

## Take a Microsoft ELA Test - Never too late to engage an expert

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A lot has changed in last few years at Microsoft. Microsoft's journey to the cloud is fundamentally changing the way it does business with its largest customers. Many are already being subjected to changes in contracting and negotiation dynamics as Microsoft takes aggressive measures to bring enterprises on board with its new direction. Pricing and licensing changes, increased license audits (often disguised as software asset management engagements), and increased licensing complexity and inflexibility. Things are changing as Microsoft reports triple-digit revenue gains for its commercial cloud services and losses for traditional licensing. Microsoft's future is the cloud, but most clients are still locked into a predominantly on premise IT strategy. Microsoft's enterprise account teams are also under pressure to stick to standard pricing, terms and licensing, which can lead to fewer concessions for on premise and cloud customers. Clients are finding themselves under pressure to move to the cloud or pay the price via more licensing and pricing complexity for on premise solutions.

Given these changes how prepared is your organization on dealing with Microsoft Enterprise Agreement (EA) renewal. Given's EA bundles all software, many organizations are expected winding up overspending with an EA, instead of saving money given the new landscape.

### **Have you weighed pros and cons on the ELA benefits?**

There are numerous ways in which you as a client can engage with Microsoft. ELA, EAP, ECI, Select Pricing, etc. It is important to ensure that you have considered both the sides of the coin before deciding on ELA as your option. Advantages of an ELA agreement includes ease of management through an annual true-up , higher level of discounts over other volume licensing programs, enhanced Software Assurance (SA) benefits over some of the other volume licensing programs and three-year contract costs are annualized for payment. And the flip side of doing an ELA means adding substantial unexpected costs owing to annual true-ups, locking into having to license (pay for) all desktops/users for Enterprise products and putting all products on the EA necessarily for SA.

 **How much help are you getting from Large Account Reseller (LAR) or Software Advisor (SA)?**

LARs or SA should be your biggest partner and advisor during your renewal cycle. LARs should have a complete handle over your Microsoft landscape, latest offerings from Microsoft and deep insights into Microsoft discount structure. On top of it, LAR is supposed to be assisting client companies with the Volume Licensing Service Center (VLSC), maintaining client entitlement counts, keeping you abreast of licensing changes, and handling administrative tasks. LAR should also be more proactively working with you in helping your team prepare for negotiations with Microsoft. Pro-actively bringing Microsoft's new offerings, advantageous pricing approach, latest trends, etc. could be some other areas where LAR could add more value. Ensure that Pricing is set by Microsoft without any additional markup from your LAR/reseller.

 **What is going to be the timing of your EA renewal signing?**

Microsoft account teams continue to dread the E-word – Extension. If Microsoft doesn't offer you expected discount you can always borrow more time to go back to the drawing boards in order to optimize your requirements. This could become time consuming making it necessary for you file an extension request. Microsoft Account team is governed by OTRR (On-Time Renewal Rate) which calculates how many of a sales teams Enterprise Agreement renewals were renewed ON the renewal date. Sheer mention of the E word can secure you better discount that too earlier in the cycle.

 **Have you done your rate / discount benchmarking homework?**

Beauty of social media these days it is penetrated extensively in all the walks of our professional lives. Data, information, blogs, ideas and research is easily available on various sites, user groups. Alternatively, you can engage and audit firm such as Sourcing Auditors to find given your account level spend how much discount you should actually be receiving. Find out from your SA / LAR what level you belong to. Every level differs by 7% from its nearest level.

**Quantity of Licenses and Software Assurance to Price Level Mapping:**

<b>Quantity of Licenses and Software Assurance</b>	<b>Price Level</b>
2,399 and below	A
2,400 to 5,999	B
6,000 to 14,999	C
15,000 and above	D

 **Have you optimized your mix of Office 365? Have you ensured no overbuying or value leakage?**

EA can result into heavy under-utilization during three years. Components such as One Drive, Skype and Lync can go seldom utilized. Even Device CALs could be underutilized throughout the contract cycle in the range of 8%-10%. Engage Microsoft on how can it help you to mitigate your commercial risk going forward.

Optimize your Office 365 Enterprise plans. What sort of users and what sort of licenses do they need. This exercise when done right alone could save an organization about 8%-12% of overall Microsoft spend.

 **Have you factored in latest promotions, trends and discounts at Microsoft?**

Pay a close attention to the current promotions that Microsoft is running and explore the match with your landscape. For example Microsoft had a whopping 40% discount on SQL Servers which ended last April. Sometimes timing of EA signing itself can help avoid time-consuming negotiation and get you the discount levels you are expecting. Windows, System Center, Lync, etc. and several other User CAL prices would see an increase by 13% starting Aug 2015. If you are negotiating an EA in June 2015, you should include a language to lock down June pricing.

 **Have you engaged an advisory firm to get strategy and negotiation support on Microsoft EA?**

Most organizations tend to think they do not need an external advisory firm to renew Microsoft EA. And it could be true with some organizations. However, not all the organizations carry the know-how and expertise around latest and greatest with Microsoft, trends and patterns, utilization ideas, best practices, terms and conditions, discount structures, inside story, contract structure, pricing methodology, etc.

It's often easier to engage an advisory firm. And the small investment made in them often times has a quick breakeven period and multiple times returns on client's small investment in such firms.

An external advisory firm such as Sourcing Auditor can help you with benchmarking getting you the discount structure you deserve. Advisory firm can help you with T's and C's example downgrade rights, commitment rights, same pricing, extended payment terms, etc. It can help you with best practices around training PCs, premier support, storage practices, unified communications savings, Usage monitoring, LAR engagement, and much more.



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Santosh Sharma is the Chief Sourcing Auditor at **Sourcing Auditors**. Sourcing Auditors focuses on effective Contract Governance© to help clients derive fullest value from the Contract, safeguard and protect their organization against any external threat or internal non-compliance and continuously strive to improve the stakeholder satisfaction levels from the Contract. Sourcing Auditors uses a uniquely designed, best practices-based and highly comprehensive Audit Framework© that uses about 1200+ sourcing parameters to ensure Contract Compliance©, Contract Optimization© and Contract Improvement©. For more information please contact santosh.sharma@sourcingauditors.com