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# The Partner Opportunity For Windows 365

A Total Economic Impact™ Partner Opportunity Analysis

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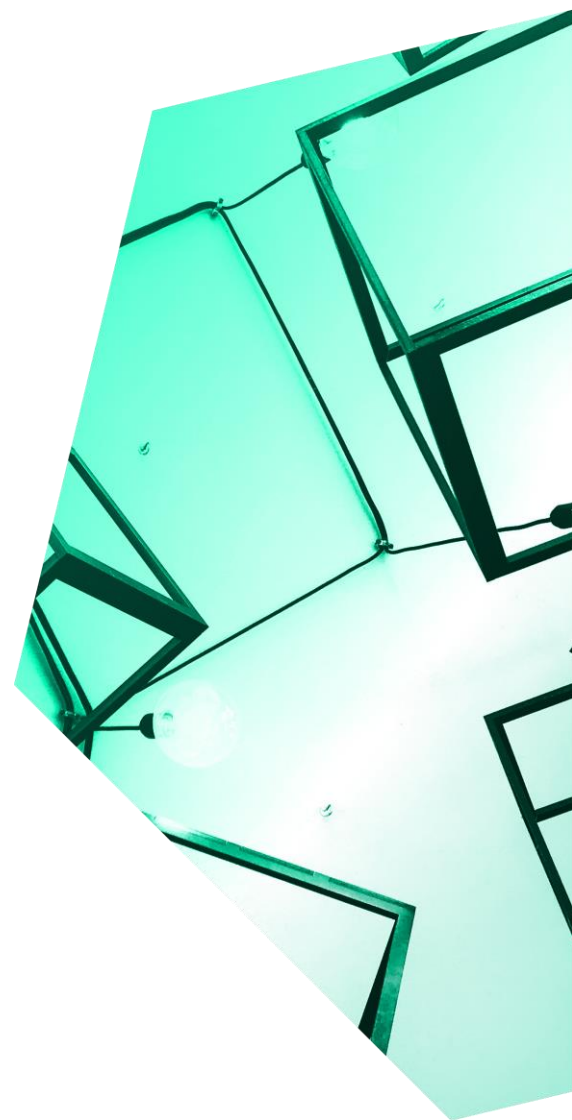
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### ABOUT FORRESTER CONSULTING

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## Executive Summary

With increasingly flexible workforces, rigorous security and compliance requirements, and diverse environments, businesses need the right end-user computing (EUC) solutions more than ever. Forrester research says these solutions represent “the way many employees will complete their work in the future, agnostic of hardware and device form factor.”<sup>1</sup> For Microsoft partners, there is an opportunity to resell and service Windows 365 and help businesses while driving recurring revenue and practice growth.

Windows 365 is a software-as-a-service (SaaS) solution from Microsoft that streams a personalized, powerful, and secure Windows 10 and 11 experience to any device anywhere. Microsoft offers Business, Enterprise, and Government versions of Windows 365 to help any organization take on the future of work. In partnership with Microsoft, partners can sell Windows 365 and offer services to help their customers address use cases including hybrid work and elastic workforces while earning revenue and growing profitable businesses.

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study to examine the potential business opportunity and return on investment (ROI) partners may realize by building and scaling a Windows 365 practice.<sup>2</sup> The purpose of this study is to provide potential and existing partners with a framework to evaluate the potential business opportunity associated with selling, servicing, and managing Windows 365 as part of the Microsoft partner ecosystem.

To better understand the revenue streams, investments, and risks associated with a Windows

### KEY STATISTICS



Return on investment (ROI)

**177%**



Net present value (NPV)

**\$579,000**

365 practice, Forrester interviewed seven representatives of six Windows 365 partners with experience collaborating with Microsoft to build, innovate, and scale Windows 365 practices. The interviewees' partner organizations had preexisting virtual desktop infrastructure (VDI) and Microsoft 365 practices, and they subsequently built Windows 365 practices after discovering the opportunity. Business models varied: Some partners leaned towards resale and others offered well-developed higher-margin services.

To illustrate the financial impact and business opportunity for Windows 365 partners, Forrester aggregated the characteristics of these interviewees and combined the results into a single composite organization that is a cloud solution provider (CSP) and managed service provider (MSP) based in North America with existing VDI and Microsoft 365 practices and global customers that meet the qualifying licensing requirements for Windows 365.

Services gross margin  
(Year 3)

**39%**



## KEY FINDINGS

**Revenue opportunities.** The composite partner organization captures the following revenue streams, which are representative of those experienced by interviewees' organizations:

- **Windows 365 resale revenue worth \$353,300.** The composite resells Windows 365 to customers including those from leads sent by Microsoft, which helps them address their unique use cases. This yields a 10% gross margin for the composite, and over the three-year analysis, the revenue stream makes up 39% of the composite's total gross profits.
- **Assessment professional services revenue worth \$66,600.** The composite organization begins all customer engagements with an assessment or workshop, which generates a gross margin of more than 30%. This offering helps customers to assess their environmental readiness and plan for Windows 365 deployment. Over the three-year analysis, this revenue stream makes up 7% of the composite's total gross profits.
- **Pilot and proof of concept (PoC) professional-services revenue worth \$123,000.** Before deployment, the composite partner assists its customers with pilots and PoCs. This helps the customers test Windows 365 on a smaller scale with end users before scaling. Over the three-year analysis, this revenue stream makes up 14% of the composite's total gross profits.
- **Deployment professional services revenue worth \$291,900.** After conducting an assessment, pilot, or PoC, the composite partner often deploys Windows 365 for its customers. Additionally, the composite often earns 20% more revenue from customers that need extra modern management work. Over the three-year analysis, this revenue stream makes up 32% of the composite's total gross profits.

- **Endpoint managed services and support revenue worth \$71,500.** Post-sale and post-deployment, the composite partner generates recurring revenue offering its Windows 365 customers endpoint management services and ongoing support, which generates a 40% gross margin. This revenue stream makes up 8% of the composite's total gross profits.

**“Services usually start with a workshop or an assessment. ... From there, we usually do our consultant services, and then we try to drive it into a managed service.”**

*Director of modern workplace,  
North American LSP/MSP partner*

**Key outcomes.** Benefits that provide value for the composite partner organization but are not quantified for this study include:

- **Incentives, trials, and funding from Microsoft that enable larger customers.** The composite partner can use funding and resources from Microsoft for Cloud PC trials, marketing activities, and to support the professional services it provides. These incentives and funding help the composite reach new customers and sell larger deals.
- **Access to Microsoft.** Partnering with Microsoft provides the composite partner with increased access to Microsoft support, product, and go-to-market teams. It can obtain resources, support, and knowledge while sharing influential feedback.

- **Improved internal efficiency.** Interviewees said servicing Windows 365 takes up to 80% less time and is less costly compared to VDI. This allows the composite partner to service more customers and use resources without VDI experience.
- **Improved customer experiences.** With Windows 365, the composite partner helps its customers save costs and derive business benefits including cost predictability, swift provisioning, and better end-user experiences. The composite builds stronger long-term relationships with its customers and provides them with the right solutions and accompanying services.

**“2022 was the first year that next-gen solutions [including Windows 365] started taking the lead in what customers were asking for and how much we scope and execute. It was impressive to see the shift.”**

*Director of modern workplace,  
North American LSP/MSP partner*

**Investments.** Beyond the delivery costs, which are embedded in the gross margin calculations of each revenue stream, the composite partner also makes the following investments:

- **Sales and marketing investments totaling \$163,000.** To grow this new practice area, build customer interest in Windows 365, and gain customers, the composite partner invests up to 10% of practice revenue into sales and marketing

activities. These include webinars, events, workshops, and time spent selling Windows 365. Over the three-year analysis, this investment makes up 50% of the composite’s total operating expenses.

- **Practice and partnership management investments totaling \$107,000.** The composite organization commits 0.15 of an FTE per year to managing its Windows 365 practice and building its relationship with Microsoft. Over the three-year analysis, this investment makes up 33% of the composite’s total operating expenses.
- **General and administrative investments totaling \$37,000.** The composite partner invests 2% of practice revenue in back-end functionality and operations. There are expenses for billing systems, finance, legal, and more. Over the three-year analysis, this investment makes up 11% of the composite’s total operating expenses.
- **Training investments totaling \$20,000.** As a best practice, the composite partner devotes 16 hours of initial training and 8 hours of annual ongoing training for its sales and delivery staff to facilitate educated conversations with customers and knowledgeable service-delivery team members. Over the three-year analysis, this investment makes up 6% of the composite’s total operating expenses.

