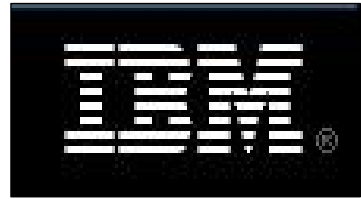


Project Liberate: An IBM complimentary Consulting Engagement to help customers understand alternatives when negotiating a Microsoft Enterprise Agreement



Reduce software license expenses



Case studies from Project Liberate engagements show ways to reduce Microsoft software licensing costs without changing the Microsoft products you use today

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Executive Summary

Cost reduction strategies are top of mind, along with innovation through collaboration, for C level executives in businesses and governments. Many organizations, with more than 250 Microsoft users, have signed up for Microsoft Enterprise Agreements (EA) covering various desktop and server software products, Client Access Licenses (CALs) for the servers and upgrade protection for these products.

Negotiating a Microsoft Enterprise Agreement and understanding the alternatives customers have available to them is one of the most frequent consulting requests we receive. Based on our experience, customers who understand their alternatives have saved 30 to 70% either on their renewals or by not signing an EA. This is because the Enterprise Agreement bundles dominant market products like Windows and Office with collaboration products and customers have difficulty finding accurate, complete information from Microsoft resellers or from Microsoft's public licensing information. Because they may be unaware of all their options, customers have limited negotiation power when faced with renewing an Enterprise Agreement.

Several IT Analysts [3] offer reports and workshops on this topic - an alternate procurement strategy that may help you free up a significant amount of your IT budget. Project Liberate, a no-charge service offering from IBM, specializes in this – identifying opportunities for reducing the expenditure on Microsoft licensing by showing customers alternative ways to purchase the same products from Microsoft and free up budgets for other capital investments. IBM has extensive experience across different industry verticals and geographies, via the Project Liberate service offering. Based on our engagements, more than 600 businesses & governments have estimated savings of more than US \$3.0 B over the past 3 years by engaging IBM's Project Liberate consultants. Componentization strategies along with the balancing act between fixed and variable costs when executed in conjunction with Project Liberate can optimize cost structures.

This whitepaper captures the lessons learned from various Project Liberate engagements worldwide and presents best practices from these case studies as well as advice on negotiating strategies. The information is based on publicly available data sources (which are subject to change as offerings change), customer feedback, and IBM's own experience in dealing with these offerings.

The following table provides an example of the analysis results for a customer with 1000 desktop users. It shows the options available to the customer when negotiating an Enterprise Agreement, using the Select agreement as an alternative. Depending on the options chosen in this example, customers can save between 37 and 61% of what they would have paid if they renewed the EA as is.

Why should you read this?

- > Signing or renewing a Microsoft Enterprise Agreement and need to understand your alternatives.
- > Seeking best practices in Microsoft software procurement strategies
- > Interested in IT cost reduction strategies
- > Seeking to free up IT funds to execute mission critical initiatives
- > Challenged by Microsoft Vista and Office 2007 upgrade decision point
- > Concerned about proprietary formats, proprietary repositories, and vendor lock-ins

	Users	2009	2010	2011	2012	Total Cost	Savings vs. renewing EA	% Saving vs. EA
Renew EA	1000	247,293	247,293	247,293	247,293	989,172		
Select Option 1	1000	156,132	156,132	156,132	156,132	624,528	364,644	37%
Select Option 2	1000	111,800	111,800	111,800	111,800	447,200	541,972	55%
Select Option 3	1000	96,559	96,559	96,559	96,559	386,236	602,936	61%

Table 1. Procurement Strategy Options

Microsoft Enterprise Agreements

An Enterprise Agreement is a Microsoft contract that customers sign which, in most cases¹, includes a base bundle called Professional Desktop. Professional Desktop contains Windows Desktop Operating System (OS) upgrade, Office Professional Plus and the Core Client Access License (CAL). A Client Access License allows a user/desktop to access Microsoft server software such as Exchange or SharePoint Server. The Core CAL bundles the CALs for Microsoft - Windows Server, Exchange Server, Office SharePoint Server (MOSS) and SMS Server (now called Configuration Manager). In addition to these elements, the EA includes a cost for future upgrade entitlements, called Software Assurance (SA) [13].

