-year total: \$202,500			Three-year present value: \$164,313		

“[With Dynamics 365 Customer Service,] we can cover basic support tasks on different channels. Then, we can free up our customer service agents to engage in more revenue-linked interactions.”

CRM PRODUCT MANAGER, TRAVEL AND HOSPITALITY

COST SAVINGS ON RETIRED CUSTOMER SERVICE SOLUTION(S)

Evidence and data. Most of the interviewees said their organization migrated to Dynamics 365 from a collection of customer support solutions that had been acquired over time, some of which were nearing end of life and were going out of support. These organizations often added functionality as needed, which created complex stacks of nonconnected solutions for customer service personnel to navigate. Interviewees said that once their organizations migrated to Dynamics 365 Customer Service, they retired their previous solutions and saved on license fees, infrastructure costs, and personnel maintenance hours for the prior customer service tools.

- The vice president of IT in retail said their organization was able to completely retire the expense of its previous customer service solution within the first year of its Dynamics 365 deployment, which freed up nearly \$100,000 in annual license fees.
- The interviewees from the manufacturing organization said that by decommissioning two customer service solutions made redundant with Dynamics 365 Customer Service, their company was able to reclaim nearly \$100,000 annually, which is just under its spend for Dynamics 365 Customer Service.
- Several interviewees said their organizations also used their Dynamics 365 Customer Service implementations as an opportunity to expand their internal support centers and bring the customer support function entirely in-house, which offset additional costs while offering more control over the customer experience. The senior product manager, customer experience, in banking said their

organization was able to retire nearly 75% of a support solution that cost between \$1.5 million and \$2 million annually.

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

- The annual costs of the composite's now-redundant customer service solutions are \$450,000. These costs include license fees and infrastructure purchases and refreshes.
- One IT manager is dedicated to maintaining the functionality of these solutions and continuing to develop them.
- The annual rate of this IT manager is \$120,000.
- A rolling retirement of the prior tools starts with 50% retired in Year 1. This rate increases to 90% by Year 3.

Risks. This benefit will vary among organizations based on:

- The scope, complexity, and contract situations of the organization's prior customer service solution(s) deployment as it relates to total spend.
- The skills and capacity of the organization's IT staff as it relates to management and ongoing development efforts.

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 \$978,000.

Cost Savings On Retired Customer Service Solution(s)					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Cost of incumbent customer service solution(s)	Composite	\$450,000	\$450,000	\$450,000
D2	Percentage of total spend retired	Assumption	50%	75%	90%
D3	Total spend retired	D1*D2	\$225,000	\$337,500	\$405,000
D4	IT FTEs dedicated to ongoing development and management of incumbent solution(s)	Interviews	1	1	1
D5	Annual rate of an IT worker	TEI standard	\$120,000	\$120,000	\$120,000
Dt	Cost savings on retired customer service solution(s)	D3+(D4*D5)	\$345,000	\$457,500	\$525,000
	Risk adjustment	↓10%			
Dtr	Cost savings on retired customer service solution(s) (risk-adjusted)		\$310,500	\$411,750	\$472,500
Three-year total: \$1,194,750			Three-year present value: \$977,558		

\$405,000

Avoided spend on retired customer support solutions

“We quickly saved on a contract worth close to \$3 million to \$4 million on a biannual basis right off the bat. That particular functionality is now in [Dynamics 365 Customer Service]. It was instant savings on top of a much, much better customer experience on our side for just one tool.”

SENIOR PRODUCT MANAGER, CUSTOMER EXPERIENCE, BANKING

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not quantified for this report:

- **Integration with other Microsoft products.** The interviewees noted the value of seamless integration between Dynamics 365 Customer Service and the rest of their organizations' Dynamics 365 modules and Microsoft products. They said shared information between Dynamics 365 and Power BI in particular is a powerful combination for discovering and predicting common support issues. Interviewees also shared that support agents can easily collaborate with experts on Microsoft Teams, and some noted that Copilot in Dynamics 365 Customer Service brings value to the agent experience, which greatly simplifies internal queries and the back and forth between agents and customers.
- **An improved customer support experience.** Interviewees said reductions in key support metrics such as handle time, hold time, and resolution rates improve the overall customer experience. Nearly each noted that Dynamics 365 Customer Service allows agents to deliver faster, more personalized, and more nuanced support experiences that build better relationships with these customers in the future. The enterprise architect, corporate solutions, in financial services noted their organization's [Net Promoter Score](#)SM (NPS) for its support experience has increased by 1.1 point on a five-point scale since implementing Dynamics 365 Customer Service.

