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The Total Economic Impact™ Of VMware Technical Account Management Services In The Asia Pacific Region

Business Benefits And Cost Savings Enabled By VMware's Technical Account Management Services

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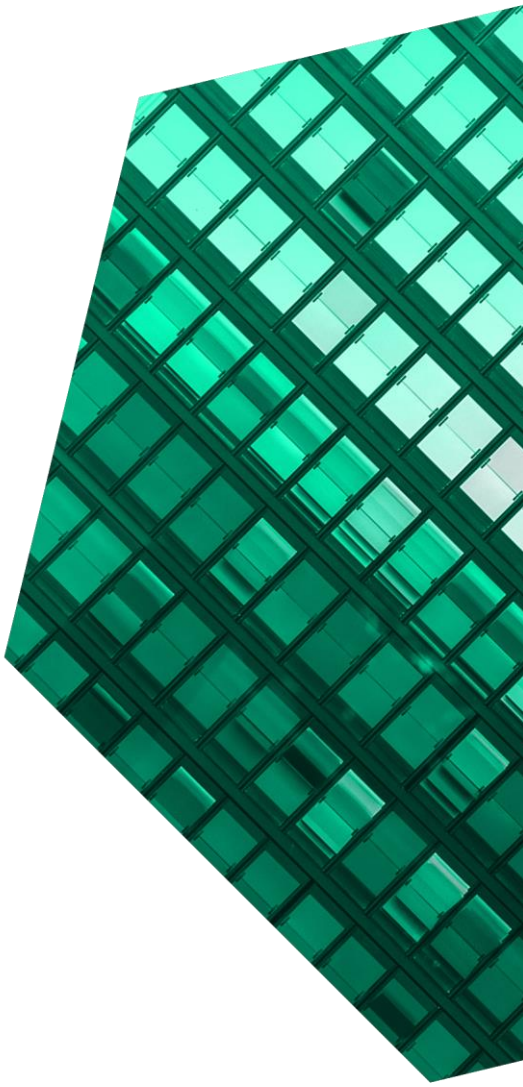
Table Of Contents

Consulting Team: Richard Cavallaro
Sam Sexton



ABOUT FORRESTER CONSULTING

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

Executive Summary

VMware's Technical Account Management Services enable Asia Pacific (APAC) organizations to maximize and accelerate the value from their VMware investments through industry-specific strategic guidance, best practices, advocacy, and peer insights. This results in better alignment between IT and the business, yielding cost savings, productivity savings, and fewer instances of business disruption.

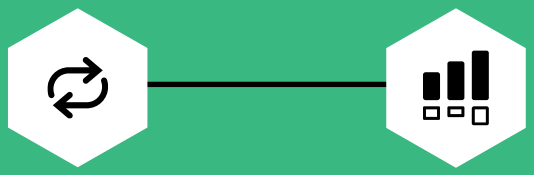
VMware's Technical Account Management Services, part of VMware's Customer Success portfolio, and its Technical Account Managers (TAMs) aim to help organizations maximize the value of their VMware investments while optimizing alignment between business objectives and IT performance.

VMware commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises based in the APAC region may realize by deploying VMware's Technical Account Management Services.[1] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact that a TAM can have on their assigned organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed seven representatives from APAC-based organizations with experience using VMware's Technical Account Management Services. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization — an industry-agnostic, APAC-based organization with revenue of $5 billion per year.

Prior to leveraging the advice of a VMware TAM, the interviewees noted anxiety around going down the wrong technology path, especially within the context of their respective industries. Interviewees in the APAC region noted that IT complexity throughout their VMware environments — a symptom of growth through acquisitions — manifested in excessive costs, IT FTE requirements, and business disruption and/or downtime. Consolidation of these environments to better align IT with the business and save on costs was a top priority for the interviewees' organizations.

KEY STATISTICS



Return on investment (ROI)
503%

Net present value (NPV)
$1.86M USD

By working with a VMware TAM, the interviewees noted the benefit of a fully aligned strategic resource providing industry-specific knowledge, best practices, and ongoing guidance based on peer insights. The interviewees' organizations achieved cost savings, improved time-to-market for IT projects, and improved business continuity, in addition to the confidence instilled from more direct access to VMware's technical product teams and validation of their technical and strategic roadmap.

Our TAM gives us a head start on our technology adoption journey. We will always know what the benefits of new VMware offerings may be, or what we could be missing out on if we choose to go in a different direction.