**Net results.** The representative interviews and financial analysis found that a composite partner organization experiences total present value (PV) gross profits of \$906,000 over three years versus investments and overhead expenses of \$327,000, adding up to a net present value (NPV) of \$579,000 and an ROI of 177%.

**Windows 365 Partner Pro Forma Revenue And Margin Opportunity: Three-Year Analysis (USD)**

Ref.	Metric	Source	Year 1	Year 2	Year 3
PL1	Windows 365 resale	A14	\$420,750	\$1,262,250	\$2,805,000
PL2	Assessment professional services	B5	\$75,000	\$75,000	\$100,000
PL3	Pilot and PoC professional services	C5	\$120,000	\$120,000	\$160,000
PL4	Deployment professional services	D10	\$280,000	\$280,000	\$390,000
PL5	Endpoint managed services and support	E7	\$21,600	\$64,800	\$140,400
PL6	Total revenue	PL1+PL2+PL3+PL4+PL5	\$917,350	\$1,802,050	\$3,595,400
PL7	<b>Total gross profit</b>	<b>At+Bt+Ct+Dt+Et</b>	<b>\$213,215</b>	<b>\$324,145</b>	<b>\$591,660</b>
PL8	<b>Total gross margin</b>	<b>PL7/PL6</b>	<b>23%</b>	<b>18%</b>	<b>16%</b>
PL9	Sales and marketing	Ft	\$53,868	\$59,942	\$85,672
PL10	Practice and partnership management	Gt	\$68,917	\$25,844	\$25,844
PL11	General and administrative	Ht	\$10,774	\$13,321	\$21,418
PL12	Training	It	\$3,776	\$7,552	\$14,160
PL13	Total operating expenses	PL9+PL10+PL11+PL12	\$137,335	\$106,659	\$147,094
PL14	<b>Operating income</b>	<b>PL7-PL13</b>	<b>\$75,880</b>	<b>\$217,486</b>	<b>\$444,566</b>
PL15	<b>Operating margin</b>	<b>PL14/PL6</b>	<b>8%</b>	<b>12%</b>	<b>12%</b>

**“We’re bringing Windows 365 alongside Azure Virtual Desktop because, as a Microsoft partner, we support both, and there are differences making one or the other appropriate to customer needs.”**

— Manager of cloud endpoint, North American CSP/SI/MSP partner



ROI  
**177%**

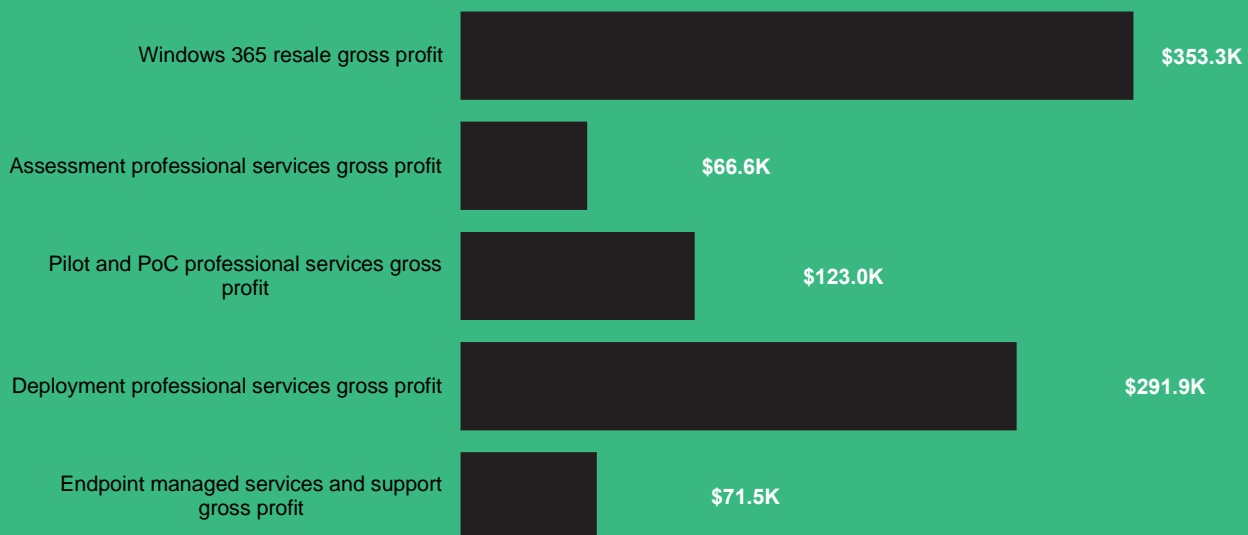


RESALE GROSS MARGIN  
**10% in Year 3**



SERVICES GROSS MARGIN  
**39% in Year 3**

### Revenue Streams (Three-Year)



**“[Windows 365] follows this paradigm of making IT simpler and more understandable, and therefore, it’s something we cannot neglect. ... It enables us to capitalize on it and unlock opportunities.”**

— Director of global modern workplace services,  
European LSP/CSP/MSP partner

## TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those partners considering building and growing a Windows 365 practice.

The objective of the framework is to identify the revenue streams, investments, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the holistic opportunity for partners building and growing a Windows 365 practice.

### 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 a Windows 365 practice.

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 partner names for the interviews but did not participate in the interviews.



### DUE DILIGENCE

Interviewed Microsoft stakeholders and Forrester analysts to gather data relative to Windows 365.



### INTERVIEWS

Interviewed seven representatives at six partner organizations with existing Windows 365 practices to obtain data with respect to costs, benefits, and risks.



### COMPOSITE ORGANIZATION

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



### FINANCIAL MODEL FRAMEWORK

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



### CASE STUDY

Employed four fundamental elements of TEI in modeling the impact of a Windows 365 practice: revenue, investments, 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 investment and partnership decisions. Please see Appendix A for additional information on the TEI methodology.



# The Windows 365 Partner Journey

## Drivers leading to the Windows 365 practice investment

Interviews						
Role	Partner type	Headquarters	Employees	Revenue	Windows 365 customers	Windows 365 licenses
Managing partner						
Business development manager	CSP	North America	18	<\$10 million	8 Enterprise	<1,000 Enterprise
Director of global modern workplace services	LSP/CSP/MSP	Europe	3,500+	\$2.65 billion	20 Enterprise	<1,000 Enterprise
Manager of cloud endpoint	CSP/SI/MSP	North America	<1,000	Undisclosed	20 to 30 Enterprise	600+ Enterprise
CEO	CSP	North America	30	\$20 million	35 Enterprise	<1,000 Enterprise
Director of modern workplace	LSP/MSP	North America	12,500+	\$8 billion+	50 Enterprise and 14 Business	50,000+ Enterprise, 1,400+ Business
Senior commercial manager	CSP	Europe	200,000+	\$100 billion+	200 Enterprise and Business	200+ Enterprise and Business

### PARTNER GOALS, CHALLENGES, AND DRIVERS

Partners were diverse in size, background, functional and vertical specializations, type, and degree of engagement with Microsoft. They partnered with Microsoft to build and scale their Windows 365 businesses for a myriad of reasons, including:

- Customer challenges.** Interviewees told Forrester that their organizations' customers encountered challenges both with the changing nature of the work landscape and the technologies they were using. Their customers' workforces were becoming increasingly mobile with hybrid work becoming commonplace, but the solutions their customers used didn't meet expectations for cost, ease of support, and scalability. Customers were asking for new solutions to meet these challenges.

The manager of cloud endpoint for a North American CSP/SI/MSP partner explained the challenging landscape for customers, saying, "[Windows 365] stuck out to us in particular as a really good solution to address multiple facets of

challenges that were coming out of [the COVID-19 pandemic], both around supply chain and around supporting mobile workforces."

**"We have this Windows 365 practice because there's been this hole in the market, especially for small and medium business customers, where they do need this [computing] solution, and it doesn't make sense to go to Azure Virtual Desktop. This fills that niche in the marketplace."**

*Managing partner, North America CSP partner*

The director of modern workplace for a North American LSP/MSP partner explained the technological challenges their customers faced, saying, “This is where many customers got hit during the pandemic. They spun up a VDI environment not thinking of scaling and not thinking of automation, and the cost was through the roof because they weren’t thinking of how to properly deploy it. Windows 365 takes all that out.” The CEO of a North American CSP partner added, “We would love to tell clients how much their desktop would cost, but we can’t with VDI.”

