



Microsoft Licensing Optimization *aka 'Project Liberate'*

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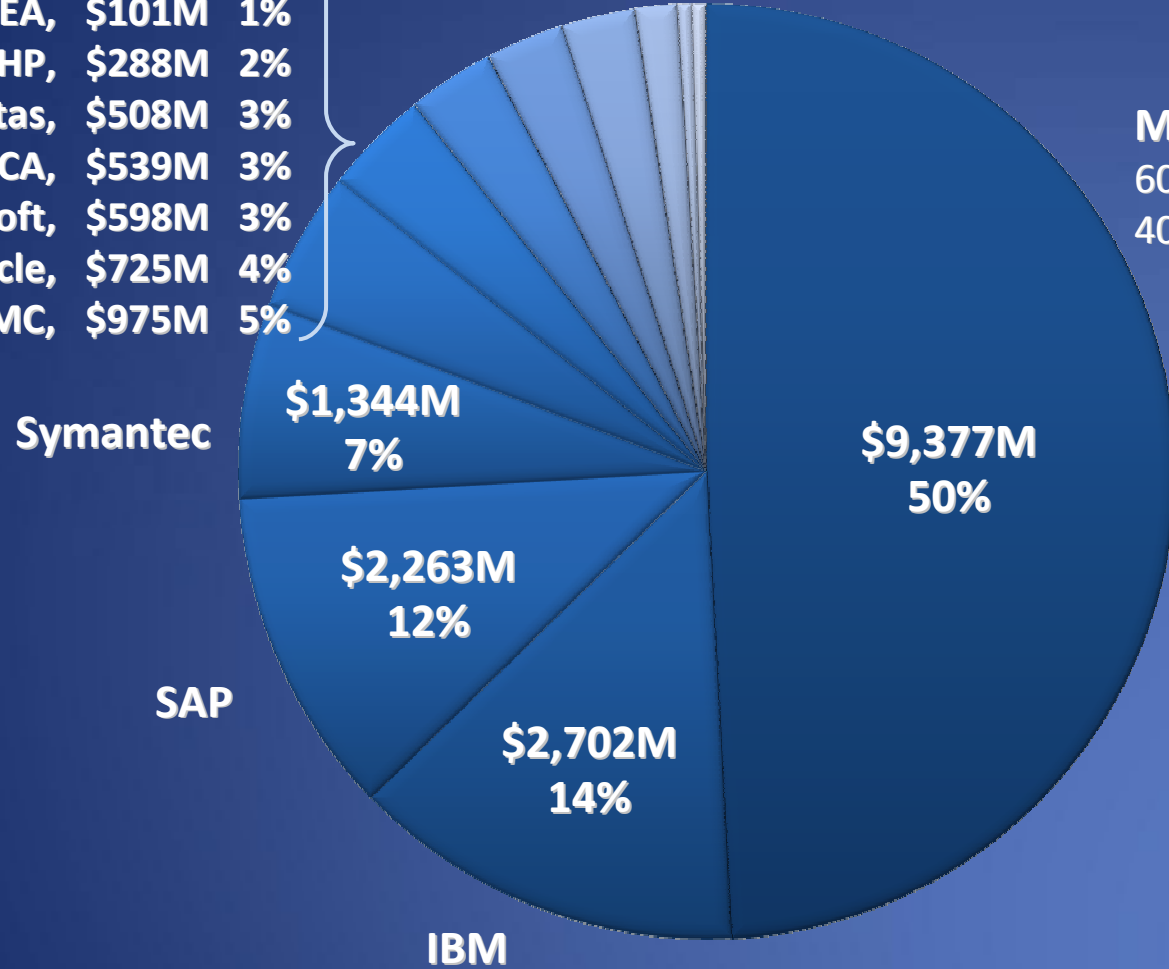
Agenda

- Why do we need to Liberate? What is happening to the desktop?
- The Microsoft Enterprise Agreement (EA)
- The Analysis Process and Output
- Why is IBM running Liberate?
- Common Questions
- Examples
- Where next?