— Global delivery manager, semiconductor manufacturing

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits (calculated in US Dollars for this study) for the composite organization include:

- **Improved infrastructure utilization by nearly 20%, saving hardware refresh and licensing costs valued at nearly $1 million.** The composite organization saves an average of $414,000 annually in avoided global infrastructure refreshes resulting from regional consolidation. Seventy-five percent of these savings are attributable to guidance and planning activities led by the TAM.
- **Increased IT project velocity by 33% and associated productivity savings of over $600,000.** Working with a TAM shortens IT project timeframes through TAM-led strategic guidance, industry expertise, and best practices gleaned through their TAMs, saving the composite organization over $600,000 over three years.
- **Reduced impact of business disruption by 50%, or nearly $1 million.** TAM-led activities such as proactive health checks, technology roadmap planning, readiness assessments, best practices, and industry insights help the composite organization to avoid both major and minor business disruption annually. This saves the organization nearly $800,000 over three years.

Unquantified benefits and flexibility factors. Benefits that are not quantified in this study include:

- **Access to VMware product teams and other resources.** TAMs serve as a conduit between organizations and product teams within VMware, enabling access to roadmaps, resources, and dialogue around future functionality development.
- **Improved security posture.** TAMs can provide guidance around potential security vulnerabilities that need reinforcement or strengthening that may help organizations avoid security risk now and in the future.

- **Solution validation through ongoing technology planning.** TAM guidance goes beyond day-to-day management and includes strategies around future solution and technology readiness.
- **A powerful advocate within VMware.** Every interviewee described their organization's relationship with their TAM as a long-term professional partnership that deepens over time.
- **Avoiding technology or solution risk.** Guidance from a TAM may save an organization money in the long run from avoided rework or costs associated with choosing the wrong technology solution or approach.
- **The iterative value of better strategic planning.** There may be additional value for organizations in the future from ongoing peer insights, improving technical maturity, and tighter alignment to IT's strategic goals resulting from guidance provided by their TAMs.

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

- **VMware Technical Account Management Services fees.** The composite organization pays a fee for VMware's Technical Account Management Services based on its region and number of business days of a TAM resource that the organization requires.

The representative interviews and financial analysis found that a composite organization experiences benefits of $2.23 million over three years versus costs of $370,000, adding up to a net present value (NPV) of $1.86 million and an ROI of 503%.

"With the [TAM Service], our project deployment times are a lot quicker. Our ability to recover from incidents is a lot quicker. It also helps with regular updates and maintenance, reducing that necessary planned downtime."