- **A desire to serve customers of all sizes with different use cases.** Interviewees indicated they saw a need for a new solution to serve customers who weren’t a fit for VDI. The managing partner of a North American CSP partner explained: “We’re starting to see more and more customers come to us and say, ‘We don’t want to handle the management of the infrastructure. We don’t have the people. ... We need something simpler.’” Partners felt their organizations could not comfortably present their VDI solutions to all customers even with managed services and that they needed alternatives.
- **An observed gap between hardware and VDI.** Interviewees noticed an opportunity for a solution that could offer the capabilities of virtualized endpoints while being managed like a physical device. The manager of cloud endpoint for a North American CSP/SI/MSP partner commented: “Microsoft bridged a big gap that we were seeing between physical end-user computing, laptops, desktops, and so forth and VDI. That segment of end-user computing and the physical side of it were very, very siloed, and there wasn’t much crossover between the two.”
- **Hardware supply-chain challenges.** Multiple interviewees commented on supply-chain challenges for hardware. The manager of cloud endpoint for a North American CSP/SI/MSP

partner noted increased difficulty in obtaining devices and delays in getting these devices. The director of modern workplace for a North American MSP also talked about supply-chain issues and bring-your-own-PC (BYOPC) programs, saying, “We’ve talked about it for years, and we’ve never really had that opportunity or technology to do it.”

**“Windows 365 solves several problems that have popped up in the shift to mobile computing over the last few years, especially [post-pandemic]. It’s a unique offering from the standpoint of its simplicity and its ability to tie into well-established management platforms.”**

*Manager of cloud endpoint, North American CSP/SI/MSP partner*

## SELECTING THE RIGHT PARTNER PROGRAM

In choosing a partner and platform around which to build their organizations’ Windows 365 solutions, interviewees emphasized the importance of the following factors:

- **Windows 365 as a SaaS solution.** First and foremost, interviewees stated that Windows 365 is a capable solution they feel comfortable bringing to their organizations’ customers. The director of global modern workplace services for a European LSP/CSP/MSP partner said: “Windows 365 takes out a lot of complexity and uncertainty. ... It makes [virtualized endpoint] technology more accessible, even for businesses that would never consider mature enterprise-

grade VDI solutions. ... If we look at Windows 365, there is nothing you could compare it with.”

- **Customer fit and interest.** Windows 365 was a good fit for partners’ customers, according to interviewees. They said the SaaS solution presented an opportunity to offer price predictability, scalability, simplicity, and accessibility to customers, many of whom were dissatisfied with their existing solutions and desired a better-fitting, simpler option regardless of who managed it. The managing partner of a North American CSP said, “For those customers that don’t meet the needs for VDI, we can plug Windows 365 right in.”

The director of global modern workplace services for a European LSP/CSP/MSP elaborated on the customer fit. They said: “Windows 365 unlocks more business types to consume [virtualized endpoints]. [Small businesses] would never go for a mature enterprise VDI solution. Now, they have the possibility. Think about enterprise customers who already entertain mature enterprise-grade VDI solutions but try to address additional use cases and want the ability to separate internal workers from contractors or short-term employees. There are use cases where you want Windows 365.”

- **Service ease and efficiency.** Interviewees said that compared to VDI, their organizations anticipated that it would be easier, less costly, and more efficient to offer services for Windows 365. They indicated their organizations could leverage their endpoint teams’ existing skills, Intune knowledge, Microsoft experience, and device-management expertise to operate a Windows 365 practice with limited new training. This led to lower costs compared to VDI resources.

Additionally, interviewees said they expect it would be much quicker to service Windows 365 than VDI. The CEO of a North American CSP

partner said: “We could deploy hundreds of [Windows 365 licenses] based on certain criteria within days. To set up a VDI environment could take days or weeks of engineering services to set up, deploy, and build out all the components.”

- **Microsoft ecosystem.** Interviewees highlighted how the Microsoft ecosystem played a role in their organizations’ partnership decisions. Partners foresaw an opportunity to upsell, cross-sell, service, and support different Microsoft solutions beyond Windows 365 while delivering better customer experiences.

The director of modern workplace for a North American LSP/MSP partner said: “Tying Windows 365 into the ecosystem of everything else in Microsoft is a win for most customers because now they can take advantage of everything else from a cloud perspective ... which makes the interoperability and experience much better than most.”

- **Existing Microsoft relationship.** Many of the interviewees said their organization had been partnered with Microsoft for many years, ranging from five years to more than 20. With this history and trust built over time, partners were willing to build new practice areas to grow and continue their collaborative relationships, according to interviewees.
- **Microsoft’s support, resources, and incentives.** When deciding to build a new practice area, interviewees said Microsoft’s support, resources, and incentives were contributing aspects and that their organizations valued the commitment Microsoft was making to Windows 365. The director of global modern workplace services for a European LSP/CSP/MSP partner said, “[Incentives are a way to] help us to pursue opportunities we wouldn’t have pursued.”

## COMPOSITE ORGANIZATION

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

- It is a CSP and MSP based in North America with global customers.
- It is a Microsoft partner with existing VDI and Microsoft 365 practices. Its customers meet the licensing requirements for Windows 365.
- The composite partner resells Windows 365 Business and Enterprise and also offers professional and managed services for them.
- The partner resells Windows 365 to 15 customers in Year 1. This number grows by 100% to 30 cumulative customers in Year 2, and by 67% to 50 cumulative customers in Year 3.
- The number of potential users per customer grows over time from 500 in Year 1 to 750 in Year 2 to 1,000 in Year 3. The composite partner sees user growth from both new and existing customers over the three-year period.

### Key Assumptions

- **CSP/MSP with existing VDI and Microsoft 365 practices**
- **Sell and service revenue streams**
- **15 customers in Year 1 customers with year-over-year growth**

## Windows 365 Use Cases

With an evolving future of work, interviewees told Forrester that their organizations supported a variety of scenarios for their customers, including:

### Remote and hybrid work

The director of modern workplace for a North American LSP/MSP partner shared, “The typical client is a client who’s in hybrid or remote work.”

### Elastic workforces

Partners’ customers used Windows 365 for temporary workers like consultants instead of worrying about hardware and VPN accounts.

### Security and compliance

The managing partner of a North American CSP partner said, “[With elastic and remote workforces, my organization’s customers use Windows 365 to] make sure no data gets exfiltrated from their systems and nothing gets in as well.”

### Other use cases

Interviewees also discussed how their organizations could support customers with BYOPC programs, customers with users that have specialized workloads, customers with cost-related scenarios (e.g., hardware refreshes where Windows 365 could yield savings), and other customers with consistent usage environments.

# Analysis Of Partner Revenue Streams

■ Quantified revenue data as applied to the composite

Revenue Streams And Gross Profits						
Ref.	Revenue Streams	Year 1	Year 2	Year 3	Total	Present Value
At	Windows 365 resale	\$42,075	\$126,225	\$280,500	\$448,800	\$353,312
Bt	Assessment professional services	\$22,500	\$24,000	\$35,000	\$81,500	\$66,585
Ct	Pilot and PoC professional services	\$42,000	\$44,400	\$64,000	\$150,400	\$122,960
Dt	Deployment professional services	\$98,000	\$103,600	\$156,000	\$357,600	\$291,916
Et	Endpoint managed services and support	\$8,640	\$25,920	\$56,160	\$90,720	\$71,470
	Total gross profit	\$213,215	\$324,145	\$591,660	\$1,129,020	\$906,243

## WINDOWS 365 RESALE

**Evidence and data.** Interviewees told Forrester their organizations saw an opportunity to sell Windows 365. Sales opportunities included remote and hybrid work scenarios, elastic workforces, security and compliance use cases, BYOPC programs, users with specialized workloads, companies looking for more economical options during hardware refresh cycles, and more. Additionally, partners were able to capitalize on service opportunities while building trusted customer relationships and connecting them to the right-fitting solutions.

- Interviewees reported reselling Windows 365 to anywhere from eight customers within six months to 200 customers in over one year.
- Partners primarily resold Windows 365 Enterprise to customers, regardless of the customer's size. This further enabled the managed services opportunity because the Enterprise cloud PCs could be managed with Microsoft Intune. However, the senior commercial manager for a European CSP partner reported that their organization primarily sold Windows 365

Business because it was a better fit for its customers, especially for individual use.

- Interviewees said that regardless of the version, their organizations were adding new customers and they were optimistic about future growth. The managing partner of a North American CSP partner declared: "We're going to be pushing this a lot more. It's a natural extension to what customers are already doing, so it fits in nicely."
- Some interviewees spoke about how Microsoft shared leads with their organizations that they could convert into resale and service deals. The manager of cloud endpoint for a North American CSP/SI/MSP partner said: "We're often brought in by the Microsoft team for new clients that we haven't engaged with yet to run workshops or [to] do [other work]. It's a healthy mix. I'd say [it's] 50/50 [with other clients coming from existing relationships]."

