

# Microsoft Surface Pro 3 Delivers Reduced Device Costs and Improved Revenue

Organizations are always looking for opportunities to generate new revenue and save costs with any technology investment. To better understand the benefits, costs, and risks associated with Surface Pro 3, Forrester Consulting interviewed and surveyed organizations that have used Surface Pro 3 as a primary business device. Microsoft commissioned Forrester to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by provisioning Surface Pro 3 devices to their employees. This summary is based on a full TEI study, which can be downloaded from <http://www.microsoft.com/surface/en-us/business/overview>.

Based on the TEI analysis, a representative organization has experienced a very quick payback with benefits of \$2 to \$3 million per year, a net present value (NPV) of more than \$4.7 million and an overall ROI of 209% since provisioning Surface Pro 3. Readers can use this representative organization — a U.S.-based company of 15,000 employees selling business-to-business (“B2B”) product and services with a large sales force and a strong commitment to support its employees with technology — to understand the economic impact of choosing Surface Pro 3 and apply or adapt it to their own situation and experience.

## QUANTIFIED BENEFITS OF SURFACE PRO 3

Based on the representative organization, benefits of Surface Pro 3 include:

- › **Client device consolidation and reduced costs.** The basic reduction in the number of devices leads to important savings. Most users that now have a Surface Pro 3 device replaced a desktop or laptop plus a non-Windows tablet device — some replaced all three — which adds up to \$615 saved in client device purchases per new Surface Pro 3 user.
- › **Surface Pro 3 users saved time repeating tasks and more easily take advantage of in-between times.** Users avoid repetitive tasks such as copying notes from paper to digital, and maximize work time by reading or reviewing documents while in transit and between meetings, adding up to \$936 per user per year in improvement in employee productivity.
- › **Customers were more satisfied (and impressed) with information and presentations.** Sales reps using Surface Pro 3 devices can deliver higher quality presentations and information to improve customer satisfaction. There was an estimated 20% increase in in revenue per deal from customers who interact with sales reps using Surface Pro 3.
- › **Employees were also more satisfied (and impressed) that Surface Pro 3 devices were in the company device catalog.** Employees appreciate being able to have everything they need on one device that’s small enough to be with them wherever they are, but large and powerful enough to get work done — a tablet that functions like a business desktop.

FIGURE 1: Financial Summary Showing Three-Year Risk-Adjusted Results And Other Metrics



**ROI**  
**209%**

**NPV**  
**\$4.74M**

**Device purchase costs**  
▼ **\$615 per user**

**New sales revenue**  
▲ **20% per deal**

Source: Forrester Research, Inc.

The TEI methodology includes analysis of benefits and costs with risk-adjustment, as well as consideration of long-term, or “flexibility,” benefits. As the representative organization provisions more Surface Pro 3 devices in later years and reduces the focus on desktops, laptops and non-Windows tablets, flexibility benefits include the reduction of IT management costs, the elimination of software and management time related to the support of retired platforms, and reduced application development costs.

## Analysis

From the information provided in the interviews, Forrester constructed a TEI framework for those organizations considering implementing Microsoft Surface Pro 3. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect investment decisions, to help organizations understand how to take advantage of specific benefits, reduce costs, and improve the overall business goals of winning, serving, and retaining customers. Specifically, Forrester:

- › Interviewed Microsoft marketing, sales, and consulting personnel along with Forrester analysts to gather data relative to the Surface Pro 3 product and marketplace.
- › Interviewed five current Microsoft Surface Pro 3 organizations to obtain data with respect to costs, benefits, and risks, including:
  - A US global tech consulting firm.
  - A large Eastern-US county government.
  - A defense and security company based in Europe.
  - One of the US’s largest hospitals.
  - An online eCommerce provider based in the US.
- › Surveyed 31 more individuals at organizations using Surface Pro 3 devices.
- › Constructed a financial model representative of the interviews and survey responses and designed a representative organization for illustrations
- › Risk-adjusted the financial model based on issues and concerns from the interviewed and surveyed organizations.

Based on the interview and survey information, Forrester constructed a TEI framework, a representative company, and an associated ROI analysis that illustrates the areas financially affected. The representative organization that Forrester synthesized from these results is summarized in Figure 2.

The organization started implementation with 780 Surface Pro 3 users. Surface Pro 3 is now on the standard device list and a 50% year-over-year growth in Surface Pro 3 users is expected.

**FIGURE 2: Representative Organization Overview**



Source: Forrester Research, Inc.

