FORRESTER®

# The Total Economic Impact™ Of Microsoft Power Platform Premium Capabilities

## Cost Savings And Business Benefits Enabled By Premium Capabilities

**AUGUST 2022**

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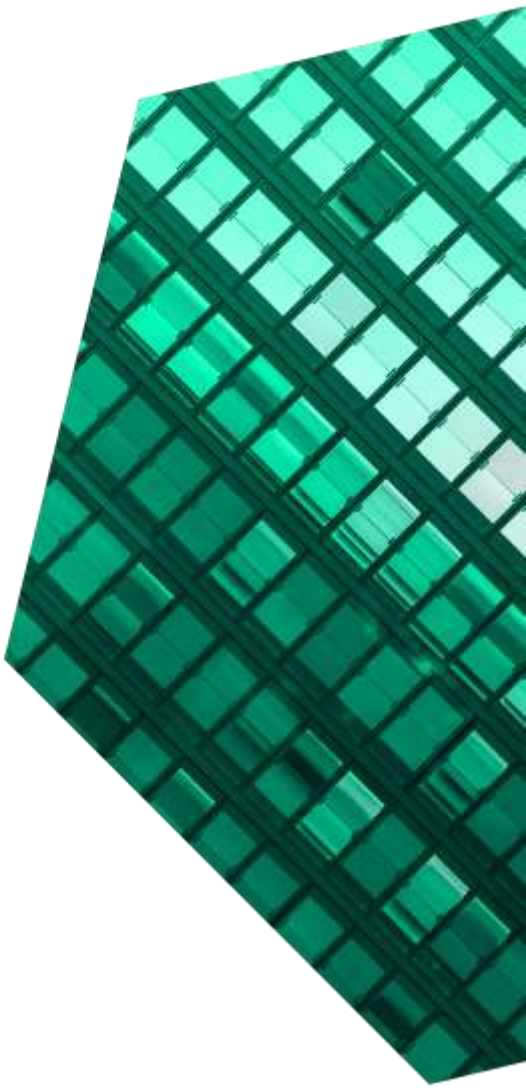

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Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. For more information, visit forrester.com/consulting.

# Executive Summary

Premium capabilities enhance the Power Platform, empowering enterprises to unlock more business value using the platform. These capabilities can break down silos and level barriers to leveraging the full force of enterprise data, especially at companies with limited developer resources. Enterprises can tackle complex problems at greater scale, supported by collaborative development processes uniting IT and business staff. The result is greater efficiency, improved solutions, and better outcomes.

Microsoft Power Platform consists of Power Apps, Power Automate, Power BI, and Power Virtual Agents. Premium capabilities add to the seeded Power Platform products in Microsoft 365 E3 and E5, expanding the data available and unlocking new use cases across Power Platform. Premium capabilities include:

- More than 700 premium connectors to third-party ERP, CRM, and other systems of record.
- The ability to build and create customer connectors across Power Platform that extend apps, flows, dashboards, virtual agents, and websites by calling a publicly available API or a custom API hosted in a cloud provider (such as Azure API Management).
- Power Apps model-driven apps.
- Microsoft Dataverse.

Many of the Power Platform premium features including AI Builder, Power Virtual Agents, and Power Pages are backed by Microsoft Dataverse, a data storage and management tool, as a foundation. This allows for easy design of data structures and business logic to connect to applications.

Premium capabilities enhance the apps that can be built on Power Platform, improving scalability for global enterprises. Further, end users benefit from the fact that Power Platform UI can be deployed across a variety of devices, from desktop to mobile, in low- and no-code design environments. These features support companies' digitization efforts, increase use and reuse of applications and flows, and expand potential use cases for the platform. They also support the evolution of low-code/no-code development for business developers. Through a collaborative approach between business users, IT, and developers, Power Platform development utilizes

**KEY STATISTICS**

Return on investment (ROI)
**140%**

Net present value (NPV)
**$8.32M**

Application development cost reduction
**45%**

"fusion teams" across the platform including for Power Pages and AI Builder.

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 Power Platform premium capabilities.[1] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Power Platform premium capabilities on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four representatives and surveyed 33 respondents with experience using Power Platform premium capabilities. For the purposes of this study, Forrester aggregated the experiences of the interviewees and survey respondents and combined the results into a single composite organization that is a global enterprise with 10,000 employees and revenue of $3 billion per year.

Prior to using Power Platform premium capabilities, these interviewees noted how their organizations could not expose certain segments of enterprise data or data from third-party applications to their Power Platform environments without encountering drawbacks. Companies could either devote substantial development resources or rely on SharePoint or other ad hoc workarounds that were inconvenient for large-scale or complex data models.

These ad hoc efforts to integrate data into Power Platform had several downsides: duplicative coding efforts, lack of visibility and governance, and insufficient security. Some customers simply abandoned their plans for certain solutions, given lack of internal developer resources to build out functionality. They lacked confidence in their ability to manage risks around data for their large-scale, critical use cases.

These limitations led to an increased development backlog, with implications for the number of solutions that the organization could handle. Fewer applications were developed, fewer workflows and processes were automated, and there was less ability to reuse code. The barriers to extending Power Platform development to more solutions and sources of data inhibited development effort at organizations, resulting in lower-quality and less-useful solutions than would have otherwise been possible. Enterprise-scale solutions remained on the IT backlog since low- and no-code Power Platform development was unavailable, keeping "fusion" development less feasible. Ultimately, companies struggled to reach business outcomes and fully realize the business value of Power Platform without premium capabilities.

After the investment in premium capabilities, the interviewees' organizations could more fully leverage enterprise data, third-party systems, and systems of record in order to build business-critical solutions. Premium features with the ability to integrate data allowed their companies to overcome technical barriers more easily. Efficiency resulted from expanded access to low-code and no-code tools, as well as the enhanced ability to use flows and automations while developing higher-quality applications that could draw on critical data sources. As a result, organizations were more efficient and explored new avenues for improved business outcomes.

## KEY FINDINGS

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

- **Elimination of traditional development effort.** Investment in premium capabilities allows the composite organization to eliminate traditional development costs and reduce the resources and staff needed to complete solutions. The three-year, risk-adjusted PV of this benefit is $3.8 million for the composite organization.
- **Efficiency gains for business users enabled via solutions developed using premium capabilities.** Premium capabilities allow the composite's business staff to transform processes, change workflows, and build automations. Staff across the organization save time and effort given solutions developed using premium capabilities. The three-year, risk-adjusted PV of this benefit is $7 million.
- **Application retirement savings.** Solutions developed using premium capabilities allow the composite organization to retire legacy applications, saving costs that would have been associated with licensing and maintenance. The three-year, risk-adjusted PV of this benefit is $496,800.
- **Improved business outcomes.** The solutions developed using premium capabilities help the composite organization realize a wide variety of impacts to its businesses including increased revenue, faster time to market, and lower cost of delivery. The three-year, risk-adjusted PV of this benefit is $3 million.