The CEO of a North American CSP partner said, "In the last six months, these Microsoft qualified leads have doubled and tripled the number specific to Windows 365."

- Interviewees told Forrester their organizations have seen high resale retention rates, and many reported no churn yet. The CEO of a North American CSP partner said, “I have not seen any attrition for Windows 365 so far.” The managing partner of a North American CSP partner said, “It’s 100% retention, and we keep adding more as we go.” On the lower end, the senior commercial manager for the European CSP partner said: “Most of them renew. Ninety percent or 80% stay with us. ... More or less, it’s a stable base of customers using cloud PCs.”
- Partners served a range of different size customers, ranging from small businesses to enterprises. The CEO of a North American CSP partner shared: “Our target market is [organizations with] 100 employees to 2,500 employees. ... Windows 365 falls into that that grouping quite well.” The director of global modern workplace services for a European LSP/CSP/MSP partner said: “We predominantly serve small and medium companies and smaller enterprises. ... On average, our customers have 600 [potential users]”
- Interviewees reported that regardless of customer size, their organizations typically sold Windows 365 to 5% to 20% of potential users per customer. However, the managing partner of a North American CSP partner did discuss opportunities to sell Windows 365 to a majority of some customers’ potential users. They said, “It’s either 90% [or more] covered by cloud PCs or [it’s] less than 20%.”
- Interviewees reported deals ranging from one license to more than 1,000 licenses, depending on customer size and unique workforce needs.
- Interviewees’ organizations sold cloud PCs with differing performance that ranged from basic to standard to premium plans. The manager of cloud endpoint for a North American CSP/SI/MSP partner explained how different

users within a workforce could need different levels of performance. They said: “It’s been primarily standard tier. We certainly have some clients that have used the higher tier for developers and such and [used] the basic tier for frontline workers, but it’s primarily been the standard tier.”

- Reported gross margins varied from partner to partner. The director of global modern workplace services for a European LSP/CSP/MSP partner said: “That depends on our countries and how they sell it. In theory, you can make 15%. The reality is it’s below 7%.” The managing partner of a North American CSP partner said: “Our margins on Windows 365 are 15 points. But, then, of course, we’ll discount a little for the customer. On [Microsoft] Azure, we’re at 15% as well, but then customers expect bigger discounts. We get a little bit more in the margin sense with Windows 365.”

**Modeling and assumptions.** Forrester assumes:

- The composite partner organization sells Windows 365 Enterprise to 15 customers in Year 1. This number doubles to 30 cumulative customers in Year 2 and grows by 67% to 50 cumulative customers in Year 3.
- The composite partner has a high resale retention rate.
- The number of potential users per customer grows over time from 500 in Year 1 to 750 in Year 2 to 1,000 in Year 3.
- The composite partner offers some discounts to customers.

**Risks.** This revenue stream may vary based on:

- The number of customers to which the organization sells Windows 365, how it sources those customers, and how well it retains them.

- The number of potential users per customer and the percentage of potential users for which a customer purchases licenses. This may vary based on the size of the customer, its use cases, and other factors.
- The computing needs of customers and the corresponding sale of basic, standard, and premium cloud PCs.
- The organization’s average resale margin and whether it offers any discounts to customers.

**“Windows 365 has been pretty easy to sell.”**

*Managing partner, North American CSP partner*

**Results.** Forrester calculated a three-year total PV gross profit (discounted at 10%) of \$353,300.

<b>Windows 365 Resale</b>					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	<b>Cumulative Windows 365 Enterprise resale customers</b>	<b>Composite</b>	<b>15</b>	<b>30</b>	<b>50</b>
A2	Cumulative Windows 365 Enterprise resale customers attributed to leads from Microsoft	A1*50%	7.50	15.00	25.00
A3	Cumulative Windows 365 Enterprise resale customers attributed to leads from other sources	A1*50%	7.50	15.00	25.00
A4	Potential users per customer	Composite	500	750	1,000
A5	Percent of potential users licensing Windows 365 Enterprise	Interviews	10%	10%	10%
A6	Average number of licenses per customer	A4*A5	50	75	100
A7	<b>Cumulative Windows 365 Enterprise licenses</b>	<b>A1*A6</b>	<b>750</b>	<b>2,250</b>	<b>5,000</b>
A8	Percent of basic plan licenses	Interviews	5%	5%	5%
A9	Percent of standard plan licenses	Interviews	70%	70%	70%
A10	Percent of premium plan licenses	Interviews	25%	25%	25%
A11	Basic plan cost per user per month	Microsoft	\$31	\$31	\$31
A12	Standard plan cost per user per month	Microsoft	\$41	\$41	\$41
A13	Premium plan cost per user per month	Microsoft	\$66	\$66	\$66
A14	<b>Annual recurring Windows 365 license revenue</b>	<b>(A7*A8*A11)* (A7*A9*A12)*(A7* A10*A13)*12</b>	<b>\$420,750</b>	<b>\$1,262,250</b>	<b>\$2,805,000</b>
A15	Windows 365 resale gross margin	Interviews	10%	10%	10%
At	<b>Windows 365 resale gross profit</b>	<b>A14*A15</b>	<b>\$42,075</b>	<b>\$126,225</b>	<b>\$280,500</b>
<b>Three-year total: \$448,800</b>			<b>Three-year present value: \$353,312</b>		

## ASSESSMENT PROFESSIONAL SERVICES

**Evidence and data.** Interviewees said their organizations often engaged interested customers with assessments and workshops and that the goal of these engagements was to share the value of Windows 365 with customers, assess their environmental readiness, plan, and lead to Windows 365 sales and further services.

- The manager of cloud endpoint for a North American CSP/SI/MSP said, “We’ll do a one- or two-day workshop where it’s more informational and demo-based. ... [Or] we may go into more of a design type of engagement where we’re actually doing discovery and then — based on the information we gather and what [the customer’s] requirements are and what its business needs are — coming up with a design for what an implementation would look like, what applications, what images, and so on and so forth.”
- The director of modern workplace for a North American LSP/MSP partner said, “The assessments could be persona-based, like what types of users are using what, so we understand what type of endpoint they may need from a consumption perspective.”
- Interviewees told Forrester that customer engagements typically begin with an assessment or workshop. The director of global modern workplace services for a European LSP/CSP/MSP partner said, “That’s something we always do, especially on the workshop side and the assessment side.”
- Interviewees said that Windows 365 is simple to use and that because of that, their organizations were sometimes able to bypass or streamline workshops and assessments for customers depending on their sizes and needs, and that this led to shorter sales cycles. The CEO of a North American CSP partner said, “For your customers that are [a] dentist office or the smaller ones ...

we don’t have to do an assessment. We will go straight to quote planning. That is a benefit of Windows 365.”

They added: “[We don’t have to do] a lot of assessments that we would have done for Azure Virtual Desktop. We reserve that for larger ones where one mistake might cost the customer or us. A lot of times, it’s more that [the customer wants] to see it.”

**“[Workshops] frequently lead to regular professional services engagements.”**

*Manager of cloud endpoint, North American CSP/SI/MSP partner*

- Interviewees reported deal sizes for assessments of up to \$15,000 or more that lasted anywhere from a couple of days to a week or more depending on the complexity of the customer’s environment, its needs, and other factors. The CEO of a North American CSP partner said, “For our existing clients that asked us about Windows 365, if they’ve got an existing VDI environment, we do have an assessment because we need to look under the hood at the utilization of these virtual desktop users. We charge \$7,500 for that.”
- The director of modern workplace for a North American LSP/MSP partner stated: “[For] a one-week assessment, we’re looking at anywhere from \$12,000 to \$15,000. We did a persona [assessment] for a 10,000-user company, and it was about a two-month project trying to capture all the applications [and determine] who the users are, how the applications get deployed, what the hardware requirements for the applications [are], and trying to capture all that. That [took] about



two months. ... It's about \$100,000 for eight weeks."

They continued: "For an average 2,500-person company, I can do the assessment there in two weeks. You're looking at anywhere from \$25,000 to \$30,000."

- Interviewees reported gross margins for professional services ranging from 20% to 50%. The director of global modern workplace services for a European LSP/CSP/MSP partner said: "It depends on the market and how much we can charge per hour. I would say [it's] a 20% to 30% gross margin." The managing partner of a North American CSP partner also noted, "We always shoot for a 35% margin."

