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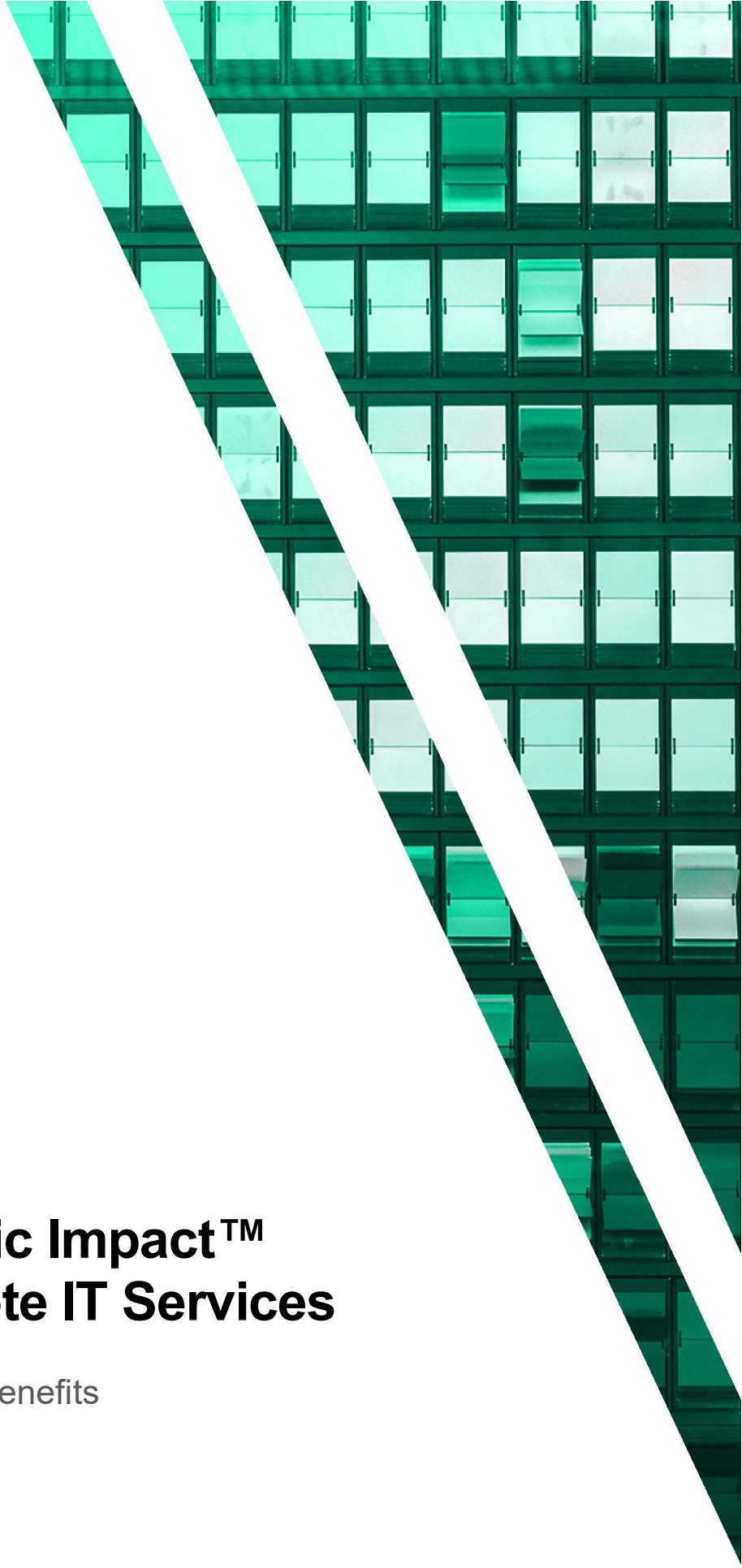