— Senior manager of infrastructure, operations, and data centers, gaming

ROI
503%

BENEFITS PV
$2.23M USD

NPV
$1.86M USD

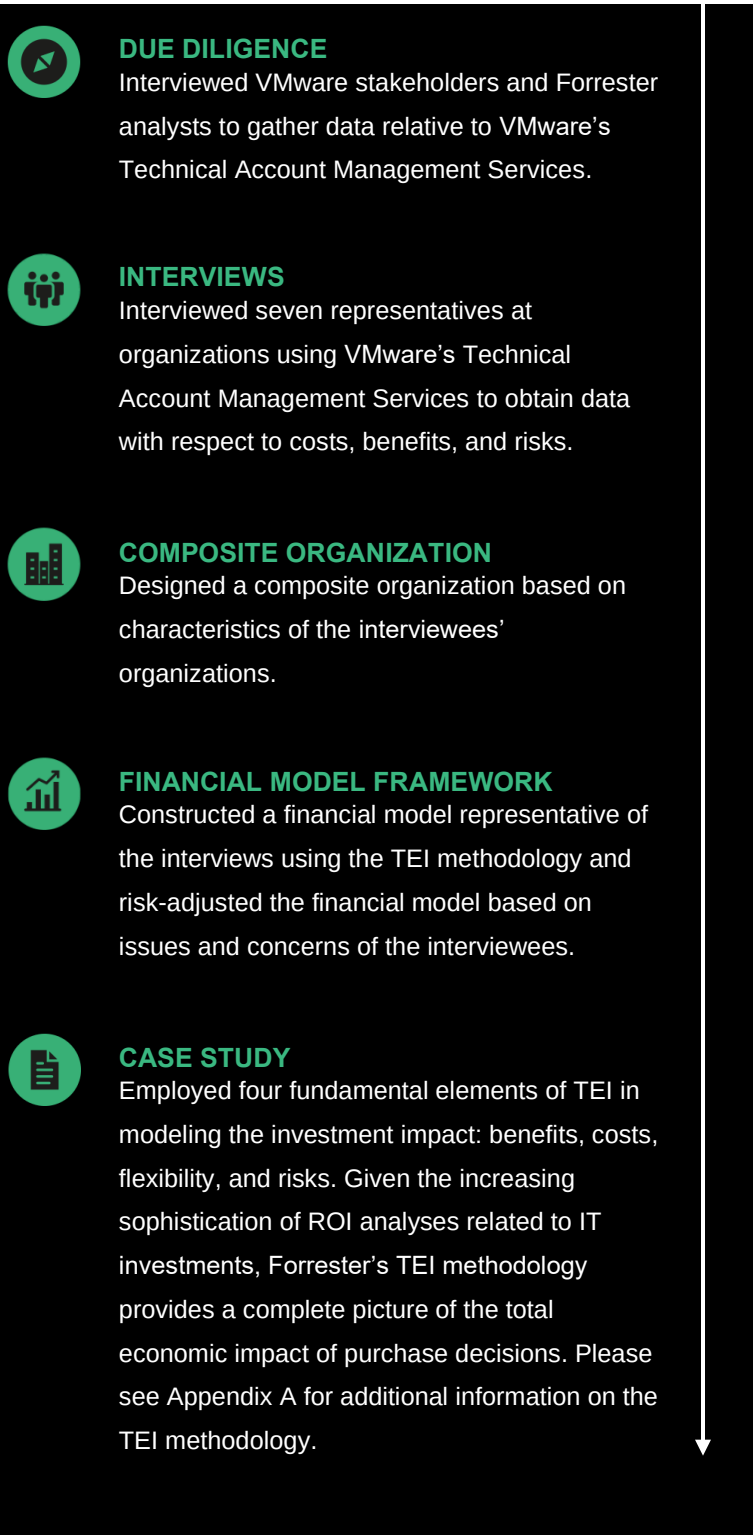
PAYBACK
3 to 12 months

Benefits (Three-Year)

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in VMware's Technical Account Management 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 VMware's Technical Account Management Services can have on an organization.



The VMware Technical Account Management Services Customer Journey For Asia Pacific Organizations

Drivers leading to the Technical Account Management Services investment

Interviews

Role	Industry	TAM Region	Revenue
Manager of IT infrastructure	Banking	APAC	~$500 million
Regional IT manager	Commodities	APAC	~$100 billion
Platform team leader	Education	APAC	~$1 billion (budget)
Manager, operations, delivery, and risk controls	Financial services	APAC	~$14 billion
Senior manager of infrastructure, operations, and data centers	Gaming	APAC	~$5 billion
Associate director, private cloud infrastructure	Information technology	APAC	~$15 billion
Global delivery manager, worldwide infrastructure	Semiconductor manufacturing	APAC	~$15 billion

KEY CHALLENGES

Before investing in VMware's Technical Account Management Services, interviewees noted how their organizations struggled with common challenges, including:

- **A need to optimize infrastructure and license costs amid regional mergers, de-mergers, and growth.** As organizations' application portfolios expanded amid growth through acquisition, the related infrastructure and licensing costs to support this portfolio also increased. The interviewees' organizations' leadership tasked IT staff with the technical consolidation of several VMware environments and solution sets. They also expected it to be completed without disrupting business operations. Interviewees noted that without guidance from their TAMs, consolidation would have been difficult, with issues possibly manifesting in redundant and overprovisioned infrastructure and licensing costs.
- **Unplanned business disruption.** Excessive complexity born of IT mergers and divestments created inconsistencies in the interviewees' organizations' VMware environments and products. Given the time and expertise limitations of the organizations' IT administrators and operations teams, complexity often lingered, leading to suboptimal performance, outages, and business disruptions of all sizes, representing significant cost.
- **Time-to-market for VMware-adjacent strategic projects.** Interviewees noted that several projects related to VMware investments, such as solution deployments and updates, consolidation projects, data center migrations, modernization efforts, and other strategic initiatives, often took longer than necessary due to suboptimal planning, direction, and/or execution.