After experience and trial and error with a variety of device types, the representative organization chose Microsoft Surface Pro 3 and began deployment:

- › Implementation began in June 2014, though it had supported earlier versions of Surface devices.
- › First phases focused on mobile users such as sales managers and representatives, as well as company executives.
- › Seven hundred and eighty users within the organization received the first wave of Surface Pro 3 devices.
- › The organization has experience with Windows Tablets and other Surface devices, it has already dealt with most of the costs and benefits associated with Windows 8.1 (and looking forward to Windows 10), so are not included in this analysis — instead the focus is on the specific incremental costs and benefits of Surface Pro 3 devices.

The representative organization's process improvements, cost savings, and investment costs are based on the past and current experiences of the 36 individual interview and survey respondents. As many organizations approach their next major desktop device and software refresh cycle, they investigate whether the devices they currently use are right for their organization and whether they should consider replacements. Should they stay with desktops and laptops? The organization selected Surface Pro 3 because they saw it as a device that meets many needs, and employees wanted it. It ticked the boxes for many needs — cost effectiveness, mobility, processing power — in a device that doesn't sacrifice power or Windows compatibility. Additionally, Surface Pro 3 devices are well-constructed and have added prestige not usually associated with a work computing device.

## Benefits

Over three years, the representative organization expects risk-adjusted total benefits to be a present value (PV) of more than \$7 million. This benefit total is calculated from four main areas, which are summarized here and covered in more detail later in this section:

- › **Device cost avoidance.** On average, the representative organization replaces 1.75 devices for each new Surface Pro 3 device. The average replacement cost for those devices adds up to more than \$1.5 million in gross costs avoided in the first year. This adds up to a net benefit of about \$480,000 in the first year, or \$615 for each new Surface Pro 3 user.
- › **Employee productivity improvements.** The use of Surface Pro 3 leads to time savings opportunities, including avoiding duplicate-entry tasks, taking advantage of commute or in-between time, and other similar tasks. The representative organization highlighted several features that enable these productivity benefits: navigating the device with a pen, touch, or a mouse; having a variety of options for text input and connecting keyboards with onscreen input, using convenient but comfortable keyboard covers, and/or attaching a full-size keyboard; using the device for long stretches with the highcapacity battery; and viewing files and making presentations on the large (for a tablet) 12-inch screen.
- › **Customer satisfaction improvements.** These improvements lead to more and larger sales, related to both improved presentation and communication with the Surface Pro 3 device. The Surface Pro 3 also demonstrates investment and technical savvy by arming sales reps with some of the newest client devices. The representative organization estimates that about a quarter of its customers interact with representatives using Surface Pro 3 devices. Those sales discussions have a higher close rate (5.8% versus the standard 5.0%), as well as a 20% increase in the revenue per sales deal. These improvements mean that with Surface Pro 3, sales reps using the devices can close more deals and each of those deals is a little larger. This results in a total additional profit of more than \$140,000 in the first year, growing each year due to the increase in the number of sales representatives using Surface Pro 3.
- › **Employee satisfaction improvements.** Organizations can show employees they are valued and trusted by providing Surface Pro 3 devices, leading to higher job satisfaction and, in turn, reduced turnover. While a number of factors can reduce or hurt employee turnover the representative organization estimates that turnover decreased from 9.0% to 8.8% since Surface Pro 3 devices were made available to employees. With 15,000 employees, a small reduction in employee turnover adds up. At \$10,000 to replace each employee, that adds up to \$280,000 saved in the first year.

Table 1 shows the total of all risk-adjusted benefits across the areas listed above, as well as present values (PVs) discounted at 10%.

TABLE 1: Total Benefits (Risk-Adjusted)						
Benefit Category	Initial	Year 1	Year 2	Year 3	Total	PV
Device cost avoidance	\$0	\$1,556,100	\$778,050	\$1,167,075	\$3,501,225	\$2,934,494
Employee productivity improvements	\$0	\$730,080	\$1,095,120	\$1,642,680	\$3,467,880	\$2,802,937
Customer satisfaction improvements	\$0	\$140,400	\$217,200	\$344,400	\$702,000	\$565,893
Employee satisfaction improvements	\$0	\$280,000	\$288,000	\$296,000	\$864,000	\$714,951
<b>Total benefits (risk-adjusted)</b>	<b>\$0</b>	<b>\$2,706,580</b>	<b>\$2,378,370</b>	<b>\$3,450,155</b>	<b>\$8,535,105</b>	<b>\$7,018,275</b>

Source: Forrester Research, Inc.