The Total Economic Impact™ Of Electric's Remote IT Services

Cost Savings And Business Benefits Enabled By Electric

FEBRUARY 2021

Table Of Contents

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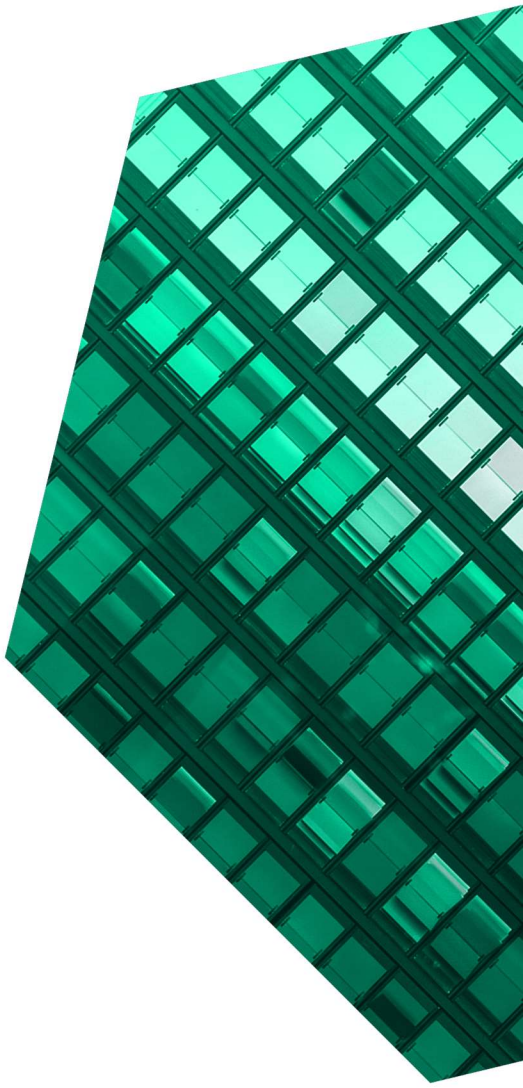


Executive Summary

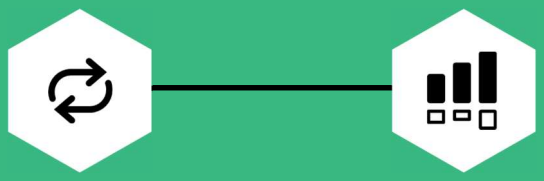
The IT challenge for small businesses is cost effectively meeting broad, industry-specific IT needs. With the options of hiring IT staff or bringing in an IT managed service provider (MSP), hiring may seem like the natural choice. But there are risks around skill gaps, providing timely resolutions, and high labor costs. Working with an IT MSP may be the right choice, but you must balance cost, provided services, and quality of service. Electric's remote IT service model reduces costs and provides a broad array of IT services that meet the needs of many industries.

Electric commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Electric's remote IT services.[1] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of IT managed services on their organizations. Electric offers a full set of IT service offerings, including device and application management, network and server management, security controls and compliance, employee onboarding and offboarding (including device provisioning and procurement), and real-time help-desk support. With a focus on providing these services remotely, Electric has a mature approach that includes having subject-matter experts working in each space, a centralized chat-based help desk to assist employees, and a proprietary IT service management platform to make requests, modify configurations, get activity statuses, and receive IT health scores.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed a decision-maker from an organization with experience using IT managed services. Forrester used this experience to project a three-year financial analysis.

Prior to using Electric, the interviewee's organization — a 55-employee marketing communications firm — used two local IT MSPs during the prior three years. The first MSP had a reasonable cost structure, but it had unacceptable service gaps. The second MSP was able to meet all of the organization's IT service needs, but it frequently required change requests to meet required activities. This drove up the cost to an unacceptable level.

KEY STATISTICS



Return on investment (ROI)
105%

Net present value (NPV)
$141K

After the investment in Electric, all required activities are in the scope of the contract at a lower cost than the base contract of the previous MSP. Key results from the investment include:

- Receiving equal or better services in all IT service categories while paying approximately 25% less per year.
- Saving on employee onboarding and offboarding by transitioning activities that had additional costs with the prior MSPs.
- Seeing labor savings and direct savings by transitioning to Electric for device and application management.