INVESTMENT OBJECTIVES

The interviewees' organizations searched for a support resource that could:

- Enable a proactive, rather than reactive, approach to VMware solution and application management.
- Assist in rightsizing and optimizing infrastructure across several regional locations, public cloud, and support costs adjacent to VMware solutions.
- Provide peer insights and best practices to instill confidence in current and future technology and strategic approaches.
- Offer a window into the work of VMware's product teams to foster a collaborative approach to feature and functionality requests.

COMPOSITE ORGANIZATION

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

Description of composite. The composite organization is a $5 billion industry-agnostic, APAC-based organization with 10,000 employees.

Deployment characteristics. The Australia-headquartered organization supports its application estate with approximately 6,000 virtual machines across three data centers in Australia, New Zealand, and India. The organization's VMware solutions include VMware vCloud, VMware Horizon, and VMware NSX-T Data Center. The organization contracts with VMware for a TAM for 2.5 days per week. The TAM works with the organization's 10 centralized IT administrators to support their VMware investments including applications, virtualized end-user computing, virtualization, and the related infrastructure. On average, the TAM assists with four VMware-related IT project per year. They also conduct weekly status calls and quarterly health checks to proactively support the organization.

Key Assumptions

- **$5 billion industry-agnostic organization**
- **APAC region (Australia, India, New Zealand)**
- **10,000 employees/end users**
- **4 VMware-related IT projects per year**
- **2.5 TAM days per week**

Analysis Of Benefits

Quantified benefit data as applied to the composite

Total Benefits						
Ref.	**Benefit**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Atr	Infrastructure and licensing cost savings	$207,188	$414,375	$414,375	$1,035,938	$842,137
Btr	Increased IT project velocity and productivity savings	$245,272	$245,272	$245,272	$735,817	$609,956
Ctr	Reduced impact of business disruption	$314,500	$314,500	$314,500	$943,500	$782,115
	Total benefits (risk-adjusted)	$766,960	$974,147	$974,147	$2,715,254	$2,234,208

INFRASTRUCTURE AND LICENSING COST SAVINGS

Evidence and data. VMware's TAMs provided the interviewees' organizations with technical planning sessions, proactive health checks, roadmapping, benchmarking, and VMware-specific strategic project design. In the APAC region, interviewees worked with their TAM to manage the complexity associated with mergers and divestments (and the related VMware solutions and infrastructure) common to the area. Several interviewees told Forrester that their TAMs helped them rightsize spending across several data centers and disparate IT teams, yielding significant and quantifiable cost savings for many of their organizations. In addition, TAM-led planning, peer insights, and technology roadmap guidance instilled confidence in the interviewees' organizations' technology approaches.

- Amid a series of mergers, divestments, and consolidation activities in data centers across the APAC region, the senior manager of infrastructure, operations, and data centers at a gaming organization spoke about how their TAM helped them plan reallocating their licensing and associated costs across the now-consolidated organization. This helped the interviewee's organization save on net new licenses while also optimizing infrastructure utilization and application performance.
- The global delivery manager, worldwide infrastructure at a semiconductor manufacturing organization noted that their TAM played a critical role in helping them improve their resource utilization. The organization saved $2.7 million over the past two years, with more savings to come in the form of avoided future server purchases, maintenance, and software/license fees. The interviewee summarized: "Our TAM has the expertise that we can leverage to meet our business objectives in our environment. By 2023, we project our savings [in the data center to] exceed $6 million. This is the beauty of taking advantage of the VMware TAM services."
- By working with their TAM to consistently evaluate current VMware deployments and plan for the future, the regional IT manager at a commodities firm spoke of their organization's ability to reduce costs in the long run while increasing performance: "Some of the biggest benefits of the [TAM] would be the cost and performance optimization [of the] existing and

future compute and memory resources in our hypervisors. With the TAM's metrics reporting, we can find more performance in our current assets. In the future, we are replacing 12 servers from one vendor [with] eight from another vendor while also increasing performance."

- The manager of IT infrastructure at a banking organization noted that their TAM assists with infrastructure planning for now and the future as the bank grows throughout the region. This helped the organization avoid overprovisioning and excessive costs while providing more certainty when budgeting for these investments.