The EA requires that the Professional Desktop bundle be included for all desktops² in the organization along with 3 years of Software Assurance. The main advantages of the EA contract are: “reduced” price (normally 15% less than the entitled select price), price lock-in during the term of the contract and, based on what customers have told us, the “promise” not to be audited by Microsoft.

A variation of an EA is an ESA (Enterprise Subscription Agreement) which is basically the same as an EA except the customer does not own the licenses (Rental Agreement); and, at the end of the agreement, they can either buy out the licenses, renew for three years or uninstall the licenses [13].

There are four main alternatives when signing or renewing an EA

1. Buy or renew a full EA: From our experience this is usually the only option proposed by Microsoft to most customers because of the EA “bundle” discount when compared to a Select agreement with SA and without the appropriate discount. An EA can be renewed for one year or for three years.
2. Drop the EA completely: Customers usually evaluate this option versus renewing their EA as their only other option. Few customers eventually select this option.
3. Buy or renew a component EA: Customers have the option of signing or renewing an EA for a subset (one or two of the base products vs. ALL of them), but this option is normally not presented to customers. In fact, there is no public information about this option and, in some cases, we have seen customers request this and be denied. This option can be combined with a Select agreement.
4. Buy or renew with a Select contract: This option is probably the least known and the one that provides the best results for companies. Most analysts in the market neither understand nor explain this option to customers! Instead of renewing the EA which implies renewing Software Assurance, customers can renew their Software Assurance via a Select contract and can do it only for the products they need and for some versus all of their users.

An Enterprise Agreement requires that customers have Software Assurance for all their products, yet all products do not have the same behavior. Based on our experience, customers need varying terms depending on the specific product and their needs for it. The EA (normally what we called full EA or Professional Desktop bundle) includes the Windows Operating System (OS) upgrade, Office and the Core CAL.

For the past six years, many organizations have been paying for Windows OS upgrade, yet they continue to use Windows XP Professional OEM which they purchased when they bought their PC, waiting for a hardware refresh to get the most current OS version. Likewise, they have also paid for Office with Software Assurance; yet they deploy newer versions of Office every 4 or 5 years, so it doesn't make sense for them to pay SA for 4-5 years when the cost of buying Office outright when they need it is cheaper. Furthermore, they bought Office Professional Plus for all their users while only a subset of the organization uses it or needs the features of the Office Professional Plus product (most users only require Office Standard). The Select contract (or a la carte method of purchasing) gives the customer the flexibility to pick and choose how they want to acquire their software.

¹ Component EAs are also available

² A qualified subset of desktops can also be chosen

Challenges when Evaluating Alternatives

The biggest challenge we have seen in most organizations is the lack of understanding of the alternatives in negotiating a new or renewal agreement. This is often because pricing information is not always publicly available and information about products and the options to acquire them is confusing on the Microsoft site.

For large customers, Microsoft's volume licensing models (especially the EA), could be customizable for specific needs, but organizations need to understand how to do this. The interpretation of the licensing model and the knowledge of how to use it to negotiate prices with Microsoft are key to obtaining the best deal for your organization.

Windows OS Upgrade (Vista Enterprise) & MUI feature

The first challenge that customers face relates to the Windows Vista Upgrade feature. In the past, this was a really easy decision; most customers never used the Windows XP Professional Upgrade prior to November 2007, because the upgrade provided the same OS that they would obtain via the OEM (which is mandatory when buying a new PC) when they refreshed their PC hardware. The decision became more challenging when Microsoft announced Windows Vista. Knowing that customers were dissatisfied with the seldom used OS upgrade feature, Microsoft created two versions of the OS - Windows Vista Business and Windows Vista Enterprise. After November 2007, Vista Business is what every organization gets when they buy a PC with Vista Business OEM; Vista Enterprise is only available to customers who have purchased the Vista Business OEM with their hardware and paid for the Windows Vista Upgrade and Software Assurance for it. Based on what we are seeing in the market, most organizations are delaying the deployment of Vista, and they are acquiring most of their PCs with Vista Business while taking advantage of downgrade rights to Windows XP. In doing this, when they need to deploy Vista, they will already have all the Vista Business licenses they require via OEM.

Microsoft Executives have recently stated that Windows 7 will probably solve some problems that customers are having with Vista (Windows 7 first beta test in January 2009, probable ship in 2010) [16]. Many organizations that we have spoken to have made a decision to stop the Vista deployment and are waiting to see if Windows 7 is a stable operating system before they make plans to begin deploying it in 2011 or 2012.