**PERCENT OF RESPONDENTS THAT "STRONGLY AGREE" THESE ARE BENEFITS OF POWER PLATFORM PREMIUM CAPABILITIES**

**61%** **Increased security and/or visibility around data connections**

**58%** **Increased revenue**

**55%** **Faster solution quoting through better data integration**

Base: 33 IT decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, May 2022

Increased revenue in Year 3

**3.4%**

**Unquantified benefits.** Benefits that are not quantified for this study include:

- **A common language between IT and the business**. Power Platform enhanced with premium capabilities helps the composite organization break down silos between internal IT and business users. It achieves this by offering a common language and platform to craft solutions.

**Unquantified benefits: IT impact**

- **IT impact.** Leveraging premium capabilities including premium connectors and Dataverse results in efficiency gains of 18.8% for the composite organization's IT/DevOps staff, and 63% of survey respondents agreed that it eliminated or reduced shadow IT. The composite organization experiences this benefit.
- **Visibility, security, and governance.** Premium capabilities offer the visibility, security, and governance the composite organization needs to

expose sensitive, complex, or large-scale data sets to Power Platform.

- **Data management.** Premium capabilities provide the composite organization useful tools to manage and integrate enterprise data quickly and easily.

**Unquantified benefits: Business impact**

- **Reliability and reduction of outage and error though automation.** Sixty-three percent of survey respondents cited lower error rate due to increased automation as a benefit of premium capabilities including Dataverse/connectors. On average, survey respondents also said their organization's error rate decreased by 1.8% due to Power Platform premium. Forty-eight percent of survey respondents identified lower downtime or process outages as another benefit. The composite organization experiences these benefits.
- **Digitization and move-to-cloud strategy.** Premium capabilities play a role in digitization and move-to-cloud strategies at the composite organization. Furthermore, 75% of survey respondents agreed that premium capabilities including premium connectors and Dataverse facilitate digital transformation and/or move-to-cloud strategy.

**Costs.** Three-year, risk-adjusted PV costs include:

- **Power Platform premium development costs of $2.10 million PV.** For the composite organization, costs to develop solutions using premium capabilities average $40,000 for medium solutions and $93,000 for large solutions. Costs to develop vary based on the scale and nature of the contemplated solutions.
- **License costs of $3.83 million PV.** Premium capabilities enhancing seeded capabilities of Microsoft 365 E3 and E5 allow Power Platform users at the composite organization to incorporate data from premium connector and/or Dataverse sources to be purchased on a per-application or per-user basis.

The financial analysis based on the interviews and survey found that a composite organization experiences benefits of $14.25 million over three years versus costs of $5.93 million, adding up to a net present value (NPV) of $8.32 million and an ROI of 140%.

**"Below is a list of benefits your company may have experienced since its investment in premium capabilities including connectors / Dataverse. On a scale of 1 to 5, how much do you agree or disagree with the following statements regarding the impact of premium capabilities including connectors / Dataverse on your organization?"**

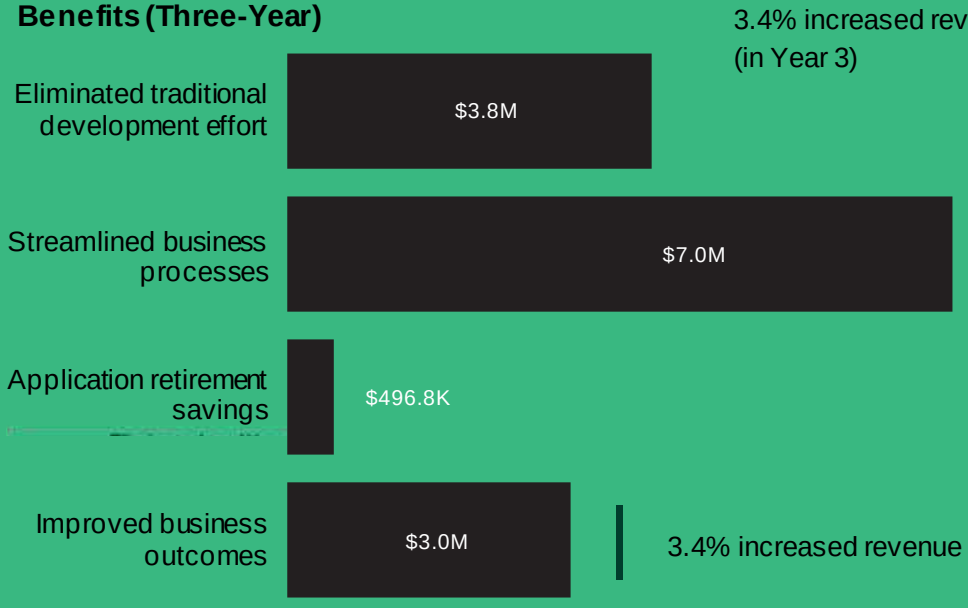

Base: 33 IT decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, May 2022

ROI
**140%**

BENEFITS PV
**$14.25M**

NPV
**$8.32M**

**Benefits (Three-Year)**



## TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews and survey, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in premium capabilities.

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 premium capabilities 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 Power Platform Premium Licenses.

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.

Forrester fielded the double-blind survey using a third-party survey partner.

### DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Power Platform premium capabilities.

### INTERVIEWS AND SURVEY

Interviewed four representatives and surveyed 33 respondents at organizations using Power Platform Premium capabilities to obtain data with respect to costs, benefits, and risks.

### COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees and survey respondents.

### FINANCIAL MODEL FRAMEWORK

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

### 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 Power Platform Premium Capabilities Customer Journey

Drivers leading to the Power Platform premium capabilities investment

## KEY CHALLENGES

Forrester interviewed four representatives and surveyed 33 respondents with experience using Power Platform premium capabilities at their organizations. For more details on these individuals and the organizations they represent, see Appendix B.

Although their companies derived value from Power Platform prior to adopting Power Platform premium capabilities (leveraging standard connectors included with Microsoft 365 E3 and E5 seeded capabilities), they faced technical barriers to integrating enterprise data into the more efficient and easier-to-use Power Platform, where data could be fully leveraged.

Interviewees and survey respondents noted how their organizations struggled with common challenges before deploying Power Platform's premium capabilities. These challenges, included:

- **Power Platform environments could not extend throughout organizations.** Organizations lacked a way to expose and use key data in their Power Platform environments without making costly investments of resources or potentially compromising security, visibility, or reliability. For solutions involving a complex data model or significant logic or integration complexity, trying to integrate into Power Platform could be difficult and cause issues with maintaining the data schema. Before Power Platform premium capabilities, data was not available and ready to use in Dataverse. Data required repackaging for integration in some cases, leading to errors and lost time.
- Inability to shift away from traditional development efforts toward more-efficient app development platforms increased the development backlog and inhibited ability to reuse code, develop new applications, replace older applications, or undertake other digitization efforts.
- **Inhibited citizen development efforts.** Given that data could not be exposed safely and efficiently, Power Platform could not consistently be leveraged by the staff closest to the business challenges to be solved, inhibiting application development velocity and forcing a greater share of development work to remain backlogged with their professional developers. Without the licensing to access the appropriate enterprise data, solutions management, and the robust center of excellence toolkit and Managed Environments needed for global enterprise deployments, organizations could not fully harness the low-code capabilities of Power Platform to streamline processes across their global enterprise organizations or improve business outcomes.
- **Legacy applications were costly to develop and maintain.** The organizations spent significant time and money on traditional development and maintenance of legacy applications instead of realizing more-efficient ways of development that did not require expending resources on hosting and maintenance of infrastructure or paying legacy license fees.