Software Industry Growth: 2001 - 2005

Four Year Revenue Increase = \$18,792M

BMC, \$ 96M	1%
BEA, \$101M	1%
HP, \$288M	2%
Veritas, \$508M	3%
CA, \$539M	3%
PeopleSoft, \$598M	3%
Oracle, \$725M	4%
EMC, \$975M	5%



Microsoft
60% in Desktop & Office
40% in Server & Tools

Note: Revenue sum and % for individual companies is greater than the industry total due to revenue decline in other companies

Source: IDC and CSV

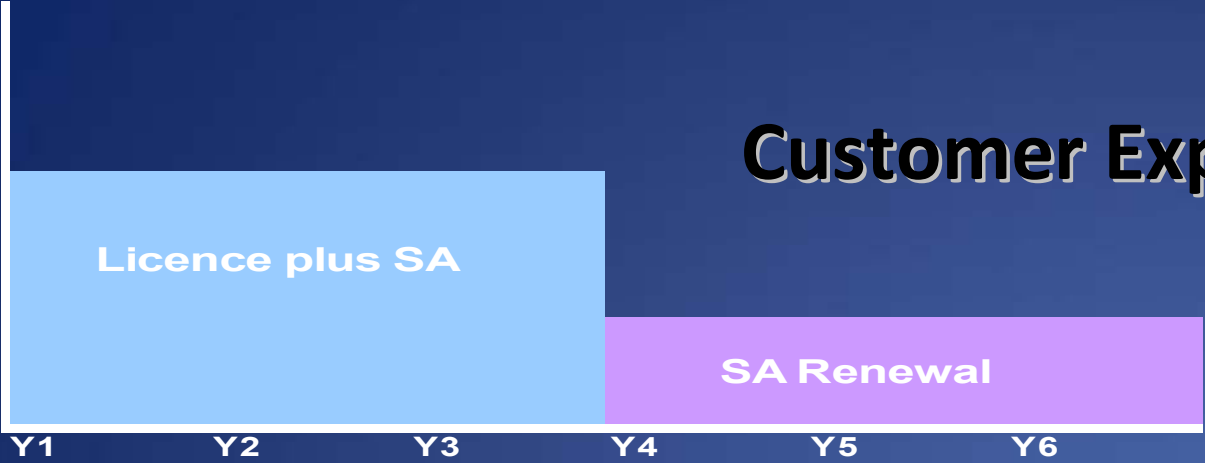
IBM/BP confidential

Microsoft Licensing

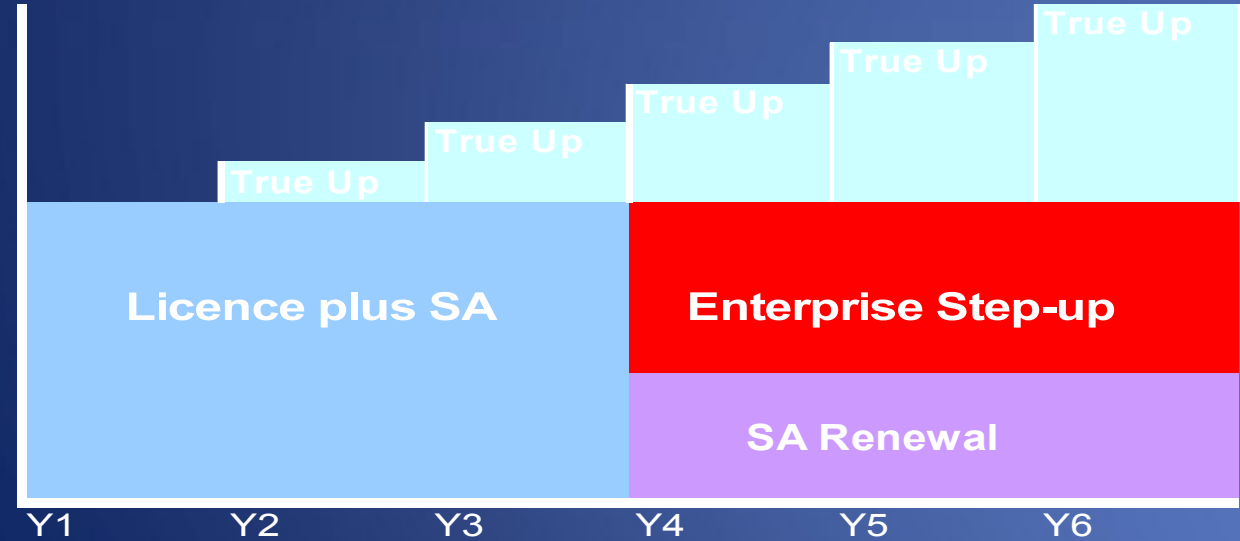
- **Enterprise Agreement (250+)**
 - Covers all Desktops
 - Typically consist of Windows upgrade, Office and the Core Cal
 - Some discounts available according to size (not on maintenance)
- **Select Agreement (250+)**
 - Used for servers/solutions that are not used company wide
 - Discounts available according to amount of deployed software
- **Open Value (5+, companywide/non-companywide)**
 - 10-23% discount depending on commitment
 - TechNet Plus, Access to limited support – 2 calls/year, One critical issue/year
 - Deployment planning and Training assistance
 - Software Assurance included
- **Open License (5+)**
 - Two price levels – Open Business and Open Volume
 - No support entitlement