- Using a service that continues to improve without adding fees to the contract.

KEY FINDINGS

Quantified benefits. Risk-adjusted present value (PV) quantified benefits include:

- **Elimination of IT MSP, saving $212,745 over three years.** The customer has reduced its direct IT services cost by approximately 25% while expanding in contracted scope of services.
- **Application management-related savings of $32,322 over three years.** Prior to using Electric, the organization managed its software licenses, which was a time-consuming and error-prone process. This led to software licenses not being reclaimed when employees departed or to employees purchasing software when licenses were already available.
- **Device management labor savings of $25,343 over three years.** Prior to using Electric, the organization was responsible for device procurement and management. Electric's software interface called Turbine combined with Electric's support services reduced the time requirements of the organization's employees while improving the visibility and management of devices.
- **Onboarding/offboarding labor savings of $4,345 over three years.** The organization's decision-makers previously chose to manage the IT onboarding/offboarding process manually because it was an add-on service. Electric now supports this process, which saves the organization time while providing a standard process with better tracking.

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

- **Visibility to IT health scores, IT support and request activities, software application, and device inventories.** Through Turbine, the organization is now provided with a dashboard for various IT health metrics, such as security policy compliance and device status. Decision-makers can also look up the status of activities and projects that Electric is involved in. Finally, decision-makers can see application and device inventory and ownership or admin assignments within the organization.
- **Electric provides expert-level remote IT service.** The organization was already using Electric when the COVID-19 pandemic disrupted the world in 2020, and its processes required no adjustments. Electric already supported the company remotely, and it had no problem helping the organization transition its employees to a remote working environment.
- **Electric is focused on its customers' success.** The interviewee said Electric's customer service manager is highly engaged when helping their organization. Electric also provides advisory sessions with subject-matter experts at no additional costs.
- **Electric improves its existing services without charging extra.** The interviewee noted that Turbine has been going through major improvements during the past year or so, and it has also improved some services.

Costs. Risk-adjusted PV costs include:

- **Electric services and projects cost $134,156 over three years.** The combined cost of implementation, the base contract, and special projects are approximately 40% less than the cost of the organization's contract and project costs with its previous IT MSP. The Electric base contract includes additional services.

The interview and financial analysis found that the interviewee's organization experiences benefits of about $275,000 over three years versus costs of about $134,000, adding up to a net present value (NPV) of $141,000 and an ROI of 105%.

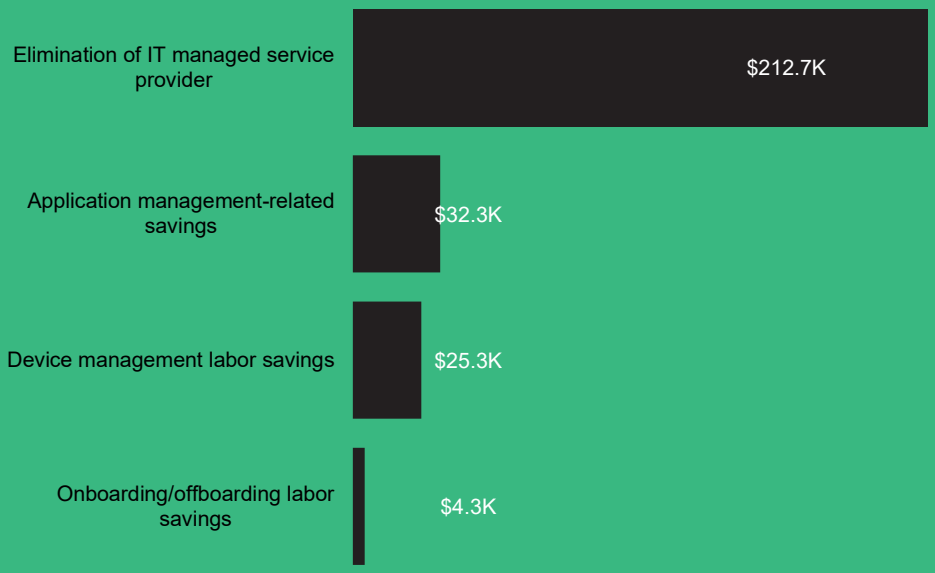
ROI
105%

BENEFITS PV
$275K

NPV
$141K

PAYBACK
<6 months

Benefits (Three-Year)