## COMPOSITE ORGANIZATION

Based on the interviews and survey, 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 four interviewees and the 33 survey respondents, and it is used to present the aggregate financial analysis in the next section.

**Description of composite.** The composite organization is a global enterprise that has annual revenues of $3 billion and 10,000 employees. Microsoft Power Platform E3 and E5 licenses with all seeded capabilities — including but not limited to Office 365, Dynamics, Azure, and Power Apps — are deployed throughout the organization. Corporate IT has a strong commitment to expanding low-code solution development within the Microsoft stack of solutions.

**Deployment characteristics.** The composite organization uses the standard Power Platform including Power BI, Power Automate, Power Apps – Model Driven Apps and Canvas apps, Power Virtual Agents, AI Builder, and Power Pages. The deployment includes a full range of premium capabilities: premium connectors including (but not limited to) SQL and custom connectors, Dataverse to store and manage data, professional developer capabilities including the Power Apps component framework and reusable controls, Dynamics, Azure, and center of excellence toolkits.

Each year, the organization develops a number of large, 800-user solutions and medium, 300-user solutions using premium capabilities. The number of solutions developed, as well as the number of per-user licenses, increase from year to year as new use cases are realized and older applications are retired. The organization develops an increasing number of solutions using Power Platform premium capabilities over time, with 18 solutions in Year 1, 40 solutions in Year 2, and 46 solutions in Year 3. Forty percent of solutions developed on Power Platform use premium capabilities including connectors and/or Dataverse.

The composite purchases licenses on a per-user basis given that licensed staff use four or more applications on average. This supports the composite's strategy to facilitate increased solutions development by extending access to larger numbers of business user staff outside of the organization's pro developers who are typically responsible to build and deliver similar solutions. Business users are well-positioned to participate in low-code and no-code development since their roles and topic expertise are highly relevant to the most useful application and automation characteristics and functions. The number of users licensed for premium capabilities increases over time, from 2,600 in Year 1 to 9,600 in Year 3.

**KEY ASSUMPTIONS**

- **Global enterprise**
- **$3 billion annual revenue**
- **10,000 employees**

# 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 | Eliminated traditional development effort | $630,000 | $1,710,000 | $2,430,000 | $4,770,000 | $3,811,645 |
| Btr | Streamlined business processes | $745,875 | $2,601,000 | $5,508,000 | $8,854,875 | $6,965,897 |
| Ctr | Application retirement savings | $0 | $195,300 | $446,400 | $641,700 | $496,792 |
| Dtr | Improved business outcomes | $816,000 | $1,122,000 | $1,734,000 | $3,672,000 | $2,971,871 |
| | Total benefits (risk-adjusted) | $2,191,875 | $5,628,300 | $10,118,400 | $17,938,575 | $14,246,205 |

**ELIMINATED TRADITIONAL DEVELOPMENT EFFORT**

**Evidence and data.** Premium capabilities were key to unlocking the benefits of teams of professional developers and nontechnical citizen developers, sometimes called "fusion teams", working together to meet the development needs of the interviewees' and respondents' organizations. For global enterprises, extending the efficient, cost-effective, and targeted efforts to incorporate new data and build applications and flows could not have been accomplished without Power Platform premium capabilities.

**"The Dataverse also has flexibility to package [and] recreate an environment and expand the scope of use."**

*Head of Power Platform, transportation*

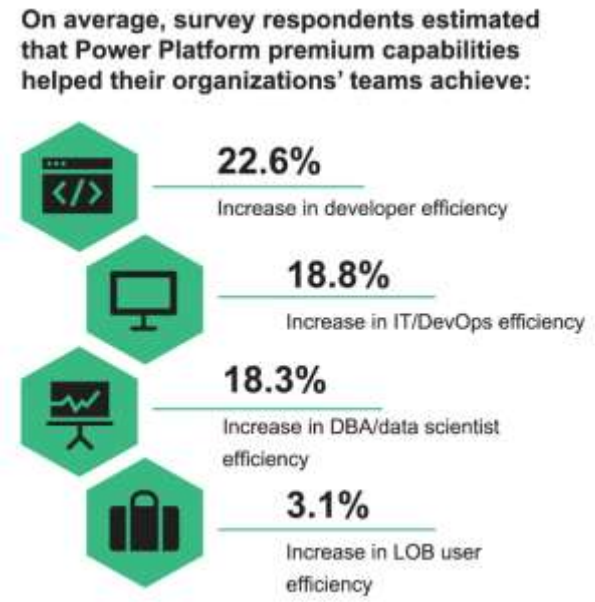
- A solution architect at a financial services company said: "[Power Platform has] increased the amount of citizen developers [by making] low-code [and] no-code platforms widely available. So, today, we have [many] active makers who are creating apps and flows. Most of them would not have any other way to create those systems if it wasn't for the Power Platform." The same interviewee also felt that premium capabilities had been a factor in the overall effectiveness of Power Platform.
- A lead engineer at a bottling and distribution company said: "We can have anyone be a citizen developer. We don't need to hire professional developers that are expensive — more expensive than Power Platform developer[s]. At the same time, a single Power Platform developer can deliver more apps in the same amount of time for me, which decrease not just cost of delivery, [but] also delivery rates."
- Seventy-eight percent of survey respondents agreed that their organization's investment in premium capabilities improved collaboration between professional developers and citizen developers, with 77% agreeing that the premium

capabilities including connectors and Dataverse facilitate the work of professional developers and/or development work done by the broader community ("citizen development").

- As a result, solutions can be developed at a lower cost and with less effort than would be required of a traditional development solution. On average, survey respondents indicated a 22.6% increase in professional developer productivity, an 18.3% increase in database analyst (DBA)/data scientist efficiency, and an 18.8% increase in IT/DevOps efficiency.
- Survey respondents indicated that the average cost to develop a solution using traditional development was more than $250,000 for each large solution and $75,000 for each medium solution.