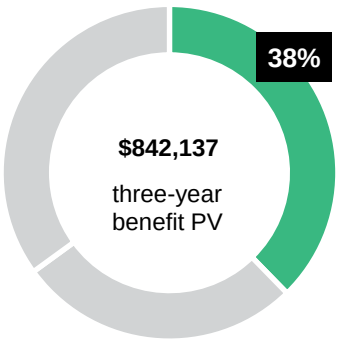
Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

- The composite organization saves an average of $200,000 in infrastructure costs as it avoids refreshes through regional data center consolidations. Seventy-five percent of these savings are attributable to planning and guidance activities led by the TAM. This figure is a conservative estimate based on the collective savings of the APAC-based interviewees.
- The composite has an average annual license fee rationalization and avoidance savings of $187,500 (50% of this in year one), 75% of which is attributable to TAM-led planning around VMware solution license reallocation.

Risks. This benefit will vary among organizations based on:

- An organization's current VMware-related infrastructure and licensing investments as they pertain to potential consolidation and license reallocation activities.
- An organization's growth trajectory as it relates to future infrastructure and licensing requirements.
- The level of engagement between the VMware TAM and an organization's strategic IT personnel.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $842,000.



Forrester's Total Economic Impact benefit modelling assumptions:

Forrester sources the assumptions for the benefit calculation tables from the customer interviews, internal Forrester data, analyst expertise, and public sources (for salary information, etc.). For assumptions that drive the benefit calculations, Forrester takes a conservative approach, modelling lower figures than provided by the interviewees. Forrester also risk-adjusts each benefit category downward to account for factors that may cause variance in the magnitude of each among different organizations.

Infrastructure And Licensing Cost Savings					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Avoided yearly refreshes through effective TAM-led consolidation	Composite /interviews	1	2	2
A2	Average cost of data center refresh	Composite	$200,000	$200,000	$200,000
A3	Annual infrastructure savings from improved VM consolidation ratio	A1*A2	$200,000	$400,000	$400,000
A4	Attribution to VMware TAM	Interviews	75%	75%	75%
A5	Subtotal: Annual infrastructure savings	A4*A5	$150,000	$300,000	$300,000
A6	Annual license fee rationalization savings	Composite/interviews	$125,000	$250,000	$250,000
A7	Attribution to VMware TAM	Composite/interviews	75%	75%	75%
A8	Subtotal: Annual license savings through consolidation and planning	A6*A7	$93,750	$187,500	$187,500
At	Infrastructure and licensing cost savings	A5+A8	$243,750	$487,500	$487,500
	Risk adjustment	↓15%			
Atr	Infrastructure and licensing cost savings (risk-adjusted)		$207,188	$414,375	$414,375
	Three-year total: $1,035,938		**Three-year present value: $842,137**		

INCREASED IT PROJECT VELOCITY AND PRODUCTIVITY SAVINGS

Evidence and data. Aligned with their TAM as a strategic resource, the interviewees detailed faster time-to-market for their VMware-related projects, alleviating the burden on valuable in-house IT resources while decreasing project timelines. Most of the interviewees for this study told Forrester that their organizations' VMware TAMs quickly embedded themselves within their respective teams and provided expertise based on industry-specific best practices. Interviewees shared examples of IT projects that TAMs assisted on that otherwise would not have been possible or would have been more costly and lengthy to complete. Several of these interviewees highlighted the significant personnel savings associated with both accelerating project timelines and upskilling as a result of work with their respective TAMs. Other interviewees highlighted the downstream productivity benefits of a more resilient VMware environment for their IT personnel.

- The manager of IT infrastructure at a banking organization highlighted the productivity benefits of a proactive team, noting: "[Our TAM] has made us more proactive, which is allowing us to avoid a lot of media outages, ATMs, and the like. Our TAM-led activities allow us to anticipate [issues] before they actually happen. It's changing the way our teams operate now. We're becoming proactive as opposed to reactive."
- The senior manager of infrastructure, operations, and data centers at a gaming organization attributed the faster update cycles that led to drastically faster functionality releases to the business, (from months to weeks) to the work accomplished with their TAM. The senior manager continued: "Our deployment times are a lot quicker. Our ability to recover from incidents is a lot quicker. All in all, we have much shorter maintenance periods."

- Through continuous interaction with their organization's TAM, the platform team leader at an education organization noted that their extended team has been upskilled, reducing the need for additional talent in the future.
- When it comes to personnel productivity, the director of IT infrastructure and cloud services at an information technology organization highlighted to Forrester the improved resiliency of their VMware investments resulting from TAM-led proactive health checks and benchmarking. This resulted in fewer hours spent remediating issues and fewer support tickets for their IT personnel. The interviewee continued: "One of the measurable outcomes of the TAM program is the reduction in required support resulting from our TAM's proactivity. We no longer need to put as many personnel hours towards support tickets."

Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

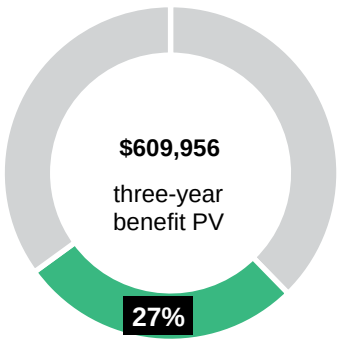
- The organization completes four TAM-supported IT projects annually.
- Each project averages four months in duration and requires the involvement of 10 FTE resources.
- Planning activities such as personnel and technical readiness assessments, success strategies, and industry best practices result in a one-month reduction in project duration, on average, based on the interviews.
- The composite organization avoids one additional IT resource otherwise required for technology planning and benchmarking.
- The regionally blended average annual salary for an IT FTE is $53,000.

> **"Our engineers can get back and focus on what they're actually supposed to be doing, rather than chasing stuff up. There is a bunch of value in that."**
>
> *Regional IT manager, commodities*

Risks. This benefit will vary among organizations based on:

- An organization's current VMware environment as it relates to current and future project volume, duration, and staffing requirements.
- The skill, capacity, and starting point of an organization's IT personnel as it pertains to the impact of the TAM on projects and skill sets.
- The location of an organization's data centers and IT personnel as it pertains to the average cost of these resources.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of nearly $610,000.



Increased IT Project Velocity And Productivity Savings					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Annual TAM-supported IT projects	Composite	4	4	4
B2	Average IT project duration in years	Interviews	0.33	0.33	0.33
B3	FTEs required per project	Composite	10	10	10
B4	IT FTE average annual salary	Blended assumption	$53,000	$53,000	$53,000
B5	Staffing cost per project	B2*B3*B4	$176,667	$176,667	$176,667
B6	Average annual IT project staffing costs	B1*B5	$706,667	$706,667	$706,667
B7	Reduction in project duration attributable to VMware TAM Services	Interviews	33%	33%	33%
B8	Subtotal: Average annual FTE savings on IT projects	B6*B7	$235,556	$235,556	$235,556
B9	IT FTEs required to manage TAM-supported activities without TAM	Interviews	1	1	1
Bt	Increased IT project velocity and productivity savings	B8+(B4*B9)	$288,556	$288,556	$288,556
	Risk adjustment	↓15%			
Btr	Increased IT project velocity and productivity savings (risk-adjusted)		$245,272	$245,272	$245,272
	Three-year total: $735,817		**Three-year present value: $609,956**		

REDUCED IMPACT OF BUSINESS DISRUPTION

Evidence and data. The interviewees noted that VMware's TAMs helped their organizations navigate the complexity associated with regionally disparate data centers, IT teams, and solutions. This minimized the impact of the potential resulting business disruption from mismanagement. It also resulted in fewer productivity disruptions to non-IT end users and more resilient VMware solutions that were less likely to result in business downtime. Interviewees associated these benefits with TAM-led activities such as proactive health checks, technology roadmap planning, readiness assessments, and continuous guidance on industry best practices.

- The manager of IT infrastructure at a banking organization highlighted that their organization avoided most of the business-disrupting outages that occurred prior to working with their TAM

"TAM-led projects and updates have given our engineers the ability to recover quickly in the event of a data center or solution outage. This ability to recover from issues quickly is critical."

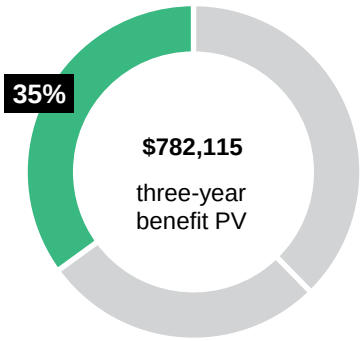
Senior manager of infrastructure, operations, and data centers, gaming

through proactivity. The interviewee noted that any minor incidents that still occur are smaller due to their TAM's expertise: "We had an outage right when our TAM came on board. They were able to assist us after hours with just one member of our infrastructure team who wasn't even particularly well-versed with the VMware product at the time. We were able to just rely on our TAM's expertise to bring the system back online before the business had resumed. None of our users or customers were even aware that we'd suffered an outage. Before the TAM program, this would been all hands on deck, utilizing the entire infrastructure team for several days and nights to bring it back up."