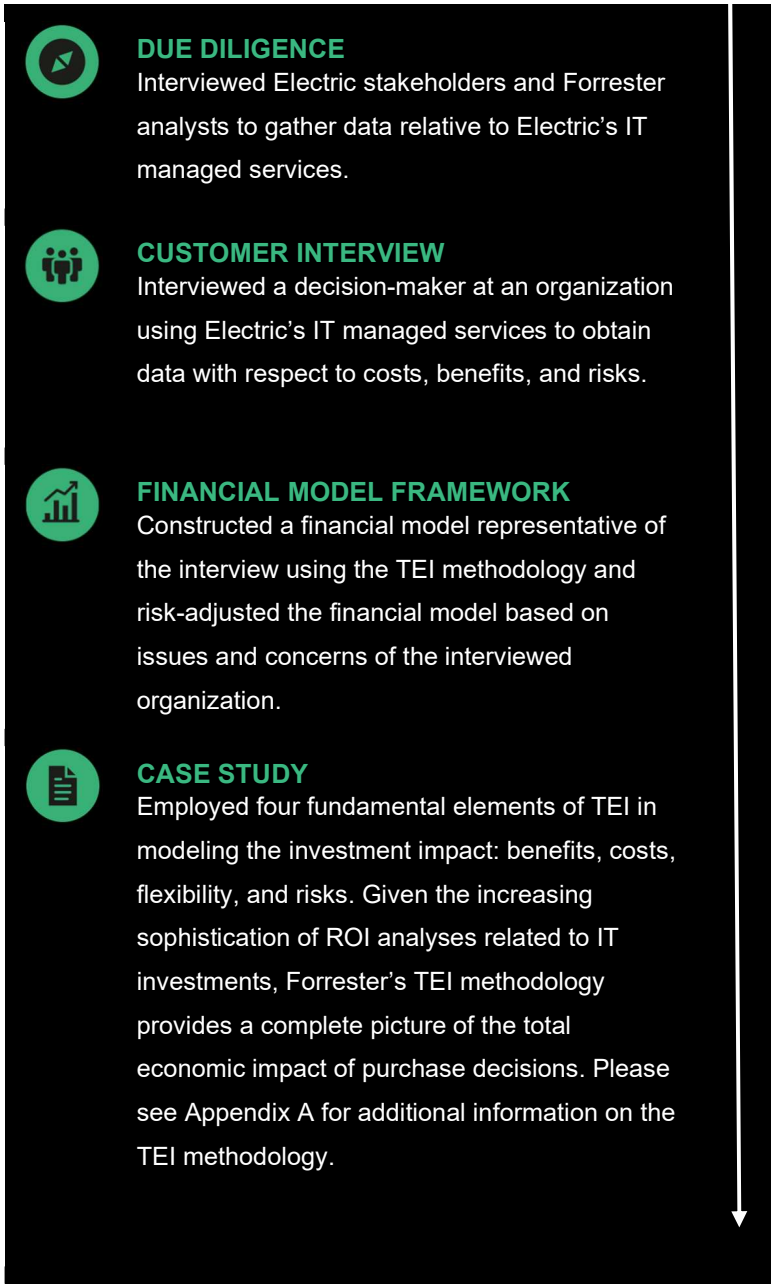


"We had a virtual CTO with the prior MSP, and we would get charged for any experts that it brought in. With Electric, my customer success representative is very knowledgeable, they meet with us more frequently, and we don't get charged for experts brought in to talk to us. Electric knows that we will likely give it any project that results from a conversation so they don't charge us up front."

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 Electric's IT managed services.

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 Electric's IT managed services can have on an organization.