**Modeling and assumptions.** For the financial analysis, Forrester made the following assumptions:

- The composite organization uses Power Platform premium capabilities to develop 40% of all Power Platform solutions.
- Large solutions are defined as affecting 800 users on average and medium solutions are defined as affecting 300 users on average. If these solutions were completed by a mix of corporate IT and professional services using traditional development tools and methodologies, a large solution would cost an average of $250,000 and a medium solution would cost an average of $75,000. Costs to develop medium solutions are 36% more cost-effective compared to traditional development. Greater efficiencies are realized for large solutions, which are 63% more cost-effective to develop using Power Platform premium capabilities compared to traditional development.
- These eliminated traditional development costs (Atr) are replaced by those included in the Costs section of this study (Etr). Subtracting the two results in a net savings of $2.1 million or 45% across the three-year analysis. The total savings are driven by a combination of improved developer productivity, greater efficiencies for professional services in general (including for DBA/data scientists and IT/DevOps), and lower costs associated with Power Platform premium capabilities relative to other development tools.




Base: 33 IT decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, May 2022

**Risks.** Some factors that could result in this benefit being lower than modeled for the composite organization include:

- The number of IT and professional-services staff members needed to develop solutions.
- The IT needs and number and nature of individual development solutions.
- Compensation for staff involved in 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 $3.8 million.

**Eliminated Traditional Development Effort**

| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
|---|---|---|---|---|---|
| A1 | Large solutions (total) | Composite | 3 | 10 | 6 |
| A2 | Medium solutions (total) | Composite | 15 | 30 | 40 |
| A3 | Large solutions using premium capabilities | A1*40% | 1 | 4 | 6 |
| A4 | Medium solutions using premium capabilities | A2*40% | 6 | 12 | 16 |
| A5 | Average cost to develop each large solution | Survey | $250,000 | $250,000 | $250,000 |
| A6 | Average cost to develop each medium solution | Survey | $75,000 | $75,000 | $75,000 |
| At | Eliminated traditional development effort | A3*A5+A4*A6 | $700,000 | $1,900,000 | $2,700,000 |
| | Risk adjustment | ↓10% | | | |
| Atr | Eliminated traditional development effort (risk-adjusted) | | $630,000 | $1,710,000 | $2,430,000 |
| | **Three-year total: $4,770,000** | | | **Three-year present value: $3,811,645** | |

### STREAMLINED BUSINESS PROCESSES

**Evidence and data.** The interviewees' and survey respondents' organizations were able to more fully integrate, leverage, and expose data to Power Platform via the premium capabilities. This improved and accelerated Business Intelligence, automation, and application use cases across the platform. These use cases helped workers and organizations streamline, save time, and become more efficient through transforming processes, changing workflows, and building automations.

- The finance department at a bottling and distribution company was able to leverage AI Builder and premium connectors to run regression algorithms to assist with financial forecasting. Elsewhere in the organization, Power Platform with premium capabilities were used to support demand forecast or, alternatively, to support the development of a mobile application to track inventory and automate the process of storing data in a central location.
- A multinational food manufacturing and distribution company leveraged a premium connector to handle sensitive data with the appropriate level of care for an enterprisewide COVID-19 tracking application. It also used premium capabilities to support applications in the finance department as well as a project tracking tool and a production migration application.
- A solution architect at a financial services company reported that Dataverse was a factor in a significant migration-to-cloud effort at their organization.

- According to survey respondents, line-of-business (LOB) users of premium capabilities including connectors and/or Dataverse realized 3.1% greater efficiency on average. To account for enterprisewide deployment and a range of efficiency benefits realized, improved efficiency is assumed to start at 0.75% overall and increase during the course of three years to 1.50%. Applied across enterprise deployments, these efficiencies translate into hundreds of thousands of worker-hours on an annual basis, or anywhere from 18 minutes to over an hour saved per worker on average.

**Modeling and assumptions.** For the financial analysis, Forrester made the following assumptions:

- The number of employees affected by efficiency gains from solutions involving premium capabilities scales in line with the number of large and medium solutions each year.
- Efficiencies realized increases over time as users become more proficient in using premium capabilities functionalities and discover new use cases. While survey respondents reported a 3.1% average increase in efficiency, for the purposes of this analysis, Forrester assumes a more conservative efficiency improvement of 0.75% in Year 1, increasing to 1.5% in Year 3.
- The average fully burdened salary contemplates a variety of roles throughout the composite organization.

**Risks.** Some factors that could result in this benefit being lower than modeled for the composite organization include:

- The number of employees benefitting and the value of their compensation.
- Efficiencies realized, which may vary depending on the use cases contemplated.
- Whether time saved is repurposed productively.

**"When you do a project, it's not only development. Often what happens with this platform, the [app has already been built in the field], and we will be able to reuse what has already been done. [You can] add up all those budgets that you put in to make applications using other technologies."**

*Head of Power Platform, transportation*

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $7 million.

| Streamlined Business Processes | | | | | |
|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Year 1** | **Year 2** | **Year 3** |
| B1 | Number of affected workers | A3*800+A4*300 | 2,600 | 6,800 | 9,600 |
| B2 | Efficiency gain | Survey | 0.75% | 1.00% | 1.50% |
| B3 | Fully burdened salary | TEI assumption | $90,000 | $90,000 | $90,000 |
| B4 | Productivity recapture | TEI assumption | 50% | 50% | 50% |
| Bt | Streamlined business processes | B1*B2*B3*B4 | $877,500 | $3,060,000 | $6,480,000 |
| | Risk adjustment | ↓15% | | | |
| Btr | Streamlined business processes (risk-adjusted) | | $745,875 | $2,601,000 | $5,508,000 |
| | **Three-year total: $8,854,875** | | **Three-year present value: $6,965,987** | | |

### APPLICATION RETIREMENT SAVINGS

**Evidence and data.** Premium capabilities granting access to premium connectors and Dataverse allowed interviewees' organizations to save on maintenance and license fees by retiring legacy applications.

- Survey respondents said their organizations saved an average of $31,000 per retired application through avoided fees, infrastructure, and maintenance costs.
- According to survey data, an average of 54% of legacy applications were retired due to the investment in premium capabilities including connectors and/or Dataverse.
- Among interviewees' and survey respondents' organizations, the applications retired ranged from small applications to larger-scale systems. Similarly, reasons for retiring applications varied, but an interviewed solution architect at a financial services company said, "With this Lotus Notes migration [to cloud], the fact that Dataverse is available will probably weigh in the balance for people to choose the Power Platform to migrate rather than full developing platform."

> **"Everything related to infrastructure is an advantage especially when you [can] make an application very quickly [since] it saves time."**
>
> *Head of Power Platform, transportation*

- Another key factor was the ability to avoid infrastructure costs, the need to validate code, or the cost and effort involved in hosting outside of Power Platform. One head of Power Platform at a transportation company shared, "This is helping us to not invest [unnecessarily in hosting applications]."

**Modeling and assumptions.** For the financial analysis, Forrester made the following assumptions:

- Some of the applications developed using premium capabilities replace legacy applications.
- Given time needed to plan, retire, and then redeploy new applications, no application retirement savings are realized until Year 2. Benefits lag retirements by a period of one year during the course of the three-year analysis.