Customer Expectations



Reality



Enterprise Agreement

The theory:

- Simpler
- Less Expensive
- Easy to administer
- **Drives standardization and lowers total cost**
- **Simplifies licence administration and budgeting** - Cost is amortized in annual payments over 3 years
- **Ensures compliance**
- **More value, more manageability, and more assistance through Software Assurance**
- **Extends benefits of volume licensing to all affiliates**

Enterprise Agreement

- [A few of] The Pitfalls

- Customers must license all desktops in the organization
- Customers may end up paying more than by buying the same products as and when deployed
- Must 'True-Up' each year, but [mostly] can't 'True-Down'
- Customers are paying for products they do not use.
- The "free" message pushes the use of new technologies
- Locked in for 3 years (Can't escape before end of contract)
- If/when Microsoft slips announcement dates on product, customers miss out on new releases

Microsoft Licensing Analysis

Understanding what the right contract is for your organization

1. Gap Analysis

- Begin with an initial inventory of the licenses you have acquired via OEM, Select, Open or Enterprise Agreements (EA)
- Plot the products you are using
- Map the licences bought vs. current usage

2. Historic analysis

- Create a history of Microsoft product deployment over the last 3-5 years
- Put a special focus on the Basic EA components: Windows XP Upgrade, Office & each product of the Core CAL (and also SQL Server)

3. Project your future needs based on your deployment plans

- Estimate the deployment of Microsoft products for the next 4-5 years
- Check plans vs. Microsoft product roadmaps from analysts

4. Scenario Analysis

- Model EA & Select proposals with/without SA to match your specific product deployment plans
- Quantify the benefits for your organization of the Enterprise Agreement
- Compare your Enterprise Agreement proposal to the Select Agreement proposal plus EA quantifiable benefits cost

Example Output Summary

	2009	2010	2011	2012	Total Cost	Savings vs renewing EA	% Saving vs EA
New EA	2,520,429	2,520,429	2,520,429	2,520,429	10,081,714		
Select w/Office pro plus license only	1,985,932	1,107,838	1,107,838	1,107,838	5,309,447	4,772,267	47%
Select w/Office std license only	1,975,375	1,466,981	1,466,981	1,466,981	6,376,319	3,705,395	37%
Select with Office std without windows upgrade	1,606,126	928,267	928,267	928,267	4,390,927	5,690,788	56%
Select with Office std without windows upgrade & Limited SA for servers	455,465	455,465	116,536	116,536	1,144,001	8,937,713	89%

Cost Comparisons in £ Sterling
15000 Desktop Organization

Why is IBM running Liberate?