What are the differences between Vista Business and Vista Enterprise?

The reality is that there are very few. One of them, Multilingual User Interface (MUI), is worthy of noting, but let's take a step back to Windows XP first. In Windows XP Professional, the MUI feature allowed organizations to create multilingual run-time images to deploy (in different languages) to other countries.

In order to deploy the MUI feature with Vista Enterprise, customers must have paid for the Windows Vista upgrade along with Software Assurance, in addition to the operating system OEM that came with their PCs.

The main question every organization needs to ask is if they want to be required to pay for the Windows Vista Software Assurance forever in order to utilize this feature. Once your organization begins using Windows Vista Enterprise or Windows 7 Enterprise and deploys one of the features of the Enterprise versions, like MUI, there will be no way to stop paying for Software Assurance in the future for the Windows desktop Operating System.

For example, the need for the MUI feature is based on World Wide organizations creating a single image CD that can be deployed from that single image in the local country language. Organizations that required and used MUI in the past have been redefining their policy based on the perceived lack of value from the features of the Vista Enterprise version and the resulting cost of paying for Software Assurance forever. One organization shared that for the is cheaper to maintain different images of the operating system (approximately \$13,000 US per year for a 10,000 users organization) as compared to the cost of paying Windows Upgrade SA.. If we assume that the cost of SA for the Windows Vista Upgrade could be near \$40 per user per year, a company with 10,000 users will be paying \$400,000 US per year (forever) to be able to use the single image option of Vista Enterprise. If a company uses the windows upgrade license to be able to have a single image they will need to continue paying the SA forever.

Software Assurance vs. Support & what customers get for free

One of the biggest mistakes customers make is that they confuse Software Assurance with Support. A Microsoft customer can purchase support-by-incident or buy premium support separate from buying Software Assurance. Software Assurance is a Microsoft program that gives customers some services, the most important, from what we have seen, is upgrade protection (when it makes sense). Microsoft tends to quantify the benefits of Software Assurance, but a simple analysis of the specific SA benefits organizations have used in the past will quickly show that the most significant feature is upgrade protection and the financial points specified in the prior section relative to SA need to be taken into consideration.

Microsoft provides fixes, security patches and service packs for their products for free via its online download services. Many customers of Microsoft purchase Software Assurance as part of their license agreement to get exactly these mentioned services that are available to Microsoft users at no cost. Normally, customers buy Premium Support, and Software Assurance is not a pre-requisite for Premium Support.

Product Deployment cycles vary, impacting usage of SA upgrade benefit

Most of Microsoft's license agreements have a 3-year term with the option to renew at the end of the term. On the other hand the typical life-cycle or deployment cycle for certain Microsoft products have been 4 years or more. Because the product roadmaps or deployments are greater than the contract term, many organizations would not be able to take advantage of an upgrade option available via the Enterprise Agreement/Software Assurance program during the term of their agreements. The best example of this is Office. In the last 8 years, there have been 3 versions of Office, and most customers we have visited, typically have installed only one of them. Every customer with EA expiration after November 2006 is already entitled to deploy Office 2007 whenever they choose to deploy it. So for most customers, renewing SA for Office means that they are paying for a future version of a product that they may not deploy or where neither the availability date is clearly defined nor is there clarity on whether Software as a Service will replace it. Most of the customers we have worked with have dropped SA for Office since they feel they have what they need for the next 4 years. By doing this and not renewing their contract, they will be in a stronger position to negotiate a better price with Microsoft.

Paying double to avoid re-justification of software purchase approval process

One of the most common reasons why customers renew their Enterprise Agreement is the fact that the budget has already been approved for it since it is considered part of the maintenance budget (obviating the need to re-justify buying the products again). We have shown some customers (especially government customers and some large private organizations) that they can often save more than 50% over the next 4 years by re-purchasing the newer version of the product when they need it, but they concluded that it was easier to maintain a constant budget flow, even though it implied paying more than double for the same products.