**Risks.** Some factors that could result in this benefit being lower than modeled for the composite organization include:

- The number of applications retired, which may vary.
- The speed at which applications may be retired.
- Average cost savings per retired application, which may vary depending on the nature of each application.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $496,800.

**Application Retirement Savings**

| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
|---|---|---|---|---|---|
| C1 | Number of applications retired | A3+A4 (from prior year) | 0 | 7 | 16 |
| C2 | Average cost savings per retired application | Survey | $31,000 | $31,000 | $31,000 |
| Ct | Application retirement savings | C1*C2 | $0 | $217,000 | $496,000 |
| | Risk adjustment | ↓10% | | | |
| Ctr | Application retirement savings (risk-adjusted) | | $0 | $195,300 | $446,400 |
| | **Three-year total: $641,700** | | | **Three-year present value: $496,792** | |

## IMPROVED BUSINESS OUTCOMES

**Evidence and data.** Interviewees' and survey respondents' organizations achieved a wide variety of improved business outcomes after adding premium capabilities to their Power Platform environments. The capabilities enabled by premium connectors and Dataverse increased organizations' revenues, decreased time to market, improved solution quoting, decreased cost of delivery, and lowered error rates. In turn, the positive effects of these improved outcomes include lowered costs, reduced risk from errors, and increased digital transformation.

- The fact that code, applications, and flows could be repurposed saved time and money, not only on initial use cases, but also for additional solutions in the future. The head of Power Platform at transportation company described the benefits a colleague had observed at their organization: "The advantage is that we helped him to make this application on Power Automate

to do his processing. But the double advantage now is that it will still be used for other needs, [too]."

- The head of Power Platform at a transportation company shared that opportunities to reuse code created efficiencies. They said: "The Dataverse gives us a lot more possibilities for duplicating applications. People will approach someone who has already made an application. The person will package it and give it to him. He readapts it and reuses it almost identically." This thereby extends the efficiencies and further enables benefits to be realized further in the organization.
- Premium capabilities allow professional developers and business staff members to speak a common language, making it possible not only to make better use of the efficiency of pro-developer and nontechnical citizen developer "fusion" teams, but also to improve the quality of the solutions developed by tailoring them more closely to the needs of the business, and at a faster rate.

**Modeling and assumptions.** For the financial analysis, Forrester made the following assumptions:

- 20% of annual business revenue is impacted by solutions leveraging premium capabilities including premium connectors and/or Dataverse.
- Improved business outcomes result in revenue increases during the course of the three-year analysis. The amount of additional annual revenue increases over time as users grow more proficient and use cases are expanded.
- Operating margin is 10% in line with average historical operating margins.

**Risks.** Some factors that could result in this benefit being lower than modeled for the composite organization include:

- The amount of revenue impacted by Power Platform solutions using premium capabilities.

**On average, survey respondents estimated that Power Platform premium capabilities helped their organizations achieve better business outcomes including:**


Base: 33 IT decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, May 2022

- How quickly and effectively companies can leverage the features that are enabled via premium capabilities.
- The applicable operating margin.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $3 million.

| Improved Business Outcomes | | | | | |
|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Year 1** | **Year 2** | **Year 3** |
| D1 | Annual revenue | Composite | $3,000,000,000 | $3,000,000,000 | $3,000,000,000 |
| D2 | Percent revenue impacted by premium capabilities | Composite | 20% | 20% | 20% |
| D3 | Increased revenue percentage | Survey | 1.6% | 2.2% | 3.4% |
| D4 | Increased revenues | D1*D2*D3 | $9,600,000 | $13,200,000 | $20,400,000 |
| D5 | Operating margin | Assumption | 10% | 10% | 10% |
| Dt | Improved business outcomes | D4*D5 | $960,000 | $1,320,000 | $2,040,000 |
| | Risk adjustment | ↓15% | | | |
| Dtr | Revenue improvement (risk-adjusted) | | $816,000 | $1,122,000 | $1,734,000 |
| | **Three-year total: $3,672,000** | | | **Three-year present value: $2,971,871** | |

**UNQUANTIFIED BENEFITS**

Additional benefits that customers experienced but were not able to quantify include:

- **A common language between IT and the business.** Power Platform enhanced with premium capabilities helped interviewed decision-makers break down silos between IT and the business by providing a common language and platform to craft solutions. According to the head of Power Platform at a transportation company, "That's also the strength of the Dataverse. When we talk about Dataverse, it is this ability to have a common language between the business and the CIOs and therefore also to have tools for exporting solutions, package solutions [throughout the enterprise]."

**UNQUANTIFIED BENEFITS: IT IMPACTS**

- **IT impact.** Survey respondents indicated that on average, IT/DevOps efficiency increased by 18.8% because of the investment in premium capabilities. Sixty-three percent of respondents agreed that Power Platform premium capabilities including connectors and Dataverse helped eliminate or rein in shadow IT.
- **Visibility, security, and governance.** The investment in premium capabilities increased security and visibility around data connections. This increased visibility and confidence in security of the connections meant that developers and data teams could do more with less without spending undue time on managing security or recreating code and components unnecessarily.
- **Confidence to extend use of Power Platform.** Premium capabilities gave interviewees' and respondents' companies the confidence as well as the means to expose new portions of their enterprise data to Power Platform, extending and enhancing the efficiencies and benefits of Power Platform. Key factors included:
  - **Visibility.** One solution architect at a financial services company said Power Platform premium capabilities supported robust governance including a high degree of visibility. They said: "Thanks to

Dataverse, we have visibility over what is being done, and we are in contact with the security teams. We have information about what is created. This allows us to shine some light on the shadow and have visibility on what is done. And we wouldn't have [that visibility] without it."

- **Security.** Ninety-one percent of survey respondents agreed that premium capabilities including connectors and Dataverse increased security and visibility around data connections.
- **Governance.** A solution architect at a financial services company appreciated the governance provided through Dataverse. They said: "We've been using Dataverse from Day 1 because there are governance tools to be able to track the inventory, for instance, of all the apps and flows created and the data we store in Dataverse. We leveraged the center of excellence starter kit afterwards. And this is heavily relying on Dataverse. All our data for governance purposes, information about who is doing what and what applications are created, what they are doing, and [more] is all stored on Dataverse for us."
- Eighty-one percent of survey respondents agreed that improved IT governance is a benefit of this solution.

- **Data management.** One platform manager at a food manufacturing and distribution company said, "It's really best on the integration complexity and the logic complexity." Interviewed decision-makers relayed that not only data sensitivity but also data complexity and volume were much easier to manage using Power Platform premium capabilities.
- Compared to standard connectors included as a part of seeded E3 and E5 licenses such as SharePoint, the Dataverse was more suitable for use cases involving large volumes of data or significant data model complexity. Dataverse was faster at synchronizing schemas and less prone to error and duplication.
- The platform manager at a food manufacturing and distribution company said: "If you are using SharePoint as a database, you will need to synchronize the database schema. We have tools for this, but it takes time. But if you are using Dataverse, for instance, when you package a solution, the database schema is part of it. So, when you communicate to another environment, it will have Dataverse's schema into targeted environment, [thus] saving time."
- Survey respondents reported an average efficiency increase for DBAs/data scientists of 18.3%.

