The Top 7 Reasons You Are Overpaying Microsoft

Provided by

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1 You Pay a 33% Premium at the Point of Purchase

Most CFO's don't like to hear that phrase, "full list price". The problem is, Microsoft's pricing structures are intentionally complex and opaque. Some list prices (Microsoft calls them "ERP" – Estimated Retail Price) are published. It's possible to get competitive reseller quotes for volume licensing programs such as Open and the new MPSA (Microsoft Product and Services Agreement), but Microsoft does not publish pricing for the direct-with-Microsoft agreements such as Enterprise Agreements.

True, the pricing is discounted from what you'd pay in a retail store; and your Microsoft sales team should be happy to explain how, according to a set of rules based on number of desktops, product mix, etc., you're already getting a "discounted price".

So, how do you know if you are paying a reasonable price? Are you looking to benchmark compared to your peers? Or are you instead working toward a specific, evidence-backed package of price and products that best suit your company's needs?

Even though it insists it doesn't, Microsoft does negotiate its prices. Sometimes to levels well below what a typical customer sees.

TIP: **Develop specific, objective evidence- based business value cases before negotiating price with Microsoft.** NET(net) **provides an efficient and effective methodology to help you build your specific, objective evidence-based value cases and has an excellent track record in helping clients negotiate best-in-class results with Microsoft.**

2 You've Renewed Agreements Without Substantial Changes

How much have your organizational requirements, licensing consumption, productivity and innovation needs, IT infrastructure, and technology and business plans changed over the past three years? How much will it change in the coming years? What are the chances that the actual state in future years will look anything like today's plan?

Now consider Microsoft. What is its track record for new products and release schedules that they've delivered, **and** you've put to use in the business?

If you can't put these enhancements into productive use, why are you paying for them?

Microsoft continuously adds and remove product from the various licensing bundles, revises usage terms, and of course, releases new technology. But few companies are perfectly aligned with Microsoft's release cycles; it's well known that most tend to lag a cycle or two behind.

TIP: **When it's time to renew your Agreements, review your usage history and make a sound comparison to the likely future. Make sure your agreements align, and avoid overbuying. NET(net) utilizes a Microsoft licensing optimization strategy and approach to ensure you have the right licenses to meet your needs, as well as the right structure in your agreement to achieve your objectives, resulting in high value, low cost deployments.**

3 You're Running the Latest Releases and "The Full Stack"

Paradoxically, the customers who are most heavily invested in the Microsoft technology "stack", tend to pay more than companies who are less reliant on Microsoft products.

The reason, of course, is supplier lock-in. When an enterprise fully commits to the Microsoft solution set, there is less chance of switching suppliers or slowing down Microsoft's revenue stream. Therefore, there's no incentive for Microsoft to provide aggressive discounts.

It's a tough hurdle to overcome when tasked with saving money in your Microsoft renewal. Unless you're armed with some key information regarding Microsoft's internal selling rules and a deep understanding of the complex interaction between your installed base and Microsoft's licensing terms.

TIP: Fortunately, that information is relatively simple to obtain; just hire an expert who's spent over a decade helping clients level the bargaining table, and capturing value. NET(net) has extensive domain expertise, negotiating over 1,000 Microsoft Agreements, and offers unmatched performance, helping clients save an average of 33% better than their current costs.

4 Corporate Divestitures, and Mergers and Acquisitions

M&A and the resulting integration efforts are infamously chaotic and full of surprises. Microsoft provides specific language for handling M&A impacts to licensing purchases. The problem is, most companies are unaware of this language, or do not understand the implications until it's too late. Microsoft sales teams can provide reasonable explanations of the contract terms and alternatives, if asked. But, few customers ask the question before signing the agreements. As a result, in the case of M&A, the acquiring company frequently ends up with a surprise bill from Microsoft for the newly combined entity.

This may sound like a simple fix; and in some cases it is (at the next contract renewal). However, customers typically find out about the problem before that, after closing their new acquisition, and face large unplanned capital and operational costs that may take years to remedy.

In the case of divestitures, the divesting entity often believes it is going to be able to transfer licenses to the divested entity and reduce ongoing costs, and the divested entity often believes it is going to be able to take licenses with it. Not so fast. Microsoft often requires the divesting entity to keep all the licenses, thereby not reducing costs, and the divested entity to buy all new licenses, thereby facing unplanned capital and operational costs.

TIP: **Read and understand the language of the contracts before you sign. Business transactions like Divestitures, and Mergers and Acquisitions often result in customers paying Microsoft much more than they rightfully should NET(net) partners with many of the top private equity firms, and deals with these types of business restructuring transactions all the time. Contact NET(net) if you'd like to learn more.**

5 Global or Multi-National Operations

It's difficult enough to coordinate and manage a single-country IT plan. Multiply countries and operational divisions or subsidiaries and you have a recipe for chaos, confusion, risk and over-spending.

A global or multi-national operation will have all of the problems of a single-country operation, plus multiplying problems with license compliance, currency and tax management, business planning and coordination, budgetary management (and agreement), and supplier management.

Microsoft can paint a very attractive marketing picture of a single global agreement, with unified management and (suggested) indemnity from compliance problems ... at a price. The problem is, can you afford that price, and what are your alternatives to get the same or better security at a lower cost?