The risk of an Audit by not renewing an Enterprise Agreement

Around the world, customers have told us that one of the risks of not renewing an Enterprise Agreement is the fear of an audit by Microsoft. We recommend to customers that they maintain a clear inventory of their usage – there are simple techniques that can help customers to do this. This will be a more cost-effective insurance policy against an audit than signing an Enterprise Agreement and based on the true up practices we are seeing, there is no better time than now for customers to really understand what they have and what they need.

Cost of new features of Server software is unknown

An Enterprise Agreement with Software Assurance may not provide full price protection for future versions. Many new features introduced in newer versions of products require you to also purchase an Enterprise CAL to leverage the advanced function completely. For example, a Software Assurance upgrade to SharePoint Server 2007 does not automatically include entitlement to use electronic forms capabilities. Customers will have to purchase a SharePoint Enterprise CAL to use that additional feature. While the current Software

Assurance would give you the product upgrade, the ability to use all the features of the upgraded product would require the customer to buy additional product licenses.

Software available as part of the agreement is not used by all the users

Microsoft Office is a classic example of software that is acquired but not leveraged to its fullest extent. Office 2007 is available in many flavors, from Basic to Enterprise as represented here in increasing order of the number of bundled applications – Basic, Standard, Small Business, Professional, Ultimate, Professional Plus, and Enterprise.

Within an organization we often find different types of users who only need a subset of the Microsoft Office platform. Depending on the type of business, Office Standard - which includes Word, Excel, PowerPoint and Outlook – is adequate for most users, while a small set of advanced users might require the Professional edition. Because of this, and the fact that Office Standard is becoming a commodity product, Microsoft is beginning to include features in the Office Professional Plus version that are not included in Office Standard. For example, customers creating a document using Windows Rights Management will need to have Office Professional Plus.

Some of the software covered in the agreement is never used in the organization

The Microsoft Enterprise Agreement (EA) includes Client Access Licenses (CALs) to enable user access to certain server software. The Core CAL which is part of the Enterprise Agreement includes CALs for Microsoft Windows Server 2003, Microsoft Exchange Server 2007, Microsoft Office SharePoint Server 2007, and Microsoft SMS Server 2003 (now Configuration Manager). The optional Enterprise CAL includes additional CALs/software to cover Microsoft Office Communications Server, Microsoft System Center Operations Manager, Microsoft Windows Rights Management Server, and Microsoft Forefront Security Suite.

Clearly not all businesses would need all the components of the Core CAL Suite or of the Enterprise CAL Suite, but since it is part of the deal, customers sometimes think they are getting them for free, which is not the reality. On the other hand, SQL Server, which was originally part of the BackOffice CAL, is now an additional product and is a prerequisite for most of the products.

Software Assurance benefits?

In order to show the value of Software Assurance to customers, Microsoft has quantified the SA benefits for customers [13] as indicated in the table below. The benefits below are for a 2000 user organization.

Deploy			
Desktop Deployment Planning Services	5 Days	2000/Day	\$ 10,000.00
Use			
Training Vouchers	30 Days	500/Voucher	\$ 15,000.00
Employee Purchase Program (EPP) - Access Codes	1995	\$10/user	\$ 19,950.00
Home Use Program (HUP) - Access Codes	1995	\$20/user	\$ 39,000.00
Microsoft e-Learning - Windows	1 Kit	\$10/user	\$ 19,950.00
Microsoft e-Learning - Office	1 Kit	\$10/user	\$ 19,950.00
Microsoft e-Learning - Server	57	\$20/user	\$ 1,400.00
Maintain			
24x7 Problem Resolution Support - Phone Incidents	24	500/incident	\$ 12,000.00
24x7 Problem Resolution Support - Web Incidents	As Needed		
TechNet Plus - User ID's	57	999/incident	\$ 56,943.00
Total SA Benefit Estimate			\$ 194,193.00

Table 1. Software Assurance Benefits

Although Microsoft shows a value of \$194,000, based on our experience with customers, most of these services are not used. Typically, customers use the following:

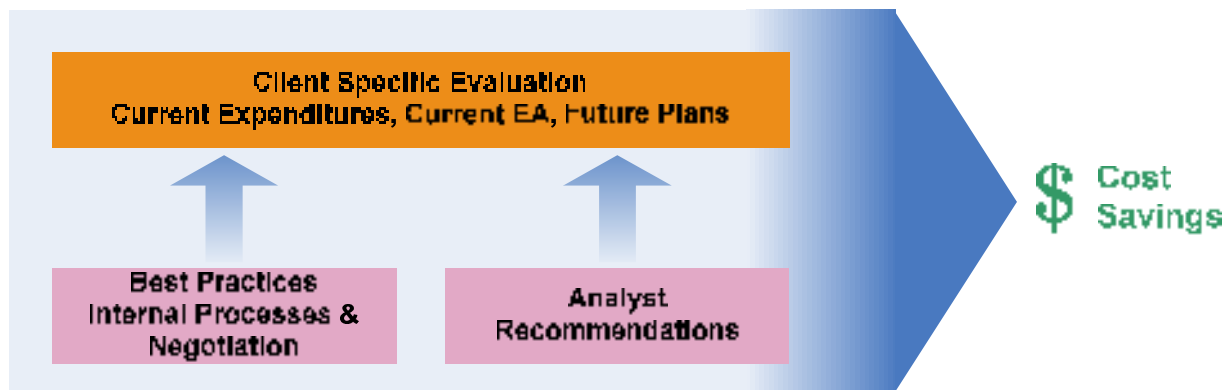
Training Vouchers	US \$ 15,000
24x7 Resolution (FOR SERVERS, not for Office)	<u>US \$ 12,000</u>
Total Value customers realize	US \$ 27,000

Be careful when evaluating your supposed benefits and review what you have used as a company in the past before adding US \$194,000 versus US \$ 27,000.

How Project Liberate Helps Free Up IT Budgets

Project Liberate is a service from IBM offered free of charge to help clients understand the alternatives with respect to Microsoft Enterprise Agreements. IBM has engaged with numerous customers across the globe and across different vertical industries for the past several years with a strong track record of saving 40% or more on their current Microsoft Enterprise Agreement [1].

Project Liberate consultants employ a methodical approach creating cost savings:



- Help customers by sharing best practices that other customers are using when negotiating Microsoft Enterprise Agreements
- Explain what IBM & external analysts are recommending when negotiating their contracts with Microsoft
- Assist customers by helping them to evaluate their current expenditures with their Microsoft Enterprise Agreement and give them an analysis of their alternatives based on current deployment plans and others.

Following are some actual examples of cost savings customers realized through Project Liberate.

A large financial institution in Europe had procured their licenses via an Enterprise Agreement. The EA renewal was pending. The IT decision maker at the customer was engaged to evaluate the offerings from Microsoft (renewal for 1 or 3 years). Taking into consideration the internal company roadmap, a financial analysis was done. The results of the analysis as well as best practices were used in further talks with Microsoft to help in the negotiations. Despite the renewal of their EA, the customer saved 10 Mio € within the 3 year contract.

A government in Asia Pacific that had an Enterprise Agreement with Microsoft had recently standardized on Windows XP Professional and Office 2003. They had used Windows 2000 and Office 2000 for more than 7 years before the standardization and they realized that their refresh cycle was between 5 to 6 years. There was no plan to upgrade to Vista and/or Office 2007 for the next 4 years even though they owned the upgrade rights via the EA. Microsoft told them that they needed to move to Office Professional Plus 2007 to be able to leverage all the features of SharePoint (MOSS). The government did not renew the EA and began to consider alternatives to choose their Portal and team space solutions. Based on their EA, they already have the rights to deploy Office 2007 when they are ready in the next 4 or 5 years.

A European industrial company in the business of food processing and packaging solutions is a Microsoft Office customer. The analysis conducted by Microsoft based on its own contract cycles as opposed to the customer's requirements and deployment cycles, resulted in a proposal for an Enterprise Agreement to buy

additional Office licenses. The customer was amazed to find out that by not signing an Enterprise Agreement, they could still have the products they need while saving more than 70% of the initial proposal from Microsoft by procuring via alternative methods other than the EA. In this case, they maintained their Software Assurance for the server products they were using via a Select Agreement.

A large energy company in Canada was about to renew their Microsoft Enterprise Agreement. Project Liberate helped them understand their alternatives and gain an in-depth knowledge of Microsoft Licensing. A detailed analysis identified several procurement best practices that would allow them to avoid the 'all you can eat' offering and opt for a customized agreement based on their true business requirements. They have more than 5,000 desktops and they saved nearly \$5M US.