## Costs

The representative organization experienced the following risk-adjusted costs. New costs related to Surface Pro 3 include:

- › **Surface Pro 3 purchase costs of about \$1 million in the first year.** Surface Pro 3 purchase costs are offset by the avoided purchases detailed above.
- › **Deployment costs of less than \$100,000.** The organization needed only minimal effort related to new Surface Pro 3 deployment tasks, primarily to test compatibility and support any users new to Windows 8.1.
- › **Annual incremental management and support costs of about \$60,000.** The organization needs to add only small annual investments to support any new Surface Pro 3 device needs, mainly related to user support.

Table 2 shows the total of all risk-adjusted costs as well as associated present values (PVs), discounted at 10%.

TABLE 2: Total Costs (Risk-Adjusted)						
Cost Category	Initial	Year 1	Year 2	Year 3	Total	PV
Surface Pro 3 device costs	\$0	\$1,076,400	\$538,200	\$807,300	\$2,421,900	\$2,029,875
Deployment Costs	\$92,840	\$0	\$0	\$0	\$92,840	\$92,840
Ongoing costs	\$0	\$60,500	\$60,500	\$60,500	\$181,500	\$150,455
<b>Total costs (risk-adjusted)</b>	<b>\$92,840</b>	<b>\$1,136,900</b>	<b>\$598,700</b>	<b>\$867,800</b>	<b>\$2,696,240</b>	<b>\$2,273,170</b>

Source: Forrester Research, Inc.

TABLE 3: Benefit And Cost Risk Adjustments

Benefits	Adj.
Device consolidation cost savings	↓ 5%
Employee productivity improvements	↓ 50%
Customer satisfaction and sales improvements	↓ 25%

## Risks

Table 3 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates for the representative organization. Risk adjustment is included in the TEI analysis to allow that a proposed investment in Surface Pro 3 may deviate from the original or expected requirements, resulting in higher costs than anticipated. Or the business or technology needs of the organization may not be met by the investment in Surface Pro 3, resulting in lower overall total benefits. Readers are urged to apply their own risk ranges.

Employee satisfaction and reduced turnover ↓ 20%

### Costs

Adj.

Deployment costs ↑ 10%

Annual costs ↑ 10%

## Flexibility

Source: Forrester Research, Inc.

Flexibility represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. Put another way, it represents the value that can be obtained for some future additional investment, such as developing a new pen-and-touch-enabled app. This provides an organization with the ability to engage in future initiatives at a lower incremental cost, but not the obligation to do so. The representative organization identified two areas that they might consider in the future:

- › At this time, the organization sees no change or very small savings in device management costs. It has also decided not to retire any previously-supported platforms. In the future, as more users are provisioned Surface Pro 3 devices, the organization expects it may see significant cost savings.
- › As the user base of Surface Pro 3 devices grows, the organization will investigate focusing its application development on Windows-based touch applications that run on laptops and desktops, It expects this strategy can lead to reduced application development costs related to the development on and support of multiple platforms.

## Financial Summary

TABLE 4: Summary of Present Value, ROI and

The risk-adjusted financial results calculated in the **Payback Values with Cash Flow Chart**

Benefits and Costs sections (including expected growth in client deployment) can be used to determine the ROI, NPV, and payback period for the representative organization's investment in Surface Pro 3. Table 4 shows the risk-adjusted ROI, NPV, and payback period values.

For more information, visit the Surface Pro 3 enterprise business home page, where you can download a full,

more-detailed Total Economic Impact (TEI) analysis of the benefits and costs of Surface Pro 3:

<http://www.microsoft.com/surface/enus/business/overview>

	Result
Present Value of Costs	(\$2,273,170)
Present Value of Benefits	\$7,018,275
Net Present Value (NPV)	\$4,745,105
ROI	209%
Payback period (months)	0.7

Source: Forrester Research, Inc.

### DISCLOSURES

The reader should be aware of the following:

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

- › Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Microsoft Surface Pro 3.
- › Microsoft reviewed and provided feedback to Forrester. 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.
- › Microsoft provided the customer names for the interviews but did not participate in the interviews.

#### **ABOUT FORRESTER CONSULTING**

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

#### **ABOUT TEI**

Total Economic Impact™ (TEI) is a methodology developed by Forrester Research that enhances a company's technology decisionmaking 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. The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility. <http://www.forrester.com/marketing/product/consulting/tei.html>