- **What's in it for you:** We want to help YOU to run IT operations efficiently. We can share our experiences of other clients, and indeed IBM itself, to show how to get the best value without affecting technology roadmaps.
- **What's in it for IBM:** Customers appreciate that competition between suppliers keeps prices lower. We would like to 'level the playing field' allowing us to offer alternative solutions to Microsoft, and to demonstrate our value – to win future business.
- Gartner recommends a similar approach, and recommends that Software Assurance be reviewed in conjunction with the Microsoft product roadmap
- We offer the engagement free of charge because it is a 'no-risk' option for the customer

1. End to End Platform 
2. Application Development
3. Collaboration
4. Enterprise Portal
5. Integration
6. Mail
7. Data Management
8. Systems Management
9. Workplace Client Solutions

Information from Analysts

- **Forrester**

- Successfully Negotiating Your Microsoft Licensing Agreement - Seminar July 25, 2006

- **Directions on Microsoft**

- Understanding Software Assurance - Presentation Oct 19,2005

- **Gartner**

- Best Practices for managing Microsoft licenses, Oct 20 2004
- Microsoft Licensing Negotiations: Getting the best deal, Oct 31 2004
- 5 leverage points to use when negotiating with Microsoft, June 5 2006
- Common Questions About Microsoft Enterprise Agreement Renewals, May 2008
- Choosing Between Microsoft's Select and Enterprise Agreements, March 2008
- Issues to Consider When Deciding Whether to Renew a Microsoft Enterprise Agreement, April 2008

Specific Areas of cost saving

- Double Licensing
- Software Assurance up to 29% of total cost
- Providing releases that will never be deployed
- True-ups annually (No True-downs)
- Proprietary Lock-in - seeded by “Free” CAL's
- Professional versus Standard or Open Source
- Average savings of \$300-\$800 per desktop

Implications

- How will any customer be able to negotiate with Microsoft if their interdependency strategy to the market dominant products is growing?
- What customers are telling us is that the Microsoft strategy wil not allow them to:
 - 1) Be able to break the EA due to requiring the latest versions to implement all the collaborative functions.
 - 2) Stop paying the SA for products they do not need to upgrade like Office.
 - 3) Have any negotiation power (As all the products will be interdependent and will be impossible to leave any one of this products).

Common Questions

- There's no such thing as a free lunch!
- I get advice from my Microsoft Reseller on the best contract for me...
- Gartner, and other consultancies offer a similar service, why should I come to IBM?
- You just want to persuade me to buy alternative products from IBM
- I have signed a NDA with Microsoft that prevents me from disclosing my licence costs

Reference 1

60,000 User Bank

- Needed to reduce costs, particularly on desktop
- Used new knowledge as a tool to force Microsoft into a creative deal that met their needs
- EA re-signed, but \$10M saved through understanding how an alternative costing model would work (30% of normal cost)

Quote from customer's Director of Infrastructure Planning:

"Until we put the information that you had prepared in front of Microsoft, they denied that any customizing of an EA could be done"

Reference 2

95,000 User FMCG Brand Leader

- Microsoft global account, reliant on Windows technologies
- Hard-nosed renegotiation caused the customer to examine the true value
- EA reduced to CAL & Server Model only, without incorporating new product. \$63M saved on initial quote from Microsoft

Quote from customer's Director of Strategic Alliances:

"Microsoft took us for granted, and believed they could railroad us into taking whatever was put in front of us. Using the modeling technique delivered by IBM, we were able to clearly see the real options and select the one that was best value"

What are customers doing?

- Talking to alternative vendors
 - They have alternatives to collaboration AND to the O/S
 - Looking at Open Source.
 - Looking at Employee choice models. Windows, Linux, Apple.
 - Looking at appropriate email and collaboration.
- Looking at Asset Management
 - Productive use of what you have – Tivoli, Scalable
 - Managing the Software Asset Lifecycle – How to not be at the mercy of vendors.