A US State is a large Microsoft customer with over 10,000 desktop users but since they are dispersed in so many agencies, each agency had the partial decision-making power over which agreement to sign. The agency CIOs look to the State CIO for direction but Microsoft markets to each agency as a separate entity. The Project Liberate engagement reinforced many savings ideas that one of the agencies had and so a recommendation was made that the State not sign the new Enterprise Agreement but utilize the Select (a la carte) agreement to purchase what they needed from Microsoft. The CIO agreed and the State saved nearly \$8M US.

A large financial US corporation with more than 50,000 desktops was in the process of renegotiating their EA with Microsoft. The company was using the Professional Desktop EA but was not aware of the components of the EA. The desktops had just been migrated to Office 2003 with a future plan to move to Office 2007 in 2009/10 timeframe. On evaluating the alternatives, it was determined that they could save nearly US \$35 Million over 3 years by not renewing their EA. (Their current EA already entitled them to Office 2007.) In addition, they also discovered that they were paying for CALs for Exchange and SharePoint, products that they never used.

Often customers assume that it is less expensive to sign an enterprise agreement instead of a select agreement. Many public and private organizations in the US and in Europe have realized significant cost savings by switching to a select agreement. The Software Assurance option with a select agreement should be exercised based on expected upgrade cycles within the organization.

Several customers in Asia Pacific including Malaysia, Australia, New Zealand, India, China, Korea, Singapore, and Japan have shared similar experiences based on leveraging Project Liberate.

Even though many clients are aware of the fact that security hot fixes, bug fixes, and service packs are available at no charge from Microsoft's website, they continue to consider them to be part of the benefits of the EA. When customers understand this, it provides more reason for clients to move away from EAs and opt for the select agreement.

Why worry about this now?

There are several reasons why you want to evaluate this strategy now:

1. Decision point on upgrading to Microsoft Vista and/or Microsoft Office 2007.
2. Cost reduction strategies required by organizations.
3. Interdependency between the latest version of Office and features of the Microsoft server products, reducing customers' leverage in the negotiation process.
4. Concerns about vendor lock-in and the desire to leverage Web 2.0 and innovations on the desktop and the Cloud [4].
5. New trends for the desktop, i.e. not depending on the old way of migrating the desktop OS and Office in each PC.

Recommendations when negotiating a Microsoft Agreement

The extent to which an organization is able to optimize its expense on Microsoft's products is dependent on an objective introspection within the organization. Based on our experience, and reported customer engagements, the following are some best practices to consider.

1. Begin your renewal process at least 6 months in advance

One of the most important recommendations we can suggest is that you start the evaluation process well before the renewal deadline. Negotiating a Microsoft agreement is a complicated task and your company has to take the time to review the alternatives. If you wait until the last minute, you will not have any negotiation power. We have seen many organizations that have been forced to renew their EA for 1 or 3 years because they did not get comparable “quotations” for alternatives from Microsoft and they were pressed to maintain their SA.

2. Track and manage licenses and usage, create and maintain your own inventory

Many organizations do not have a comprehensive software inventory management (SIM) process or platform to track license usage. Most companies (especially the ones that have grown via mergers and acquisitions) find it harder to consolidate and continue to track license usage against existing agreements. While a comprehensive SIM process/platform can be a large undertaking, a simple tracking of the installations of the product within the company can go a long way in improving the position at the negotiation table. Our advice is that you take your own inventory before you receive a Microsoft estimate of your product usage which might include more products than what you are actually using.

3. Align actual feature & deployment usage to license purchases

As mentioned earlier in this document, software covered under an enterprise agreement is often not completely leveraged either due to the different types of users who do not need all the features or because certain applications included in an EA are never even required in the firm.

The recommended SIM practices can also help in identifying such opportunities where the company can negotiate for customization of certain aspects of the EA.

Windows Upgrade and Office represent nearly 70% of the Professional Desktop bundle. We have seen many customers that never use the Windows Upgrade feature and whose Office deployment cycle is every 5 years. Customers who purchase SA for these 2 products end up paying more than double of what they really need.

In addition, as explained in an earlier section, users fall into different categories and depending on the nature of the business the ratio of basic and advanced users can heavily favor the basic users. From our experience, only 10-20% of all Office users need the Professional edition. In such cases the Office Standard edition would be a better platform and the option to switch such users to an open source or free office suite such as OpenOffice or Lotus Symphony is all the more attractive.