**"We had Power Apps with Office 365, but that's not enough. One element was missing, which was the premium connectors and especially the Dataverse to be able to complete this digitization."**

*Head of Power Platform, transportation*

## UNQUANTIFIED BENEFITS: BUSINESS IMPACTS

- **Digitization and move-to-cloud strategy.** Multiple interviewed representatives said that Power Platform premium capabilities facilitated digitization and move-to-cloud strategies for their organizations. Survey responses emphasized this point as well, with 75% of respondents agreeing that premium capabilities such as premium connectors and Dataverse facilitated digital transformation and/or move-to-cloud strategy for their organizations.
- **Reliability and reduction of outage and error through automation.** An interviewed platform manager at a food manufacturing and distribution company said Power Platform premium capabilities increase reliability. Being able to integrate more data, including real-time data, in a more automated and controlled fashion removes uncertainty and user error from complex manual processes that are critical to operations.
    - A solution architect at a financial services company said: "Because it allows us to report on data and we can connect to Dataverse with Power BI directly and supporting direct queries, we can also connect to the data on a near real-time basis so we can view the data as it's created or modified."
    - Sixty-three percent of survey respondents indicated that a decreased error rate due to increased automation was a benefit of Power Platform premium capabilities including premium connectors and Dataverse. Survey respondents also indicated on average that the error rate decreased by 1.8%. Forty-eight percent of survey respondents identified decreased downtime or process outage as a benefit of Power Platform premium capabilities.

## FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Power Platform premium capabilities and later realize additional uses and business opportunities, including:

- **Agility.** Sixty-three percent of survey respondents agreed that premium capabilities including premium connectors and Dataverse made their organizations more agile for system changes, reducing cycle time for new products and services. Power Platform premium capabilities support greater agility for organizations as new use cases are deployed, allowing the organizations to respond more quickly to the fast-changing global business environment, from pandemics to supply-chain shocks to changes in consumer behavior.

> **"It's not just time we are saving for the people; it's the time we are saving for [our organization] to be more agile."**
>
> *Platform manager, food manufacturing and distribution company*

- The platform manager from a food manufacturing and distribution company said: "If we could integrate [Power Platform] directly with SAP [using premium connectors], we could fully automate the process, the notifications, [and] the tracking of approval, [and then we would save] a lot of time for everyone and we would gain on

agility. It's not just time we are saving for the people; it's the time we are saving for [our organization] to be more agile." The same interviewee said, "Power Platform could be the main front end for the business application [for our enterprise]" by bringing low- and no-code development and the first-hand expertise of citizen developers to the development process.

- **Scalability.** Premium capabilities, especially per-user licenses without limits on the number of connections, mean that users and organizations can incorporate more sources of data over time and expand the Power Platform environments throughout their organizations.

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

# 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 | Power Platform premium development costs | $0 | $366,300 | $937,200 | $1,317,800 | $2,621,300 | $2,097,628 |
| Ftr | License costs | $0 | $655,200 | $1,713,600 | $2,419,200 | $4,788,000 | $3,829,415 |
| | Total costs (risk-adjusted) | $0 | $1,021,500 | $2,650,800 | $3,737,000 | $7,409,300 | $5,927,043 |

**POWER PLATFORM PREMIUM DEVELOPMENT COSTS**

**Evidence and data.** Premium capabilities enabling use of premium connectors and Dataverse helped interviewees' organizations make development efficient and cost-effective by exposing more data and larger portions of the environment to Power Platform, allowing greater capture of Power Platform benefits. The costs in this section replace the eliminated traditional development effort benefit category in the Benefits section Atr. Development costs are lower than they were in the prior state without premium capabilities because business users are doing most of the creation in place of professional developer and data teams.

Interviewees and survey respondents shared how their organizations have reduced development costs by using Power Platform premium capabilities, and these cost reductions were discussed previously in the Benefits section of the study.

**Modeling and assumptions.** For the financial analysis, Forrester made the following assumptions:

- The average solution cost to develop a large application is $93,000 and it costs $40,000 to develop a medium solution.
- The cost to develop each large solution using Power Platform premium capabilities is relatively greater than the cost to develop each medium solution given the greater need for professional and IT resources for larger solutions.

**Risks.** Some factors that could result in this cost being higher than interviewees reported include:

- Changes to the number of large and or medium solutions being developed.
- The nature and complexity of solutions being developed.

**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 $2 million.

| Power Platform Premium Development Costs | | | | | |
|---|---|---|---|---|---|
| **Ref.** | **Metric** | **Source** | **Year 1** | **Year 2** | **Year 3** |
| E1 | Large solutions | A3 | 1 | 4 | 6 |
| E2 | Medium solutions | A4 | 6 | 12 | 16 |
| E3 | Average Power Platform premium solution cost (large) | Survey | $93,000 | $93,000 | $93,000 |
| E4 | Average Power Platform premium solution cost (medium) | Survey | $40,000 | $40,000 | $40,000 |
| Et | Power Platform premium development costs | (E1*E3+E2*E4) | $333,000 | $852,000 | $1,198,000 |
| | Risk adjustment | ↑10% | | | |
| Etr | Power Platform premium development costs (risk-adjusted) | | $366,300 | $937,200 | $1,317,800 |
| | **Three-year total: $2,621,300** | | | **Three-year present value: $2,097,628** | |

### LICENSE COSTS

**Evidence and data.** Fees to add premium capabilities to Power Platform environments vary based on the capabilities selected and the type of license purchased per application or per user, which grants each user access to an unlimited number of applications.

- Per-application licenses are available at a cost of $5 monthly per application. Per-user licenses, allowing access to an unlimited number of applications, are available at an average cost of $20 monthly per user.
- Over time, interviewees' organizations expanded access to per-user licenses as the number of flows drawing on premium connectors and Dataverse (or other premium capabilities) and the number of applications being developed both increased.
- Some interviewees' organizations proactively extended licensing for Power Platform premium capabilities to large numbers of staff. The head of Power Platform from a transportation company said, "We had [a] strategy of taking out premium licenses for the whole [organization] so that everyone has the capacity to be able to create apps [and] use apps."

**Modeling and assumptions.** For the financial analysis, Forrester made the following assumptions:

- The composite organization previously underwent an enterprise-wide implementation of Power Platform including E3 and E5 licenses for all users.
- The composite organization solely purchases Power Platform premium licenses on a per-user basis. The investment of per-user licenses scales each year of use, in line with the development of

> **"If we didn't have premium connectors, [then] we couldn't combine software and the strength of each software."**
>
> *Head of Power Platform, transportation*

solutions involving Power Platform premium capabilities.