**Modeling and assumptions.** Forrester assumes:

- The composite partner organization offers assessment services to new Windows 365 customers and charges for these services. All new Windows 365 resale customers partake in an initial assessment.
- The gross margin improves year-over-year from efficiency gains due to training and experience.

**“We use [workshops] as a door opener from a sales perspective to put our subject-matter experts in front of the customer.”**

*Director of modern workplace,  
North American LSP/MSP partner*

**Risks.** This revenue stream may vary based on:

- The number of new Windows 365 customers per year.
- The percentage of new Windows 365 customers who partake in an assessment and pay for it.
- The average deal size.
- The organization's average gross margin and ability to improve its efficiency over time.

**Results.** Forrester calculated a three-year total PV gross profit of \$66,600.

Assessment Professional Services					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	New Windows 365 Enterprise resale customers	A1 <sup>CY</sup> -A1 <sup>PY</sup>	15	15	20
B2	Percent of projects with an assessment	Interviews	100%	100%	100%
<b>B3</b>	<b>Number of assessments completed</b>	<b>B1*B2</b>	<b>15</b>	<b>15</b>	<b>20</b>
B4	Average assessment deal size	Interviews	\$5,000	\$5,000	\$5,000
<b>B5</b>	<b>Assessment professional services revenue</b>	<b>B3*B4</b>	<b>\$75,000</b>	<b>\$75,000</b>	<b>\$100,000</b>
B6	Average gross margin for professional services	Interviews	30%	32%	35%
<b>Bt</b>	<b>Assessment professional services gross profit</b>	<b>B5*B6</b>	<b>\$22,500</b>	<b>\$24,000</b>	<b>\$35,000</b>
<b>Three-year total: \$81,500</b>			<b>Three-year present value: \$66,585</b>		

## PILOT AND POC PROFESSIONAL SERVICES

**Evidence and data.** Interviewees said that post-assessment, their organizations often engaged in pilots or PoCs for a subset of the customer’s target users. These services helped customers test Windows 365 and see how cloud PCs perform for their users and their use cases in their environments while gaining an operational understanding and documenting processes. Afterwards, customers could either deploy more cloud PCs on their own or turn to partners for deployment services.

- Interviewees reported that their organizations conducted pilots or PoCs for anywhere from 12% to 40% or more of their Windows 365 customers. The manager of cloud endpoint for a North American CSP/SI/MSP partner stated: “We do a lot of those types of engagements — both PoCs and pilots. That’s the bulk of the professional services engagements besides the workshops. ... I would say about 40% [of workshops] have turned into production pilot types of engagements.”
- The manager of cloud endpoint for a North American CSP/SI/MSP partner said their organization’s deals ranged up to \$80,000 and that a standard deal supported with Microsoft funding could be \$20,000. Network complexity, customer setups, and whether customers were on-premises or on the cloud drove deal size differences.
- Interviewees reported professional services gross margins of 20% to 50%. The CEO of a North American CSP partner said, “Right now, our target for this year is 45%. ... We’re running more in the range of about 30% now.”

**Modeling and assumptions.** Forrester assumes:

- The composite partner offers pilot and PoC services for its Windows 365 customers.

- The gross margin improves year-over-year from efficiency gains due to training and experience.

**“We’ve seen a very high adoption rate coming out of the pilots. There’s a high level of satisfaction, and we’re seeing customers move into the full-scale production. It’s very rare that we get through a pilot or PoC even and don’t see Windows 365 being adopted.”**

*Manager of cloud endpoint, North American CSP/SI/MSP partner*

**Risks.** This revenue stream may vary based on:

- The number of new Windows 365 customers per year.
- The percentage of new Windows 365 customers that partake in a pilot or PoC.
- The scale and length of the pilot or PoC, the uniqueness of customer scenarios, funding received from Microsoft, and the corresponding average deal size.
- The organization’s average gross margin and its ability to improve its efficiency over time.

**Results.** Forrester calculated a three-year total PV gross profit of \$123,000.

“Windows 365 is the best iteration of virtual desktops that I’ve seen in 15 years, and I think it’s the way to go. You don’t have to worry about any infrastructure requirements.”

— CEO, North American CSP partner

Pilot And PoC Professional Services					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	New Windows 365 Enterprise resale customers	A1 <sup>CY</sup> -A1 <sup>PY</sup>	15	15	20
C2	Percent of projects with a pilot or PoC	Interviews	40%	40%	40%
<b>C3</b>	<b>Number of pilots and PoCs completed</b>	<b>C1*C2</b>	<b>6</b>	<b>6</b>	<b>8</b>
C4	Average pilot and PoC deal size	Interviews	\$20,000	\$20,000	\$20,000
<b>C5</b>	<b>Pilot and PoC professional services revenue</b>	<b>C3*C4</b>	<b>\$120,000</b>	<b>\$120,000</b>	<b>\$160,000</b>
C6	Average gross margin for professional services	Interviews	35%	37%	40%
<b>Ct</b>	<b>Pilot and PoC professional services gross profit</b>	<b>C5*C6</b>	<b>\$42,000</b>	<b>\$44,400</b>	<b>\$64,000</b>
Three-year total: \$150,400			Three-year present value: \$122,960		

## DEPLOYMENT PROFESSIONAL SERVICES

**Evidence and data.** Besides the chance to earn revenue from pilot and PoC engagements, interviewees also discussed the opportunity for their organizations to conduct full deployments for customers. They said Windows 365 is easy to use and because of that, some customers were comfortable deploying themselves. However, they said some customers — especially those with more complex environments and needs — required help.

- Interviewees said their organizations deployed Windows 365 to customers 35% to 75% of the time. The manager of cloud endpoint for a North American CSP/SI/MSP said, “We occasionally do full implementations.” The director of global modern workplace services for a European LSP/CSP/MSP partner stated, “We definitely do consulting and, in 50% of the cases, [we do] deployment.” On the higher end, the managing partner of a North American CSP partner shared, “For six out of the eight [customers], we did some level of setup and deployment.”
- According to the interviewees, deal sizes varied from partner to partner based on the customers their organizations served, the complexities of the deployments, and the customer’s needs. Reported deals ranged from three figures to six figures. The managing partner of a North American CSP partner said, “[On the lower end, it would cost] a day or less of professional services time [for smaller customers with simpler needs].”
- The CEO of a North American CSP partner said their organization charges a \$2,500 flat rate plus \$1,000 per app it deploys in a customer’s Windows 365 environment. With that pricing in mind, they noted a range of somewhere between \$8,000 to \$10,000. They said, “I saw one [deal] that was a lot more than that because [the customer] had 20 applications they wanted deployed.”
- The director of global modern workplace services for a European LSP/CSP/MSP said, “[For all Windows 365 services combined including deployment, my organization has] five-figure deals for now. If it’s greenfield to us, it might be a six-figure deal.”
- On the higher end, the manager of cloud endpoint for a North American CSP/SI/MSP partner reported deployment deals ranging from \$80,000 to \$400,000 with prices varying by the number of licenses and the time required. They said their organization also benefitted from Microsoft funding, which played a role in most deals.
- Interviewees also discussed how deal sizes were larger when their organizations required extra work such as security or modern management. The managing partner of a North American CSP partner said: “If Intune is not in place, you have to set the policies, so that adds to it. We do have a bit of a play there [for security] as well.”
- The manager of cloud endpoint for a North American CSP/SI/MSP partner said: “There’s a lot of crossover between Windows 365 and standard modern management, Windows Autopilot, and the like. We do frequently get opportunities to supplement the Windows 365 engagements with some modern management work if customers haven’t already gone down that path because Windows 365 is primarily going to be Endpoint Manager-based, and that opens the door then to do comanagement, to do autopilot, and to do other activities that are Endpoint Manager-centric if they don’t already have them in place.”
- The manager of cloud endpoint for a North American CSP/SI/MSP partner estimated that 50% of their organization’s deployments had additional modern management work opportunities. They estimated: “It’ll be in the \$25,000 to \$35,000 range. ... A lot of times, it’s

just additional applications, and then the mechanics around Autopilot or setting up comanagement, testing, [and similar activities].”

- Interviewees said deployment gross margins ranged from 20% to 50%. At the higher end, the director of modern workplace for a North American LSP/MSP partner shared, “Services margins usually run anywhere from 40 to 50 points.”

**Modeling and assumptions.** Forrester assumes:

- The composite partner offers deployment services for Windows 365 customers.
- Some of the composite’s Windows 365 customers elect to have it deploy Windows 365, and a subset of those customers need additional modern management work.

- The composite’s gross margin improves year-over-year from efficiency gains due to training and experience.