4. Improve your negotiating position

There are different negotiation leverage points when sitting across the table from Microsoft:

1. *Ability to convince Microsoft that you have alternatives to the current licensing model without committing to an EA.* The biggest drawback of an EA is the lack of negotiating power. Companies that are able to document their current usage and plan their future needs can arrive at key decision points regarding their ability to leverage a select agreement with the optional Software Assurance. This puts the customer in the driver's seat with negotiation power.
2. *Ability to demonstrate your willingness to wait for an OS upgrade along with a hardware refresh.* Many organizations have a hardware upgrade lifecycle of 3-4 years. The OEM license for the operating system distributed as part of the hardware upgrade obviates the need for a Windows upgrade from Microsoft.
3. *Compete in the Core CAL.* After customers understand and break the EA and separate the Windows Upgrade and the Office versions, the component remaining is the Core CAL. When renewing or buying the Core CAL, the best choice customers have is to make Microsoft compete in the collaboration area. From the Core CAL, you need to isolate Exchange and SharePoint, and understand its interdependencies, and ask other software providers to put a proposal on the table. For example, SQL can be purchased either by processor or by user. SharePoint (MOSS) requires

SQL as pre-requisite, but often Microsoft tells customers that they need only one or 2 SQLs by processor. The truth is that SharePoint is a very distributed platform; and based on our experience, most customers end up having to pay for SQL by user which represents a significant additional cost.

4. *Ability to show your inclination for a free open source platform – Linux, OpenOffice / Lotus Symphony, Projity and MySQL – for example, the IBM Open Collaboration Client Solution [15].* Many commercial software vendors are facing a formidable challenge from open source alternatives. Initiatives such as those mentioned above combined in a single stack are a credible and highly functional alternative to the Microsoft platform especially for the basic users in the organization. Microsoft has been consistently acknowledging this fact by systematically opening up certain core aspects of its platform for the public domain.

5. Upgrade life cycles

The term of an Enterprise Agreement is typically 3 years with the option to renew at the end of the term. Microsoft has different upgrade cycles that may differ from customer deployment cycles for products, which are typically between 3 to 5 years, falling outside the term of the Enterprise Agreement. Many customers do not benefit from the software upgrade entitlement included as part of Software Assurance in the Enterprise Agreement, especially for Windows Upgrade and Office.

With respect to operating system life-cycles, companies often find that the rest of the product ecosystem could take a little longer to catch up to a new version of the anchor product. For instance driver providers and other application software vendors might lag a little. Such delays could be costly to the customer potentially losing time on the term of the enterprise agreement.

What Next?

If you are in the process of negotiating an Enterprise Agreement, or an EA renewal, contact the IBM Project Liberate team for a free engagement by sending a note to liberate@us.ibm.com or visit our public web page (www.ibm.com/software/info/liberate) [1]. You may start by listening to this webcast [2]

The alternate procurement strategy provided by Project Liberate helps you free up money in your IT Budget.

The next step is to examine your collaboration needs and make sound investments that can drive organizational productivity and effectiveness. Businesses and governments can benefit from a user segmentation strategy. Questions to ask include the following:

1. How many end users can move from Microsoft Office to open source alternatives such as Open Office and IBM Lotus Symphony? Under and over provisioned users fall in this category [5].
2. How many end users can benefit from moving the desktop/laptop from Microsoft Windows to Linux or Mac OS [15]?
3. What is the document format strategy? What is the document repository strategy?
4. What collaboration capabilities are mission critical?
5. What is the future of desktops anyway? [4]

There are a few more points worthy of note. Going forward, customers are really concerned about the interdependency strategy Microsoft is creating between their dominant market products, Windows Upgrade (which entitles you Windows Vista Enterprise) and Office Professional Plus and their collaboration products like Microsoft Office SharePoint Server (MOSS), Exchange and Office Communication Server (OCS). In addition, going forward, most customers will be required to use SQL Server since most products such as OCS and MOSS require it.

More recently, we have found Microsoft trying to convince customers that their extranet applications, which in the past required only a processor license for Windows Server & SQL Server, will now require a CAL for every named or registered user and will need to sign a Service Provider License Agreement. Organizations that have been asked to do so are considering their migration to other vendors' platforms since going down this path will at least double their licensing costs.

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