“We’ve seen improvement in the customer feedback that we get and customer satisfaction since we’re always one step ahead of them. This is not just a customer service tool for us, it’s an extension of everything that we do with the customer. [Dynamics 365 Customer Service] allows us to better utilize the customer data that we have, and it has become an extension of the way that we work. We follow the customer throughout their journey. It’s not just you book with us and then you pay and that’s it.”

CRM PRODUCT MANAGER, TRAVEL AND HOSPITALITY

“[The Dynamics 365 Customer Service deployment] is one of the first implementations where one of the prime focuses is customer experience. NPS has improved.”

SENIOR PRODUCT MANAGER, CUSTOMER EXPERIENCE, FINANCIAL SERVICES

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Dynamics 365 Customer Service and later realize additional uses and business opportunities, including:

- **The compounding value of AI.** Several interviewees noted the benefits of further expanding agents' and customers' use cases for Copilot in Dynamics 365 Customer Service. In addition to more use cases over time and with more customer and support data available, interviewees are optimistic about the increasing value on existing use cases that may be possible via AI through more learning loops.
- **The scalability of the cloud.** For organizations that previously were largely on-premises, migrating to the cloud with Dynamics 365 Customer Service in the cloud can yield savings benefits, including:
 - Scalability of the platform to match current levels of demand, which eliminates the need to overprovision infrastructure or personnel for peak levels of demand.
 - More frequent updates delivering improved functionality, increased performance, and improved security.

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

“We have six FTEs supporting the entire environment. Cloud hosting helps. We don’t have anybody dealing with infrastructure support. [It’s] a drop in the bucket compared to some of the other teams supporting our on-prem solutions.”

COMMERCIAL CUSTOMER EXPERIENCE BUSINESS RELATIONSHIPS MANAGER,
MANUFACTURING

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	\$1,165,500	\$1,200,465	\$1,236,479	\$3,602,444	\$2,980,650
Ftr	Implementation, ongoing management, and training costs	\$297,000	\$106,370	\$106,948	\$107,542	\$617,860	\$562,885
	Total costs (risk-adjusted)	\$297,000	\$1,271,870	\$1,307,413	\$1,344,021	\$4,220,304	\$3,543,535

SUBSCRIPTION FEES PAID TO MICROSOFT

Evidence and data. Interviewees said their organizations paid Microsoft a subscription fee for their usage of Dynamics 365 Customer Service. The license fee is paid on a per-month, per-user basis.

Modeling and assumptions. For the composite organization, Forrester assumes:

- The [composite](#) pays subscription fees of \$95 per user per month for Dynamics 365 Customer Service Enterprise licenses for its 500 full-time support agents.
- The composite pays subscription fees of \$90 per user per month, on average, for the digital voice, messaging, chat, and/or Microsoft Copilot in Dynamics 365 Customer Service add-ins.
- Pricing may vary. Contact Microsoft for more details.

Risks. This cost will vary among organizations based on:

- The organization's number of monthly Dynamics 365 Customer Service users.
- The license type for each of the organization's Dynamics 365 Customer Service users.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$1.5 million.

“I don’t think that the cost difference [between Dynamics 365 Customer Support and our previous customer support solution] was as big as we had anticipated.”

CRM PRODUCT MANAGER, TRAVEL AND HOSPITALITY

Subscription Fees Paid To Microsoft						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Total full-time support agents	Composite		500	515	530
E2	Subscription cost for Dynamics 365 Customer Service Enterprise	Per user per month		\$95	\$95	\$95
E3	Blended Subscription cost for add-ins (for Dynamics 365 Customer Service Enterprise Users)	Per user per month		\$90	\$90	\$90
Et	Subscription fees paid to Microsoft	$E1*(E2+E3)*12$ months	\$0	\$1,110,000	\$1,143,300	\$1,177,599
	Risk adjustment	↑5%				
Etr	Subscription fees paid to Microsoft (risk-adjusted)		\$0	\$1,165,500	\$1,200,465	\$1,236,479
Three-year total: \$3,602,444			Three-year present value: \$2,980,650			

IMPLEMENTATION, ONGOING MANAGEMENT, AND TRAINING COSTS

Evidence and data. Interviewees said their organizations’ migrations to Dynamics 365 Customer Service averaged nine months and involved stakeholders from both IT and the business, and the organizations completed customizations during the implementation process. Interviewees indicated that the customization process was relatively straightforward and did not delay their implementations, and most said their

organization used up to a 20% level of customization. Once the solution was deployed, the organizations dedicated some part-time IT FTE resources to manage and continue to develop on the Dynamics 365 platform.