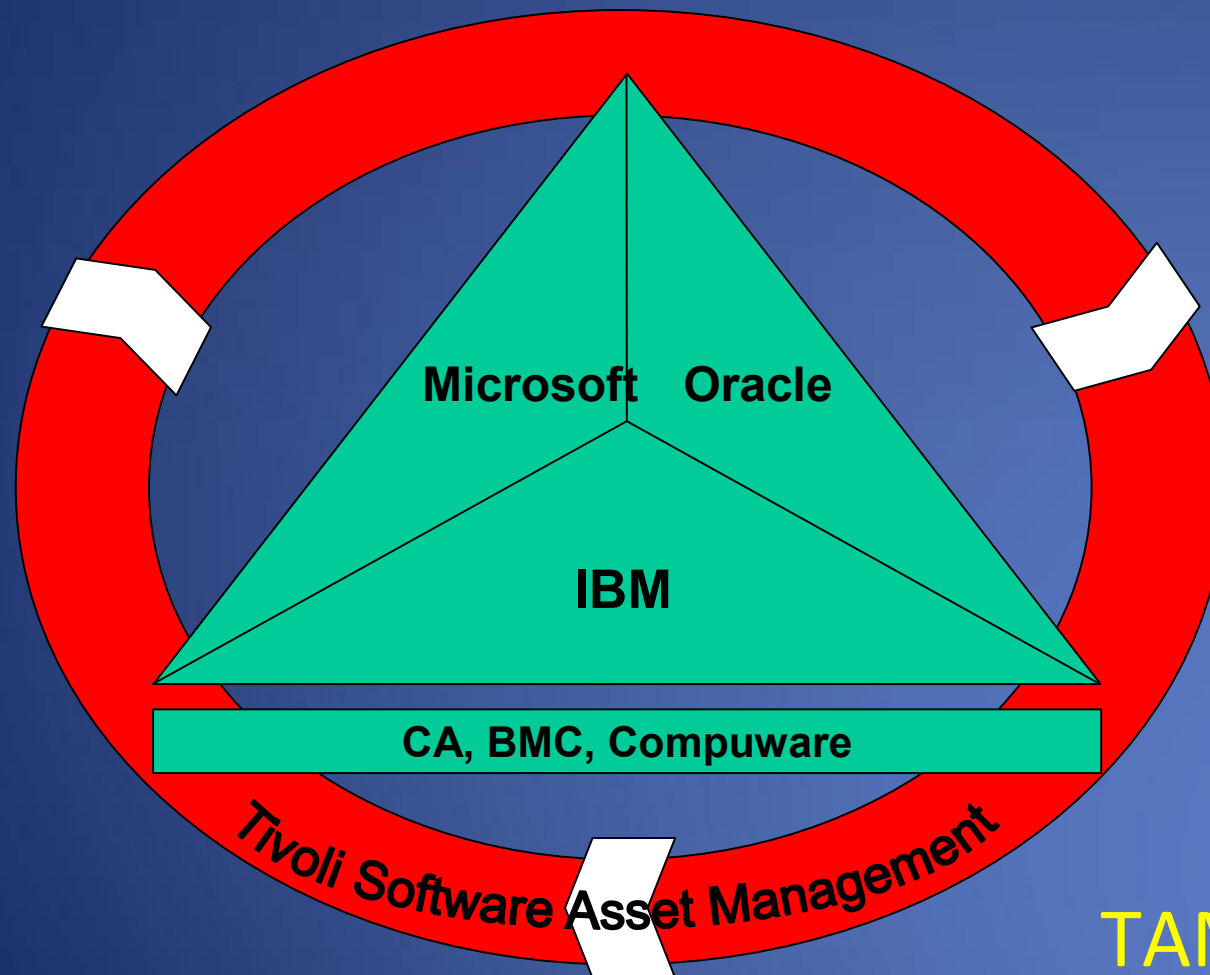
IBM Lotus Symphony



- How can I take advantage of licenses that I have already paid for, and make best use of Open Source
- How do I know who could be using Symphony?
- How much education does it take for my users to be productive in Symphony?
- How can I mitigate the risk of Open Source?
- Which customers are using Symphony?

How do we manage licences now ?

- Software Contract Management outside of the EA



30 Second Business Case

- With Liberate, you could save between \$300 and \$800 per desktop of budgeted spend over 3 years
- With the saving you could:
 - Fund key projects as yet unsupported in the budget
 - Reduce other cost saving activity that is less desirable
 - Fund more asset management to maintain contract control, and help predict renewal costs
 - Fund new technologies to enable transformation