- Through TAM-led guidance and support, the interviewee at the university told Forrester that the organization achieved improved uptime for their students/users.
- The regional IT manager at the commodities organization highlighted the proactivity and risk mitigation in the VMware environment as the single largest driver for the TAM program. They explained: "In our industry, downtime has a direct relationship to loss of money. If production goes offline or the systems that support those production systems go offline and we can't get them back up quickly, that will have a direct impact to bottom line." The same interviewee noted that TAM-led proactivity has resulted in fewer server disruptions and outages and has made the business more resilient overall.
- The interviewee at the financial services organization highlighted the proactive guidance from their TAM as business critical given their aversion to downtime. Notably, critical patching across the organization's VMware solutions was managed proactively to maintain stability, fostering a seamless experience to end users and customers. The interviewee summarized that without their TAM, they'd need to hire several strong subject matter experts to maintain their current levels of solution stability.

Modeling and assumptions. For the composite organization and financial model, Forrester makes the following assumptions:

- The composite organization avoids half of its 24 minor business disruption events per year, which historically cost the business $25,000 per incident measured in lost end-user productivity (approximately 2 minutes of lost productivity per employee). This is a conversative estimate based on the size of the composite organization and the impact of minor disruptions based on the interviews.
- The composite organization avoids one major outage per year, which historically cost the organization $160,000 per incident in lost revenues and user productivity.



Risks. This benefit will vary among organizations based on:

- The historical performance of an organization's VMware investments as it relates to potential for improvement with TAM-led activities.
- An organization's industry and business as it relates to the average cost of disruption or downtime.

Results. To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of $782,000.

Reduced Impact Of Business Disruption					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Annual minor disruption events	Composite	36	36	36
C2	Business impact per minor event	Composite	$15,000	$15,000	$15,000
C3	Minor disruptions avoided with TAM Services	Interviews	50%	50%	50%
C4	Subtotal: Reduced impact of minor disruption events	C1*C2*C3	$270,000	$270,000	$270,000
C5	Annual major disruption events/outages	Composite	2	2	2
C6	Business impact per major disruption event/outage	Composite	$100,000	$100,000	$100,000
C7	Major outages avoided with TAM Services	Interviews	50%	50%	50%
C8	Subtotal: Reduced impact of major outages	C5*C6*C7	$100,000	$100,000	$100,000
Ct	Reduced impact of business disruption	C4+C8	$370,000	$370,000	$370,000
	Risk adjustment	↓15%			
Ctr	Reduced impact of business disruption (risk-adjusted)		$314,500	$314,500	$314,500
	Three-year total: $943,500			**Three-year present value: $782,115**	

UNQUANTIFIED BENEFITS

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

- **Access to VMware product teams and other resources.** TAMs serve as a conduit between organizations and product teams within VMware, enabling access to roadmaps, additional resources, and dialogue around feature or functionality development.
- **Improved security posture.** Inherent to the process of proactive improvement and benchmarking the VMware environment, TAMs can identify potential security vulnerabilities that need reinforcement or strengthening.
- **Solution validation through ongoing technology planning.** TAM guidance goes beyond the day-to-day management of the VMware environment and expands into longer-term discussions about the future of the environment and strategies around solution management and readiness.
- **A powerful advocate within VMware.** Every interviewee described the relationship with their TAM as a long-term professional partnership that deepened over time. Several interviewees told Forrester that they often forget their TAM is not technically employed by their own organizations. Based on the seven interviews, TAM tenure was extremely consistent, as most interviewees had relationships with individual TAMs spanning many years (several interviewees' TAM relationships were over five years old). Of those who onboarded new TAMs, the interviewees described the process as efficient and seamless and without any gaps in value.

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might leverage VMware Technical Account Management Services and later realize additional uses and business opportunities, including:

- **Avoiding technology or solution risk.** By providing industry-specific best practices and technology guidance, advice from a TAM may save an organization money in the long run by avoiding the rework or costs associated with the wrong technology solution or approach.
- **The iterative value of better strategic planning.** Beyond the value that Forrester quantified in this study, there may be future additional value for organizations from iterative benchmarking, overall technical maturity, and tighter alignment to IT teams' strategic goals resulting from guidance provided by their TAMs. Several interviewees noted that their TAMs have steered them toward technical simplification in their environments, which will continue to provide benefits down the road, while others described a more consistent alignment of IT projects to the goals of the business.