Modeling and assumptions. For the composite organization, Forrester assumes:

- Ten FTEs across IT and the business spend an average of 20% of their working time over a nine-month implementation period focused on the Dynamics 365 deployment.
- Once Dynamics 365 Customer Service is deployed, two IT FTEs spend roughly one third (33%) of their working time managing and continuing to develop on it.
- The average yearly rate for an FTE involved with implementation and ongoing management is \$120,000.
- Each of the composite organization's Dynamics 365 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.

Risks. This cost will vary among organizations based on:

- The scope, complexity, and customizations of the organization's Dynamics 365 Customer Service implementation.
- The skills and capacities of the FTEs who work on implementation and management.
- The skills and capacities of the organization's users as it relates to training requirements.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$584,000.

9 months

Length of Composite Organization's Dynamics 365 Customer Service implementation

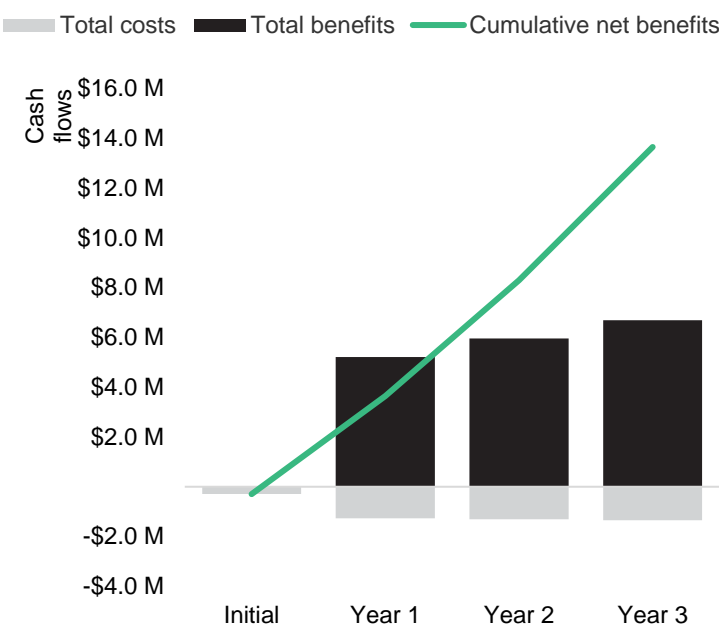
Implementation, Ongoing Management, And Training Costs

Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Personnel required for implementation	Composite	10			
F2	Implementation duration (months)	Composite	9			
F3	Percentage of time personnel spend on implementation	Composite	30%			
F4	Average annual pay rate of an implementation personnel employee	Composite	\$120,000	\$120,000	\$120,000	\$120,000
F5	Total cost of personnel for implementation	$F1 \times F2 \times F3 \times F4$	\$270,000			
F6	Personnel required for ongoing management	Composite		2	2	2
F7	Percentage of time personnel spend on ongoing management	Composite		33%	33%	33%
F8	Total cost of personnel for ongoing management	$F4 \times F6 \times F7$		\$79,200	\$79,200	\$79,200
F9	Support agents who require training	Composite		500	515	530
F10	Training time per user (hours)	Composite		1	1	1
F11	Hourly rate of a user who requires training (rounded)	Composite		\$35	\$35	\$35
F12	Total cost of training	$F9 \times F10 \times F11$		\$17,500	\$18,025	\$18,566
Ft	Implementation, ongoing management, and training costs	$F1 \times F2 \times F3 \times F4$	\$270,000	\$96,700	\$97,225	\$97,766
	Risk adjustment	↑10%				
Ftr	Implementation, ongoing management, and training costs (risk-adjusted)		\$297,000	\$106,370	\$106,948	\$107,542
Three-year total: \$617,860			Three-year present value: \$562,885			

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 Estimates)						
	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$297,000)	(\$1,271,870)	(\$1,307,413)	(\$1,344,021)	(\$4,220,304)	(\$3,543,535)
Total benefits	\$0	\$5,216,470	\$5,960,557	\$6,696,990	\$17,874,016	\$14,699,873
Net benefits	(\$297,000)	\$3,944,600	\$4,653,144	\$5,352,968	\$13,653,712	\$11,156,338
ROI						315%
Payback						<6

APPENDIX A: TOTAL ECONOMIC IMPACT

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

Total Economic Impact Approach

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

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

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

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

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 B: ENDNOTES

¹ 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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