The Electric IT Managed Services Customer Journey

Drivers leading to the Electric IT managed services investment

INTERVIEWED ORGANIZATION

Forrester interviewed a decision-maker from an organization that uses Electric IT services. The organization has the following characteristics:

- US-based marketing communications company with plans to expand with international growth.
- $15 million in annual revenue with 55 employees.
- Forrester interviewed the COO for this study.

KEY CHALLENGES

Prior to investing in Electric, the organization had two IT MSPs during the previous three years, and both had their own issues. The first MSP cost less than the second one, but it lacked the ability to effectively support the organization. The second MSP provided better support, but it cost much more, and decision-makers felt that it was too expensive. Both IT MSPs provided security services, network services, and support services, but neither had strong device management, application management, or mature onboarding/offboarding services.

The interviewee's organization struggled with common challenges, including:

- **Balancing costs and services.** The organization's decision-makers were unsuccessful at balancing costs and services.
    - Hiring an IT professional would cost more than the cost of either of the two MSPs the organization had previously contracted. Furthermore, the demand on one expert would likely be excessive at times, and it could be unreasonable to expect one professional to have the necessary breadth of knowledge.
    - Decision-makers wanted an IT service provider that could meet all of their IT needs at a reasonable, fixed price. They also wanted basic advisory services for free where, in return, the organization would likely use the IT service provider to do the implementation.
- **Providing less-common IT services that provide labor productivities and cost savings.** The interviewee's organization had no IT professionals, so IT processes such as device management, application, and onboarding/offboarding were not activities that were naturally part of employee's role. That led to those processes not being done in a standard or efficient way. Furthermore, there were more costs because device and application tracking were imperfect, so decision-makers did not manage devices effectively, and employees would purchase software licenses when unassigned licenses were available.

Analysis Of Benefits

Quantified benefit data

Total Benefits

Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Elimination of IT managed service provider	$83,250	$85,680	$88,183	$257,113	$212,745
Btr	Application management-related savings	$18,000	$9,900	$10,350	$38,250	$32,322
Ctr	Device management labor savings	$3,510	$14,040	$14,040	$31,590	$25,343
Dtr	Onboarding/offboarding labor savings	$1,148	$2,093	$2,093	$5,333	$4,345
	Total benefits (risk-adjusted)	$105,908	$111,713	$114,665	$332,285	$274,755

ELIMINATION OF IT MANAGED SERVICE PROVIDER

Evidence and data. Decision-makers canceled the organization's contract with its existing IT MSP when it contracted Electric.

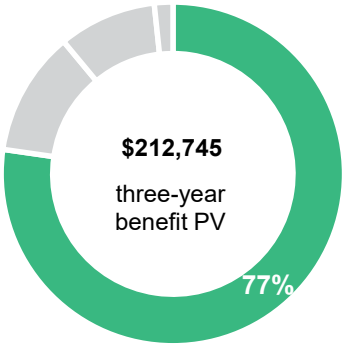
- The prior contract included services common with Electric's contract. These included security services, support services, and network services.
- The prior contract also included time and material activities (T&M) that is part of the Electric contract. These activities included advisory services, onboarding/offboarding activities, and some device and application management. The organization's employees performed most of these activities themselves due to the cost.

"We are paying considerably less money, and all the services are equivalent or better. An example would be security, which is crucial to protect our business. We have had no breaches, and I feel as comfortable now as I did with either of the other MSPs that we [previously] had."

Modeling and assumptions. The prior IT MSP contract contained two components: a base contract and an agreement for T&M services.

Risks. The base contract can vary over time based upon contract negotiations and economics. The T&M costs vary due to negotiated rates and actual T&M activity.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $212,745.