- Pricing may vary. Contact Microsoft for additional details.

**Risks.** Some factors that could result in this cost being higher than modeled for the composite organization include:

- A different mix of licenses and capabilities purchased.
- An accelerated rollout of licenses to more staff.

**Results.** To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of $3.8 million.

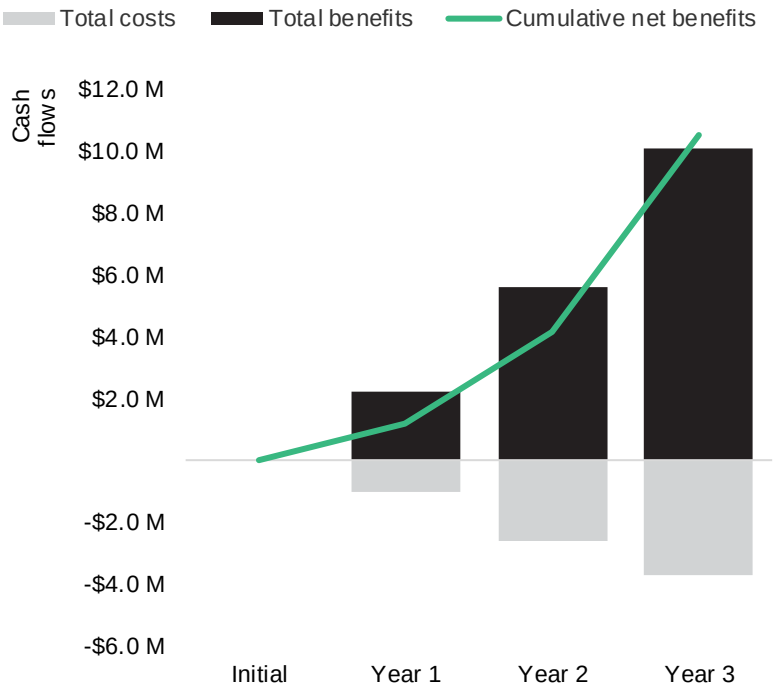
**License Costs**

| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
|---|---|---|---|---|---|
| F1 | Per-user premium licenses | A3*800+A4*300 | 2,600 | 6,800 | 9,600 |
| F2 | Average monthly cost of a per-user premium license | Interviews | $20 | $20 | $20 |
| Ft | License costs | 12*(F1*F2) | $624,000 | $1,632,000 | $2,304,000 |
| | Risk adjustment | ↑5% | | | |
| Ftr | License costs (risk-adjusted) | | $655,200 | $1,713,600 | $2,419,200 |
| | **Three-year total: $4,788,000** | | | **Three-year present value: $3,829,415** | |

# 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 and NPV 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 | $0 | ($1,021,500) | ($2,650,800) | ($3,737,000) | ($7,409,300) | ($5,927,043) |
| Total benefits | $0 | $2,191,875 | $5,628,300 | $10,118,400 | $17,938,575 | $14,246,205 |
| Net benefits | $0 | $1,170,375 | $2,977,500 | $6,381,400 | $10,529,275 | $8,319,162 |
| ROI | | | | | | 140% |

# Appendix A: Total Economic Impact

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

### TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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

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

### PRESENT VALUE (PV)

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

### NET PRESENT VALUE (NPV)

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

### RETURN ON INVESTMENT (ROI)

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

### DISCOUNT RATE

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

### PAYBACK PERIOD

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

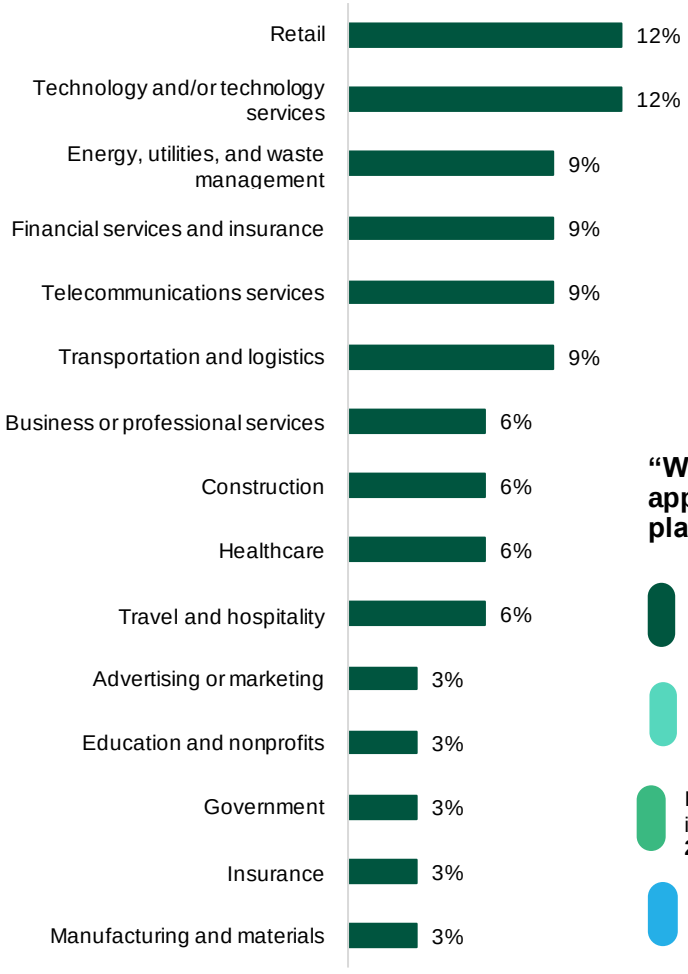
# Appendix B: Interview And Survey Demographics

**Interviews**

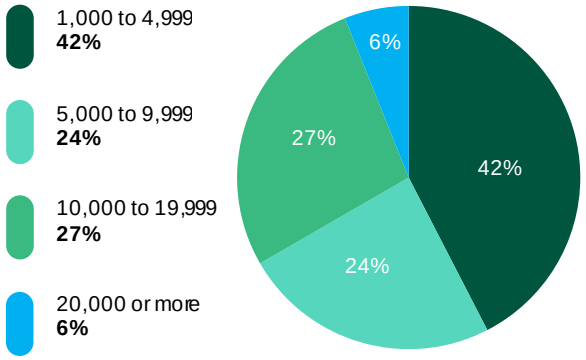
| Role | Industry | Headquarters | Annual Revenue |
|---|---|---|---|
| Solution architect | Financial services | EMEA | $70 billion |
| Lead engineer | Distribution and bottling company | North America | $38.7 billion |
| Platform manager | Food manufacturing and distribution | EMEA | $98 billion |
| Head of Power Platform | Transportation | EMEA | $35.8 billion |