What other options do you have? What is the optimal licensing and contract structure to meet your organization's needs today and in the future, at the lowest price? How will you investigate, evaluate, budget, plan, negotiate and execute a highly-customized deal structure for a global corporation?

Experience shows that dramatic improvements in deal structuring terms are obtainable, if the right conditions are in place.

TIP: Most clients remain unaware of how to create the right conditions to ensure their global agreements with Microsoft are economically and strategically optimized. With operations in Asia, Europe, and North and South America, NET(net) specializes in globalized agreements, and can help you develop a strategy to get the best of all worlds, resulting in a high value, low cost solution.

6 Cloud or Subscription licensing

Microsoft (along with other major suppliers) has been enticing and aggressively encouraging enterprise customers to replace capital-intensive on-premise computing, with subscription or Opex based cloud services. The price points and cost reduction cases can be very compelling to customers who are faced with alternatives that require periodic large capital outlays in uncertain markets.

For Microsoft's part, the costs of building and operating huge datacenters are enormous; quarterly financial results show a clear decline in margins when compared to the older licensing models that were the primary sources of revenue in previous years. So why would a hugely profitable corporation like Microsoft steer customers toward a purchasing approach that results in lower profits for Microsoft?

The answer is: Microsoft is betting on the longer term; after the initial 3 year deeply discounted starter pricing expires, and you've migrated away from your on-premise equipment to Microsoft's cloud servers, you will have little or no alternative but to accept whatever pricing and terms Microsoft decides to offer you at renewal time.

Our recent experience is that clients on average are presented with a total cost increase of 25% or greater on a "like for like" renewal of their Microsoft deals. Are you prepared to pay 25% more for the same services next year? If not, you should contact NET(net) today – don't wait until your contract renewal is almost due; the time to plan and act is now.

TIP: Most clients remain unaware of how to create the right conditions for best negotiation leverage at the time of a cloud or subscription agreement renewal. With over 14 years of supporting clients in thousands of renewal negotiations, NET(net) can show you the right steps to take now, to protect your investments in the future.

7 Multiple Agreements

In recent years, Microsoft has created an alphabet soup of different licensing agreement types: EA, EAP, ECI, SCE, MPSA, SPLA, and so forth. Customers universally complain that the agreement terms are too complex, confusing, overlapping and contradicting. At NET(net), we believe this confusion is by design on Microsoft's part; a confused customer is less likely to understand that one deal type may be worse than another, when only partial information is available.

Couple this alphabet soup with the universal tendency of software companies to have quarterly "offer of a lifetime" and "one time only grandfather of the old licensing rules transition" and we find that most of our clients are managing several different agreements, with differing rules, pricing, anniversary and expiration dates.

The result, per Microsoft's intent, is that customers end up paying more than they would like. Surprises lurk in this contract soup such as strict true-up rules, differing requirements for counting licenses, and other key terms that in aggregate make a single comprehensive IT policy impossible.

When customers ask Microsoft for consolidation of these agreements, too often the response involves spending still more money on yet another new agreement type.

It doesn't have to be this way. There are ways to combine and consolidate agreements while also optimizing your spend to not over-pay for the licenses and subscriptions that you need to run the business. However, you're not likely to get realistic support in doing this from Microsoft or their captive partner ecosystem. You need an expert advocate who understands the infinite detail of the art of the possible and has decades of experience helping clients get the deal that's right for them.

TIP: If contract consolidation and rationalization is important to you, NET(net) can show you the right steps to take now, to protect your investments in the future.

About NET(net)

In practice, the main challenges for clients are

(i) Lack of knowledge

a. specifically the inability to federate market intelligence to understand the art of the possible, which leads to:

(ii) Lack of understanding

a. specifically the inability to understand all the variables to determine the deal permutations that represent deals that are both best in class economically and strategically

(iii) Lack of experience

a. specifically the inability to effectively engage in bargaining table negotiations with Microsoft representatives and achieve the desired end results

We call this:

(i) The What

a. The What, is the federated market intelligence we can leverage to help clients find value by understanding what has been done historically with other clients, in other industries, in other geographies

(ii) The How

a. The How is the industry best practices, tools, templates, and models we have developed to help clients analyze the deal permutations to structure deals in a way to get the most value

(iii) The Do

a. The Do is the requisite experience of our professional services resources that have negotiated over 1,000 Microsoft deals to help clients keep the value they worked so hard to get

By using NET(net)'s proprietary optimization process, clients are able to build and implement a deal structure that exactly meets their needs, resulting in a high value, low cost solution that offers long term business value.

TIP: Regardless of where you are in the relationship or investment cycle with Microsoft, NET(net) can help. Whether you are trying to make sense of your options, planning your technology roadmap, considering a new license deal, renewing your existing deal, going through an annual true-up, facing an audit, going through a merger or divestiture, evaluating the value of software assurance, or considering premier support services, we can help. Our lifecycle of services to help find value, get value, and keep value are designed to help you maximize economic and strategic value in any phase of your relationship with Microsoft. Contact us today by email at info@netnetweb.com or by phone at +1 866-2-NET-net, or visit us online at www.netnetweb.com.

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