Elimination of IT managed service provider: 77% of total benefits

Elimination Of IT Managed Service Provider					
Ref.	**Metric**	**Calculation**	**Year 1**	**Year 2**	**Year 3**
A1	Standard support contract	Interview	$90,000	$92,700	$95,481
A2	Project and additional advisory services	Interview	$2,500	$2,500	$2,500
At	Elimination of IT managed service provider	A1+A2	$92,500	$95,200	$97,981
	Risk adjustment	↓10%			
Atr	Elimination of IT managed service provider (risk-adjusted)		$83,250	$85,680	$88,183
	Three-year total: $257,113		**Three-year present value: $212,745**		

APPLICATION MANAGEMENT-RELATED SAVINGS

Evidence and data. The organization utilizes Electric's IT service management platform, Turbine, combined with its customer success services to better manage its software licenses. This is an active project with benefits beyond expectations. These include:

- Cataloging licenses ensures that unused licenses are utilized before new licenses are purchased.
- Effective license management includes reclaiming licenses when software is not actually used by an individual and as part of the offboarding process.

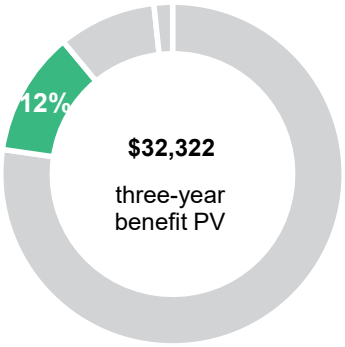
"[Electric's IT service management platform] Turbine has grown by leaps and bounds over the last year. Some of the enhancements have given us the confidence to fully turn over application and device management to Electric, as well as expanding Electric's role in onboarding. In addition, my visibility into what is happening to employees is greatly enhanced."

Modeling and assumptions. There are one-time cost savings associated with the cataloging phase and ongoing savings as the organization reclaims and reuses licenses.

Risks. The risks associated with application management include:

- The quality of the existing application management process, including central controls on purchasing software.
- The quantity and cost of software deployed within an organization.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $32,322.



Application management-related savings: 12% of total benefits

Application Management-Related Savings					
Ref.	**Metric**	**Calculation**	**Year 1**	**Year 2**	**Year 3**
B1	One-time savings by cataloging	Interview	$15,000		
B2	Annual savings	Interview	5,000	11,000	11,500
Bt	Application management-related savings	B1+B2	$20,000	$11,000	$11,500
	Risk adjustment	↓10%			
Btr	Application-management related savings (risk-adjusted)		$18,000	$9,900	$10,350
	Three-year total: $38,250		**Three-year present value: $32,322**		

DEVICE MANAGEMENT LABOR SAVINGS

Evidence and data. The organization utilizes Turbine to better manage its devices. This is an active project. Benefits include:

- Decision-makers are aware of device ownership and availability to prevent unnecessary purchases when there is new demand.
- Turbine provides awareness of device-level status, including health, operating system, and security policy compliance.
- The organization has a standard, simple process to follow when devices are returned.

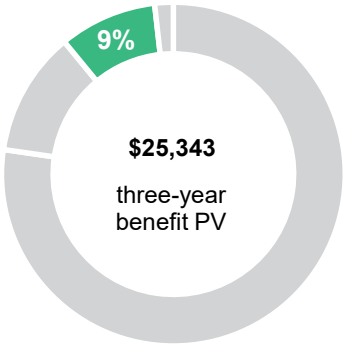
Modeling and assumptions. The organization is still transitioning its device management processes to Electric. The previous MSP charged on a T&M basis, and employees had grown accustomed to doing processes manually.

- The organization saw savings of 1 hour per week as a natural part of the Electric implementation.
- Utilizing Electric and Turbine more effectively, the organization saves 3 hours per week.

Risks. The risks associated with device management include:

- The quality of the existing device management process, including central controls for purchasing devices and inventorying devices.
- The quantity and cost of devices deployed within an organization.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $25,343.