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

> **"VMware's TAMs take ownership of what they do. [Ours] especially owns what he recommends and what he ultimately helps deliver. We know he's invested. He's a major factor in the success of the VMware [solutions] within our organization."**
>
> *Regional IT manager, commodities*

Analysis Of Costs

Quantified cost data as applied to the composite

Total Costs							
Ref.	**Cost**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Dtr	VMware Technical Account Management Services fees	$0	$149,013	$149,013	$149,013	$447,040	$370,574
	Total costs (risk-adjusted)	$0	$149,013	$149,013	$149,013	$447,040	$370,574

VMWARE TECHNICAL ACCOUNT MANAGEMENT SERVICES FEES

The interviewees' organizations paid a fee for VMware's Technical Account Management Services based on their region and the number of business days of a TAM resource they required.

- Different interviewees' organizations had different requirements for the number of business days for the TAM service. This was determined by the scope of VMware solutions, growth trajectory, and other factors of scale.
- APAC interviewees for this study ranged in TAM utilization from a half day per week to several days per week.
- Pricing for VMware's Technical Account Management Services for these organizations was based on the number of business days contracted for and geography. For pricing specific to your region and organization, please contact VMware.

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

- A TAM resource for 2.5 days per week.
- A blended TAM price based on the APAC countries (Australia, India) in which the composite organization operates.

Risks. This cost will vary among organizations based on:

- An organization's size, scope of VMware environment, growth trajectory, and other factors of scale as they relate to TAM requirements.
- The regions in which the organization operates as they relate to TAM list pricing.

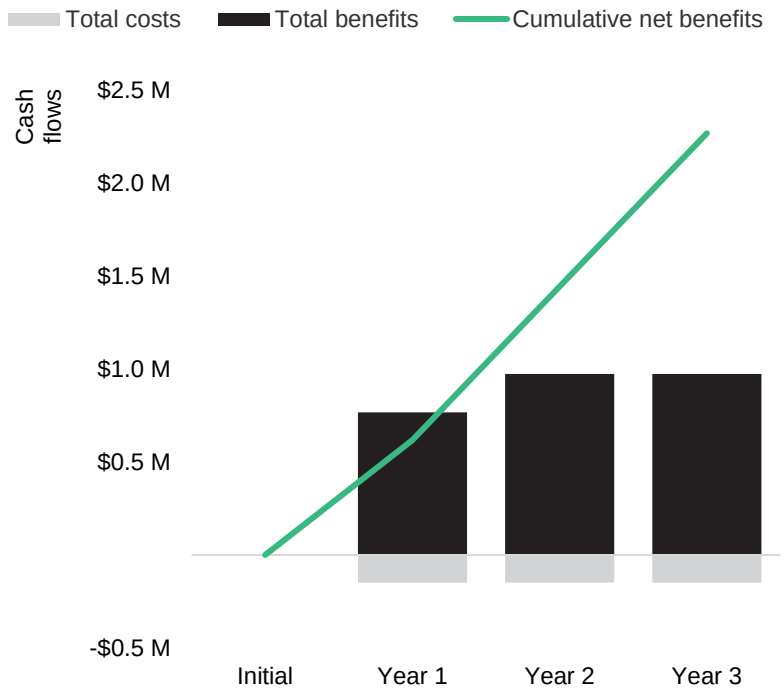
Results. To account for these variances, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $370,000.

VMware Technical Account Management Services Fees						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
D1	Blended TAM cost for composite organization	Composite	$0	$135,467	$135,467	$135,467
Dt	VMware Technical Account Management Services fees	D1	$0	$135,467	$135,467	$135,467
	Risk adjustment	↑10%				
Dtr	VMware Technical Account Management Services fees (risk-adjusted)		$0	$149,013	$149,013	$149,013
	Three-year total: $447,040			**Three-year present value: $370,574**		

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



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

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	$0	($149,013)	($149,013)	($149,013)	($447,040)	($370,574)
Total benefits	$0	$766,960	$974,147	$974,147	$2,715,254	$2,234,208
Net benefits	$0	$617,947	$825,134	$825,134	$2,268,215	$1,863,634
ROI						503%
Payback						3 to 12 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.

Appendix B: Endnotes

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