## Survey Demographics

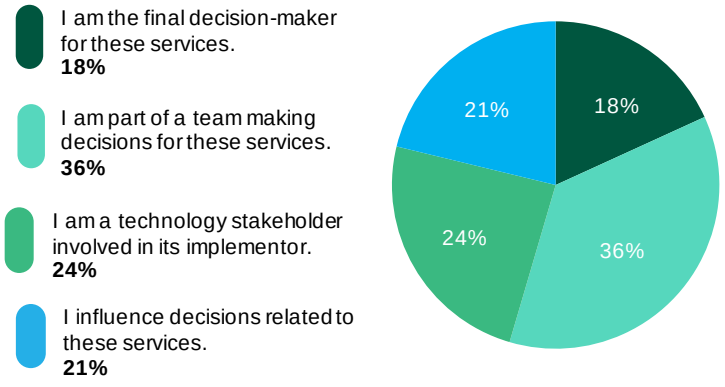
**"Which of the following best describes the industry to which your company belongs?"**




**"Using your best estimate, how many employees work for your organization worldwide?"**

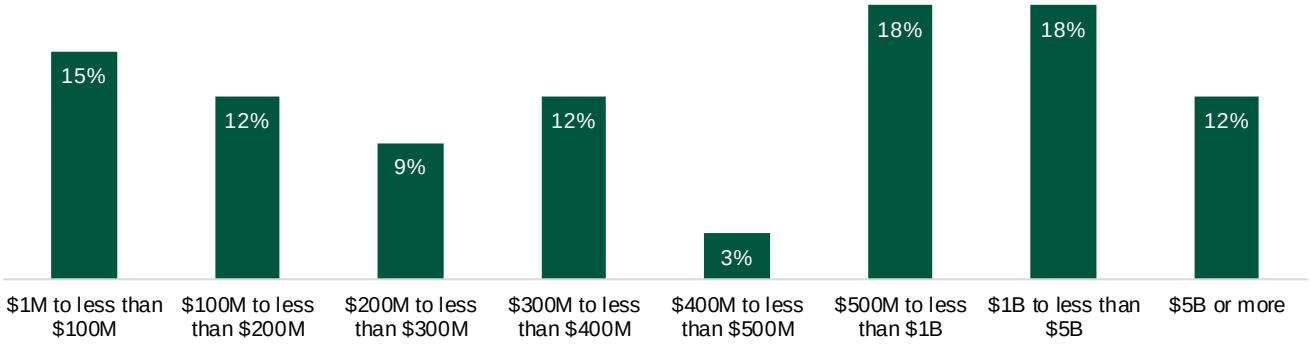



**"What is your level of responsibility when it comes to application development, automation, and intelligence platforms?"**

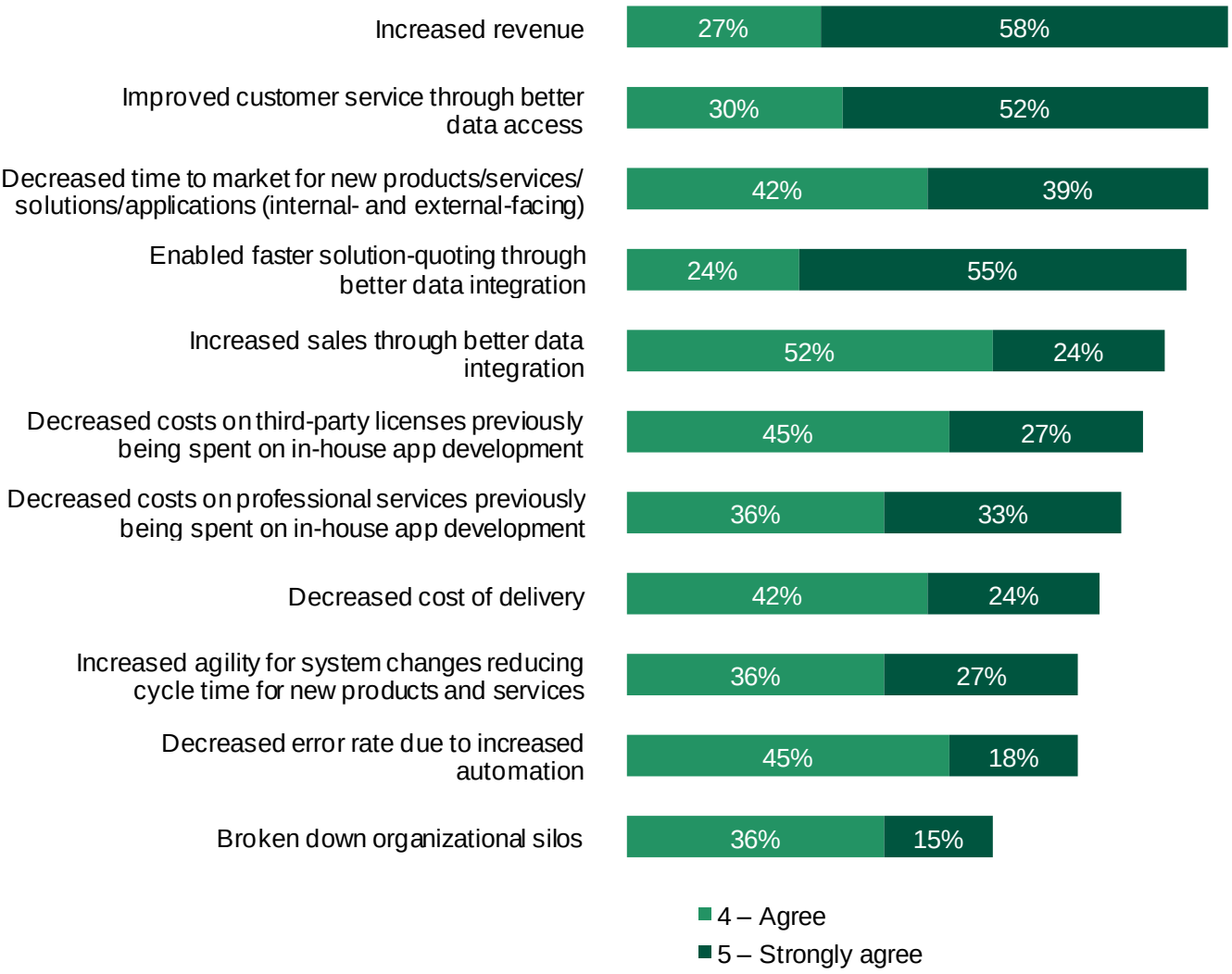



Base: 33 IT decision-makers
Note: Percentages may not total 100 because of rounding.
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, May 2022

**"Using your best estimate, what is your organization's annual revenue (USD)?"**




**"Below is a list of benefits your company may have experienced since its investment in premium capabilities including connectors/Dataverse. On a scale of 1 to 5, how much do you agree or disagree with the following statements regarding the impact of premium capabilities including connectors/Dataverse on your organization?"**




Base: 33 US IT decision-makers
Source: A commissioned study conducted by Forrester Consulting on behalf of Microsoft, May 2022

# Appendix C: 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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