Device management labor savings: 9% of total benefits

Device Management Labor Savings					
Ref.	**Metric**	**Calculation**	**Year 1**	**Year 2**	**Year 3**
C1	Labor savings (hours)	Interview	1	4	4
C2	Weeks per year		52	52	52
C3	Hour savings	C1*C2	52	208	208
C4	Average cost per hour	Assumption	$75	$75	$75
Ct	Device management labor savings	C3*C4	$3,900	$15,600	$15,600
	Risk adjustment	↓10%			
Ctr	Device management labor savings (risk-adjusted)		$3,510	$14,040	$14,040
	Three-year total: $31,590		**Three-year present value: $25,343**		

ONBOARDING/OFFBOARDING LABOR SAVINGS

Evidence and data. The organization utilizes Turbine to streamline its onboarding and offboarding processes. The organization's previous MSP provided onboarding/offboarding as an add-on service, so decision-makers decided to keep doing it internally.

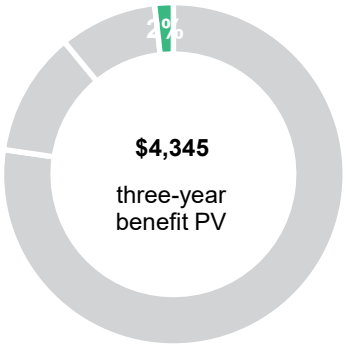
Modeling and assumptions.

- Each year, the organization hires seven new employees, and five employees depart.
- Using Electric, the onboarding process saves 3 hours of labor per new employee.
- Using Electric, the offboarding process saves 2 hours of labor per departing employee.

Risks. The risks associated with onboarding/offboarding include:

- The maturity of the existing onboarding/offboarding process.
- The rate of growth and turnover within the organization.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of $4,345.



Onboarding/offboarding labor savings: 2% of total benefits

Onboarding/Offboarding Labor Savings					
Ref.	**Metric**	**Calculation**	**Year 1**	**Year 2**	**Year 3**
D1	Annual onboarding count	Interview	7	7	7
D2	Time savings per onboarding	Interview	1	3	3
D3	Annual offboarding count	Interview	5	5	5
D4	Time savings per offboarding	Interview	2	2	2
D5	Total time savings (hours)	(D1*D2)+(D3*D4)	17	31	31
D6	Average cost per hour	Assumption	$75	$75	$75
Dt	Onboarding/offboarding labor savings	D5*D6	$1,275	$2,325	$2,325
	Risk adjustment	10%			
Dtr	Onboarding/offboarding labor savings (risk-adjusted)		$1,148	$2,093	$2,093
	Three-year total: $5,333		**Three-year present value: $4,345**		

UNQUANTIFIED BENEFITS

The interviewee said their organization realized additional benefits that they could not quantify. These benefits include:

- **Visibility to IT health scores, IT support and request activities, and software application and device inventories.** Through Turbine, Electric provides the organization with a dashboard for various IT health metrics, such as security policy compliance and device status. Decision-makers can also look up the status of activities and projects that Electric is involved in. Finally, decision-makers can see application and device assignments within the organization.
- **Electric provides expert-level remote IT service.** Decision-makers originally considered remote IT service to be a potential risk, but it proved to be a benefit. The interviewee said: "Our most natural concern with Electric is that it provides remote service while our other MSPs were both local. Within a few months, Electric had proven to us that it knows how to support clients remotely. There were no hiccups when the pandemic hit because [Electric representatives] were already experts at supplying remote support."
- **Electric is focused on its customers' success.** The interviewee said: "Our customer success manager knows us well, and he is focused on our success. He is familiar with our needs and idiosyncrasies. He is looking out for things that we need to be aware of. He even reminds us if there is something important for us to do and we have temporarily dropped the ball on it."
- **Electric improves its existing services without charging extra.** The interviewee said: "[Electric's] service keeps getting better and better, and [it doesn't charge] us more. I know there should be a diminishing return, but, for now, [Electric] just keeps improving its service. It's hard to find a partner of any type that works so hard to improve its service level without us asking."

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Electric's IT managed services and later realize additional uses and business opportunities. These include:

- **Gaining available experts at no additional cost.** The interviewee was very enthusiastic about the flexibility Electric provides by allowing employees to have conversations with subject-matter experts without an additional cost. There have been productive conversations about meeting new reporting requirements, remote workforce changes, cloud capabilities, and security features — with no additional cost. This guidance and available guidance provides decision-makers with confidence that their organization can adjust to changing needs.
- **Having the ability to grow, or shrink, as needed.** The interviewee said Electric can easily adjust its contract to handle changes in the organization's size due to the remote support model. The interviewee said they're comfortable that Electric has the IT technicians necessary to handle even rapid growth.