**Risks.** This revenue stream may vary based on:

- The number of new Windows 365 customers per year.
- The percentage of new Windows 365 customers that partake in deployment services.
- The average deal size driven by the length of the deal, the prior states and needs of the customer, and any funding provided by Microsoft.
- The organization’s average gross margin and its ability to improve efficiency over time.

**Results.** Forrester calculated a three-year total PV gross profit of \$291,900.

Deployment Professional Services					
Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	New Windows 365 Enterprise resale customers	A1 <sup>CY</sup> -A1 <sup>PY</sup>	15	15	20
D2	Percent of projects with a deployment	Interviews	35%	35%	35%
<b>D3</b>	<b>Number of deployments completed</b>	<b>D1*D2</b>	<b>5</b>	<b>5</b>	<b>7</b>
D4	Average standard deployment deal size	Interviews	\$50,000	\$50,000	\$50,000
<b>D5</b>	<b>Standard deployment revenue</b>	<b>D3*D4</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$350,000</b>
D6	Percent of projects with additional modern management professional service components	Interviews	18%	18%	18%
D7	Number of deployments completed with additional modern management professional services	D1*D6	3	3	4
D8	Average additional modern management professional services deal size	D4*20%	\$10,000	\$10,000	\$10,000
<b>D9</b>	<b>Additional modern management professional services revenue</b>	<b>D7*D8</b>	<b>\$30,000</b>	<b>\$30,000</b>	<b>\$40,000</b>
<b>D10</b>	<b>Deployment professional services revenue</b>	<b>D5+D9</b>	<b>\$280,000</b>	<b>\$280,000</b>	<b>\$390,000</b>
D11	Average gross margin for professional services	Interviews	35%	37%	40%
<b>Dt</b>	<b>Deployment professional services gross profit</b>	<b>D10*D11</b>	<b>\$98,000</b>	<b>\$103,600</b>	<b>\$156,000</b>
<b>Three-year total: \$357,600</b>			<b>Three-year present value: \$291,916</b>		

## ENDPOINT MANAGED SERVICES AND SUPPORT

**Evidence and data.** Interviewees said that after selling and deploying Windows 365, their organizations had the opportunity to offer managed services and support. For most partners, this monthly recurring revenue (MRR) opportunity entailed fitting Windows 365 into their existing endpoint managed service and support offerings.

- The director of global modern workplace services for a European LSP/CSP/MSP partner explained, “Typically ... you would make Windows 365 part of your managed endpoint experience and treat a cloud PC like how you treat other PCs or endpoints.”
- The director of modern workplace for a North American LSP/MSP partner described how easy it was to integrate Windows 365 into their organization’s offering. They said: “We slid Windows 365 right into the price to manage a modern Windows device — modern meaning cloud-managed. ... We can pull it into the same configurations, the same policies, and the same applications. When a customer signs up, we simply ask how many Windows 365 [licenses they need]. ... To add it to our existing managed service was almost no effort because it’s the same. It’s still Windows 11.”
- Interviewees also detailed what an endpoint managed service like this entailed for Windows 365. The director of modern workplace for a North American LSP/MSP partner said: “Our true managed endpoint service is managing the device; enrolling the device, the patches, the applications; making sure the device is up and running; and activities like that. That’s our core service.” Interviewees also highlighted the MRR opportunity for support services.
- The managing partner of a North American CSP partner reported that within the first six months of building its practice, their organization was doing

managed service work for two of its eight Windows 365 customers (25%).

- Interviewees reported charging up to \$2 per user per month for endpoint managed services and \$8 per user per month for support. The director of modern workplace for a North American LSP/MSP partner said, “[For] 10,000 Windows 365 devices, it’s \$0.92 per month per license for our managed services.” They added that in that example, their organization would charge \$80,000 per month for support. The CEO of a North American CSP partner also noted, “On support contracts, we charge \$8 per user per month.”
- The director of modern workplace for a North American LSP/MSP partner commented, “Our gross margin on most of our managed services ranges anywhere from 35% to 40% on average.”

**“We try to make it to where customers can easily bundle Windows 365 with managed endpoint and managed security altogether as one monthly price. We do that quite a bit. End-user support is a big add-on for a lot of these.”**

*Director of modern workplace,  
North American LSP/MSP partner*

**Modeling and assumptions.** Forrester assumes the composite partner organization offers endpoint managed services and support and that some of its Windows 365 resale customers buy this offering.

**Risks.** This revenue stream may vary based on:

- The total cumulative number of Windows 365 customers.
- The percentage of Windows 365 customers that buy managed services and support each year.
- The organization’s managed services retention rate.
- The organization’s customers and the associated managed services prices.
- The organization’s average managed services gross margin.

**“If you make Windows 365 part of your managed endpoint experience, it allows you to generate recurring revenue by having a managed service around it.”**

*Director of global modern workplace services, European LSP/CSP/MSP partner*

**Results.** Forrester calculated a three-year total PV gross profit of \$71,500.

<b>Endpoint Managed Services And Support</b>					
Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	Cumulative Windows 365 Enterprise resale customers	A1	15	30	50
E2	Percent of customers with endpoint managed services and support for Windows 365	Interviews	25%	25%	25%
E3	Cumulative Windows 365 Enterprise endpoint managed services and support customers	E1*E2	4	8	13
<b>E4</b>	<b>Cumulative Windows 365 Enterprise licenses managed and supported</b>	<b>E3*A6</b>	<b>200</b>	<b>600</b>	<b>1,300</b>
E5	Average endpoint managed services deal size (per user per month)	Interviews	\$1	\$1	\$1
E6	Average support deal size (per user per month)	Interviews	\$8	\$8	\$8
<b>E7</b>	<b>Endpoint managed services and support revenue</b>	<b>E4*(E5+E6)*12</b>	<b>\$21,600</b>	<b>\$64,800</b>	<b>\$140,400</b>
E8	Average gross margin for endpoint managed services and support	Interviews	40%	40%	40%
<b>Et</b>	<b>Endpoint managed services and support gross profit</b>	<b>E7*E8</b>	<b>\$8,640</b>	<b>\$25,920</b>	<b>\$56,160</b>
<b>Three-year total: \$90,720</b>			<b>Three-year present value: \$71,470</b>		

## UNQUANTIFIED BENEFITS

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

- **Incentives, trials, and funding from Microsoft that enable larger customers.** Interviewees told Forrester that Microsoft provides financial support to help their organizations gain and serve their Windows 365 customers. They discussed being able to give away cloud PC trials, unlocking funding for marketing activities, and being able to access funds for the professional services their organizations provide to customers. This funding helped partners land new and larger customers, which bolstered revenue and margins.

The director of global modern workplace services for a European LSP/CSP/MSP partner said, “Building a practice around Windows 365 unlocks the opportunity to get dedicated marketing funding.” The managing partner of a North American CSP partner added: “As a CSP, we can give our customers ... cloud PCs for free. ... Microsoft is giving us the tools, especially from the monetary side, to help entice customers in. That’s big.”

The manager of cloud endpoint for a North American CSP/SI/MSP partner stated: “There wasn’t any threat to profitability for the professional services engagements we started with. It does help, too, that a lot of [engagements] around this were and continues to be partially or fully funded by Microsoft. ... It ensures we keep it profitable.” They added, “Funding opportunities, particularly around ECIF (end-customer incentive fund) have allowed us to get some really large clients involved in some of these opportunities.”

- **Access to Microsoft.** Interviewees said one of the biggest benefits of partnering with Microsoft and building a Windows 365 practice was gaining increased access to Microsoft. This stronger connection enabled partners to obtain resources,

support, and knowledge while providing feedback influencing the direction of Windows 365.

**“Windows 365 unlocks smaller opportunities and new business areas.”**

*Director of global modern workplace services, European LSP/CSP/MSP partner*

The director of global modern workplace services for a European LSP/CSP/MSP partner said: “Having a practice around Windows 365 enables us to get access to nonreleased technology updates to get access to preview versions, to get feedback, [and] to take active influence on the product development. And I mean that.” They continued: “Microsoft [has made] adjustments to its planning based on partner feedback. This is really good.”

**“[With] the access ... we can be ahead of the game and ahead of the curve in what we bring to market or how we enable our sales teams to talk about the product to customers. That’s been the best thing. It’s the communication and feedback.”**

*Director of modern workplace, North American LSP/MSP partner*



- **Improved internal efficiency.** Interviewees said that compared to offering services for both cloud and on-premises VDI, offering services for Windows 365 is more economical. Partners were able to service customers more quickly and with less-experienced resources.