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

Total Costs							
Ref.	**Cost**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Etr	Electric services and projects	$2,750	$51,700	$52,993	$54,052	$161,495	$134,156
	Total costs (risk-adjusted)	$2,750	$51,700	$52,993	$54,052	$161,495	$134,156

ELECTRIC SERVICES AND PROJECTS

Evidence and data. The interviewee's organization paid an implementation consulting fee, it has an ongoing contract with Electric, and it has paid for special projects.

Modeling and assumptions.

- Contracts and project costs are presented as a combined total per year.
- Costs are assumed to increase by 2.5% per year.

Risks. Electric services and project risks include:

- Variations in contract terms and scope.

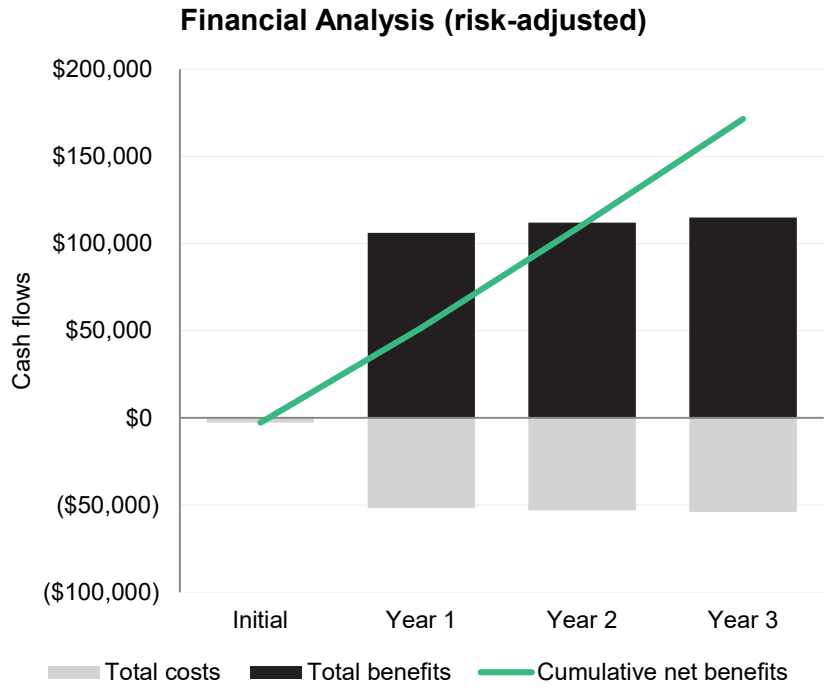
To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of $134,156.

> "One way that Electric acts like a partner is that it isn't picky about following our contract to the minutia. For example, if someone contacts the help desk 10 minutes after our contracted time, they are still taken care of, and we don't get an additional charge. Our CEO is one of those people who makes such calls, and he has told me that he likes Electric."

Electric Services And Projects						
Ref.	**Metric**	**Calculation**	**Initial**	**Year 1**	**Year 2**	**Year 3**
Et	Electric services and projects		$2,500	$47,000	$48,175	$49,139
	Risk adjustment	↑10%				
Etr	Electric services and projects (risk-adjusted)		$2,750	$51,700	$52,993	$54,052
	Three-year total: $161,495			**Three-year present value: $134,156**		

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS



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	($2,750)	($51,700)	($52,993)	($54,052)	($161,495)	($134,156)
Total benefits	$0	$105,908	$111,713	$114,665	$332,285	$274,755
Net benefits	($2,750)	$54,208	$58,720	$60,613	$170,791	$140,599
ROI						105%
Payback period (months)						<6 months

Appendix A: Total Economic Impact

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

TOTAL ECONOMIC IMPACT APPROACH

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

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

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

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

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.

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