The managing partner of a North American CSP partner explained, “Tier one and tier two help desk team members take on management of cloud PCs, and we don’t have to have tier three team members involved.” They added: “Looking at the worst-case scenario with Windows 365 versus VDI, there’s a saving of 32 hours [out of 40 hours] if we compare the standard implementation.” The manager of cloud endpoint for a North American CSP/SI/MSP partner said, “It’s two-thirds of the time [to service] Windows 365 versus VDI. It depends on maturity.”

Implementation time savings for a North American CSP partner

80%

- **Improved customer experiences.** Interviewees said Windows 365 enabled cost savings and business benefits for their customers and that customers value the cost predictability of cloud PCs, swift provisioning, end-user experience, ease of use, access across devices, operational savings, and support and maintenance savings. They said smaller customers also valued getting access to the technology, while organizations with Azure Virtual Desktop valued being able to use Windows 365 in conjunction for their unique business scenarios and use cases.

## Voice Of The Customer

“The biggest thing I’m finding and highlighting is the predictable cost and the ease of usage. Those are the two biggest feedbacks I’m hearing from customers.”

– *Director of modern workplace, North American LSP/MSP partner*

“[Customers] are happy we’re moving them [to Windows 365] because it’s easier for them to maintain and easier for them to predict.”

– *CEO, North American CSP partner*

“Even for employees [when] the hardware dies or they’re having other issues or [they say]: ‘Oh, I forgot my laptop at the office. [With Windows 365,] I can connect in and still have the same experience.’ There are benefits from the end-user perspective. [Users say]: ‘Hey, I have a PC, and it’s always up and running. I can connect to it, and it’s got what I want no matter where I am.’”

– *Managing partner, North American CSP partner*

“It’s easy to install, easy to start, and easy to use.”

– *Senior commercial manager, European CSP partner*

## FLEXIBILITY

The value of flexibility is unique to each partner. There are many scenarios in which a Windows 365 partner might create a Windows 365 practice and later realize additional opportunities, including:

- **The Microsoft ecosystem.** On top of the Windows 365 opportunity, interviewees also emphasized the value of the Microsoft ecosystem. After selling, servicing, managing, and supporting Windows 365, partners had the opportunity to generate follow-on revenue with other Microsoft solutions. This could include selling and servicing Azure Virtual Desktop, upgrading Microsoft 365 licenses, and helping customers progress their cloud journeys.

“The number one benefit of working with Microsoft is their entire ecosystem,” the CEO of a North American CSP partner stated. They added, “Microsoft has made it convenient for us, as a partner, to be able to cross-sell all the elements that a client would consume all from one. It’s all good [solutions, too.]”

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

**“The ecosystem that Microsoft built from the cloud perspective works. We get huge benefits from that ecosystem.”**

*Director of modern workplace,  
North America LSP/MSP partner*

## Voice Of The Partner

Interviewees said they are optimistic about the partner opportunity with Windows 365. To grow their organizations’ practices, interviewees highlighted how they are advancing beyond resale.

### Building IP

“We don’t want to just resell the license. We want to deliver the last mile of the experience, and we are now developing our own IP around Windows 365 and Azure Virtual Desktop. [This would be] for the way our customers consume [virtualized endpoints].”

– *Director of global modern workplace services, European LSP/CSP/MSP partner*

### Adding managed services

“We already have a managed service offering around Azure Virtual Desktop, and we’re looking to formalize an offering around Windows 365 to pair alongside it. We do see Windows 365 as a technology that’s continuing to expand. We see a lot of future in it, and we’ve gotten a lot of positive feedback from our clients. We’ve even started using it internally. So, we’re continuing to invest and grow the offerings we have around it. We don’t see it going anywhere anytime soon.”

– *Manager of cloud endpoint, North American CSP/SI/MSP partner*

# Analysis Of Partner Investments

■ Quantified investment data as applied to the composite

Total Investments							
Ref.	Investments	Initial	Year 1	Year 2	Year 3	Total	Present Value
Ft	Sales and marketing	\$0	\$53,868	\$59,942	\$85,672	\$199,482	\$162,876
Gt	Practice and partnership management	\$43,073	\$25,844	\$25,844	\$25,844	\$120,605	\$107,343
Ht	General and administrative	\$0	\$10,774	\$13,321	\$21,418	\$45,513	\$36,895
It	Training	\$0	\$3,776	\$7,552	\$14,160	\$25,488	\$20,313
	Total investments	\$43,073	\$94,262	\$106,659	\$147,094	\$391,088	\$327,427

## SALES AND MARKETING

**Evidence and data.** Interviewees said their partner organizations invested in sales and marketing to grow their practices and gain customers. Sales expenses included time spent selling Windows 365 and speaking with potential customers, while marketing expenses included webinars, events, workshops, and more.

- Interviewees said their organizations run Windows 365 events, in-person workshops, and webinars. The manager of cloud endpoint for a North American CSP/SI/MSP partner explained: “We did some in-person workshops in Chicago alongside Microsoft. We’re working to do webinars and other one-to-many type engagements.” The director of modern workplace for a North American LSP/MSP partner said, “We did the one webinar, and then we did one event last year, and we have more coming up this year as part of our go-to-market strategy.”
- The CEO of a North American CSP partner detailed the value of webinars. They said: “We have done two webinars on Windows 365. Once

[potential customers] engaged us to reengage on that specific topic, we started educating them. We have some quotes and proposals that have been put together around Windows 365.”

- Interviewees reported webinars cost between \$2,000 and \$15,000 including time and preparation. They said events cost between \$20,000 and \$30,000 including time, food, drinks, guests, and more.

**“We have had a great response. The two webinars that we’ve had the best response to over the last three to six months have been for Windows 365. We can tell that people are interested.”**

*CEO, North American CSP partner*

- The managing partner of a North American CSP partner estimated that their organization allocated 2% to 5% of its Windows 365 practice revenue to marketing specific to Windows 365.
- Partners had different sales structures depending on their size, but interviewees said it was common to devote time to selling Windows 365. The managing partner of a North American CSP partner said: “The sales team is me and the business development manager. The only time investment on the sales side is with potential customers.”

**Modeling and assumptions.** Forrester assumes the composite partner allocates up to 10% of practice revenue to sales and marketing activities each year.

**Risks.** This investment may vary based on the sales and marketing budget set by the organization.

**Results.** Forrester calculated a three-year total PV investment (discounted at 10%) of \$162,900.

**“If you are already a Microsoft partner ... you’re going to have an easy time adding Windows 365 to your product mix for your clients.”**

*CEO, North American CSP partner*

Sales And Marketing						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Total Windows 365 practice revenue	At+B5+C5+D10+E7	\$0	\$538,675	\$666,025	\$1,070,900
F2	Sales and marketing (% of revenue)	Composite	0%	10%	9%	8%
Ft	Sales and marketing	F1*F2	\$0	\$53,868	\$59,942	\$85,672
<b>Three-year total: \$199,482</b>			<b>Three-year present value: \$162,876</b>			

### PRACTICE AND PARTNERSHIP MANAGEMENT

**Evidence and data.** To build, maintain, and grow a practice area, interviewees’ organizations allotted time to manage the practice and partnership. This role varied among organizations, but the core responsibilities were consistent. They included managing the partnership, communicating, building relationships, developing service offerings, and overseeing the practice.

- Interviewees indicated it didn’t take much more incremental effort to manage their organizations’ new Windows 365 practices. The managing partner of a North American CSP partner conservatively estimated they spent two to four hours per week on the practice, or 5% to 10% of the time of an employee who works 40 hours per week.
- Similarly, the CEO of a North American CSP partner stated: “My engineering manager dedicates 10% of their time, and they’re a \$200,000 employee. We’re dedicating 10% and probably even more towards 15% going forward to Windows 365 oversight because we know it’s up and coming.”
- The manager of cloud endpoint for a North American CSP/SI/MSP partner said, “I spend 50% of my week in some capacity working with Windows 365, whether it’s delivery or managing and coordinating our practice around it.”
- Other interviewees said their organizations held recurring meetings with Microsoft about Windows 365 to learn how they can further their partnerships and grow their practices.

**“We already had staff with Azure Virtual Desktop experience, so it was a natural extension to go into Windows 365 and use the same resources.”**

*Director of global modern workplace services, European LSP/CSP/MSP partner*

**Modeling and assumptions.** Forrester assumes:

- The composite partner employs a practice and partnership management FTE.
- The fully burdened annual salary of this FTE is \$172,292.

**Risks.** This investment may vary based on:

- Whether the organization employs team members for practice and partnership management and the time they spend on this work.
- The fully burdened annual salaries of the team members who engage in this work.

**Results.** Forrester calculated a three-year total PV investment of \$107,300.

Practice And Partnership Management						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Incremental practice and partnership management FTEs employed	Interviews	0.25	0.15	0.15	0.15
G2	Fully burdened annual salary per practice and partnership management FTE	TEI standard	\$172,292	\$172,292	\$172,292	\$172,292
Gt	Practice and partnership management	G1*G2	\$43,073	\$25,844	\$25,844	\$25,844
<b>Three-year total: \$120,605</b>			<b>Three-year present value: \$107,343</b>			

**GENERAL AND ADMINISTRATIVE**

**Evidence and data.** Interviewees said their partner organizations incurred general and administrative expenses to operate their practices. These investments could be related to office spaces, billing systems, legal, accounting, and more. The managing partner of a North American CSP partner said their organization’s general and administrative investments are minimal.

**Modeling and assumptions.** Forrester assumes the composite partner allocates 2% of practice revenue to general and administrative expenses each year.

**Risks.** This investment may vary based on the general and administrative needs of the organization.

**Results.** Forrester calculated a three-year total PV investment of \$36,900.

**Partners’ Best Practices**  
 Interviewees shared best practices that helped grow their organizations’ practices and maximize their investments:

- Understanding Windows 365 and Azure Virtual Desktop
- Helping customers find the right Microsoft solutions for their unique workforce scenarios
- Discovering customer needs and using that as guidance
- Investing in Intune experience

General And Administrative						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
H1	Total Windows 365 practice revenue	At+B5+C5+D10 +E7	\$0	\$538,675	\$666,025	\$1,070,900
H2	General and administrative (% of revenue)	Composite	0%	2%	2%	2%
Ht	General and administrative	H1*H2	\$0	\$10,774	\$13,321	\$21,418
<b>Three-year total: \$45,513</b>			<b>Three-year present value: \$36,895</b>			

## TRAINING

**Evidence and data.** Interviewees said that after building a Windows 365 practice area, their organizations conducted training. They said the time spent was minimal and critical to building knowledgeable sales teams and functional service delivery teams. Training included periodic group sessions, experiential learning, ongoing and self-paced learning, training from Microsoft, and more.

- The senior commercial manager for the European CSP partner detailed their organization’s sales training process. They said: “We take time to educate our sales crew. We [train] every half year to refresh the product in the mind of our crew.” They estimated their organization dedicates several hours twice a year for 10 sales team members.
- Interviewees said it wasn’t too heavy of an initial lift to train delivery staff. The managing partner of a North American CSP partner explained: “There are four of us. The time spent ramping ourselves up, throwing ourselves into the fire, and messing with Windows 365 was less than a day. It was not much at all.”
- Having preexisting Microsoft experience reduced the time required for initial delivery training. The managing partner of a North American CSP partner said: “We already had an Intune practice. If an organization does not have an Intune practice, then this is going to be more difficult to implement because they’re not going to be familiar with managing PCs through Intune, and Windows 365 is managed through that. ... [For Intune training,] we’ve had some team members go to boot camps for a couple of days.”
- Interviewees also said ongoing training for delivery staff is important. The manager of cloud endpoint for a North American CSP/SI/MSP partner said: “I have six engineers on my team who work with Windows 365 to varying degrees.

Five percent of their time is spent on learning and development.”

- Some interviewees also discussed pursuing certifications and specializations to further their teams’ learning. The CEO of a North American CSP partner stated: “To be proficient, there are investments in Microsoft’s Windows 365 training. ... To get that advanced specialization cost me three engineers passing the test. Aside from the training, it was about \$4,500 in total, and the time it took was close to a \$10,000 investment.”

**“My expectation is that [our end-user computing team is] keeping up with this technology as it evolves and matures so that they can speak to it fluently and understand the pitfalls and best practices when it comes to implementation and so forth.”**

*Manager of cloud endpoint, North American CSP/SI/MSP partner*

**Modeling and assumptions.** Forrester assumes:

- The composite partner allots time to training its delivery and sales staff.
- The fully burdened hourly rates for delivery staff and sales staff are \$70 for delivery staff and \$48, respectively.

**Risks.** This investment may vary based on:

- Which team members and how many need training.

- The amount of time required for training, which may be influenced by the organization’s prior state.
- The fully burdened hourly rates per FTE.

**Results.** Forrester calculated a three-year total PV investment of \$20,300.

**“A couple of us learned the ins and outs of Windows 365, and we already knew the Intune side. So, it was very easy, and we didn’t have to add headcount.”**

*Managing partner, North American CSP partner*

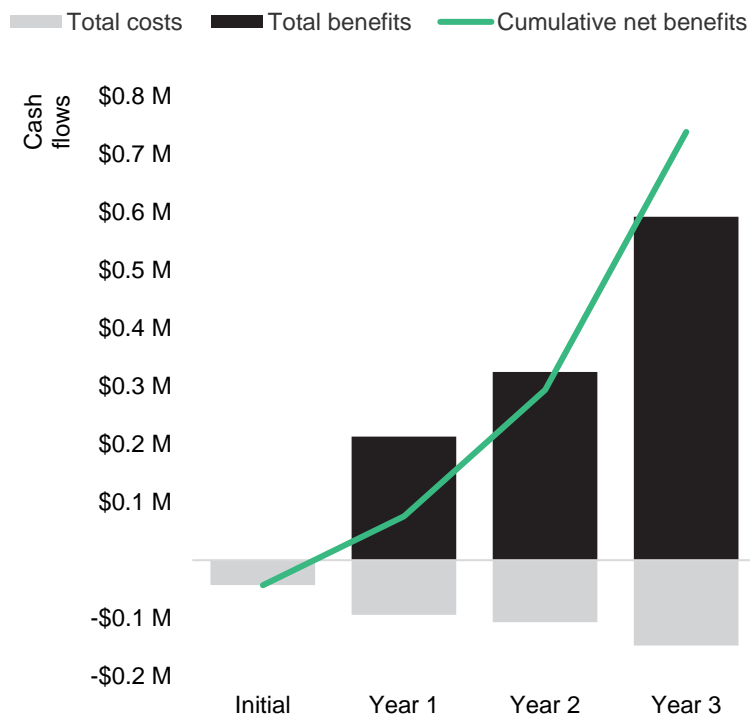
Training						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
I1	Number of delivery staff members who require initial training	Composite	0	2	3	5
I2	Number of delivery staff members who require ongoing training	I1 <sup>PYs</sup>	0	0	2	5
I3	Length of initial delivery training (hours per year)	Interviews	0	16	16	16
I4	Length of ongoing delivery training (hours per year)	Interviews	0	8	8	8
I5	Fully burdened hourly rate per delivery FTE	TEI standard	\$0	\$70	\$70	\$70
I6	Number of sales staff members who require initial training	Composite	0	2	3	5
I7	Number of sales staff members who require ongoing training	I6 <sup>PYs</sup>	0	0	2	5
I8	Length of initial sales training (hours per year)	Interviews	0	16	16	16
I9	Length of ongoing sales training (hours per year)	Interviews	0	8	8	8
I10	Fully burdened hourly rate per sales FTE	TEI standard	\$0	\$48	\$48	\$48
It	Training	(I1*I3*I5)+(I2*I4*I5)+(I6*I8*I10)+(I7*I9*I10)	\$0	\$3,776	\$7,552	\$14,160
<b>Three-year total: \$25,488</b>			<b>Three-year present value: \$20,313</b>			



# Financial Summary

## CONSOLIDATED THREE-YEAR METRICS

### Cash Flow Chart



The financial results calculated in the Revenue Streams and Investments sections can be used to determine the ROI and NPV for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

**These ROI and NPV values are determined from the results in each Revenue Stream and Investment section.**

Cash Flow Analysis						
	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total investments	(\$43,073)	(\$94,262)	(\$106,659)	(\$147,094)	(\$391,088)	(\$327,427)
Total gross profits	\$0	\$213,215	\$324,145	\$591,660	\$1,129,020	\$906,243
Net benefits	(\$43,073)	\$118,953	\$217,486	\$444,566	\$737,932	\$578,816
ROI						177%

## 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: Supplemental Material

### *Related Forrester Research*

“The Total Economic Impact™ Of Windows 365,” a commissioned study conducted by Forrester Consulting on behalf of Microsoft, March 2023

## Appendix C: Endnotes

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<sup>1</sup> Source: “The Forrester Tech Tide™: End-User Computing, Q1 2023,” Forrester Research, Inc., January 27, 2023.

<sup>2</sup> 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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