Executive Licensing Series

Minimizing the cost of mobility initiatives and device proliferation on your Microsoft® Enterprise Agreement

This document is the “Explore” report for the Licensing Toolkit. For more in depth information on planning your strategy, consult the associated Planning Guide. The execution focused ROI Scout™ will provide you with guidance on executing your plan. The optimization focused ROI Optimize™ will help you follow through once execution has been completed.
Minimizing the cost of mobility initiatives and device proliferation on your Microsoft Enterprise Agreement

A review of current device licensing under the Enterprise Agreement and options for leveraging new user based licensing models to reduce True Up costs

by James Tyler

WHY READ THIS REPORT

In the face of the current economic climate, CIO’s across the region are being asked to continue cost reduction and containment initiatives while providing business users with increased capabilities to be productive from anywhere and on any device. This has led to unlocking new features on existing devices, an increase in the number of devices per user and in many cases a re-evaluation of the underlying technology infrastructure that supports these users such as in the case of BYOD or VDI.

This explosion in devices is leaving CIO’s in the face of a huge bill at their annual Enterprise Agreement True Up which has historically focused on per device licensing. Microsoft has also recognized the growth in devices means a growth in potential revenue and is clamping down on customers to ensure devices are properly licensed.

This report will review how devices are licensed under the Microsoft Enterprise Agreement and provide an overview of new cloud based licensing options from Microsoft that can help reduce the overall cost of organization device growth.

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The information in this report is focused on customers with a current Microsoft Enterprise Agreement. Licensing options will differ materially under other licensing programs such as Open or MPSA.

All prices quoted in this document are based on Microsoft Open License Estimated Retail Price list and are indicative prices only. EA pricing will vary substantially.

Related Content

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June 5, 2015
Changes in technology and productivity are driving explosive device growth

Gone are the days when employees were chained to their desk using nothing but a desktop to get their work done. The change in market forces, global competitiveness and a new-work force of internet connected employees is giving rise to the deskless workers. These individuals expect to be able to work anytime, anywhere on multiple apps and using whatever device is most convenient: desktop at home, laptop at work, tablet in a client meeting, or smartphone everywhere. The convenience of mobile devices sets the bar for what your mobile workforce expects: They want access to the Internet and to all their business tools from any location on any device.

Organizations are also quick to embrace this new way of working. A recent study by Forrester research showed that 63% of firms surveyed were exploring using mobile devices to help drive customer engagement. 38% wanted to use these devices to help drive customer satisfaction and another 35% were exploring scenarios for customer acquisition.

A second study by Cisco Systems showed that the average knowledge worker had 2.8 devices in 2013 and that number is only set to grow. Think of all of your employees who have a laptop and a phone, or perhaps executives with a laptop, desktop and two phones or perhaps that upcoming initiative to give all sales staff a tablet in addition to their desktop and phone so they can be better sellers while away from the office.

Against this backdrop, IT is now left with the task of managing this growing number of devices. And while the infrastructure has been put in place, our experience in the region has shown us that licensing all these devices has been an afterthought. Microsoft has also realized that these devices present a large revenue opportunity and has become central to the recent growth in SAM and audit engagements with the average bill for compliance set at up to $150 per device for mobile phones and up to $1,000 for a qualified device such as a laptop or tablet. Thankfully, there are better and more economical ways to attain compliance.

A primer on Microsoft’s desktop licensing strategy

To understand how an organization got out of compliance, what options are available and how to minimize the financial implications, we have to realize that the Enterprise Agreement itself is structured around devices, qualified devices to be specific and understand the logic behind licensing them.

According to the Microsoft Enterprise Enrollment:

“Qualified Device” means any device that is used by or for the benefit of Enrolled Affiliate’s Enterprise and is: (1) a personal desktop computer, portable computer, workstation, or similar device capable of running an instance of Windows Professional locally (in a physical or virtual operating system environment) or (2) a device used to access a virtual desktop infrastructure (“VDI”).

Additionally, the Enterprise Agreement defines a specific group of products, including Office, Windows and the CAL Suites as “Enterprise Products”. These products may only be licensed company wide in the EA and since they’re being ordered across qualified devices, must all have the same count.

If ordering any enterprise products, enrolled affiliate’s order must include coverage for all Qualified Users and/or all Qualified Devices in any Product pool an Enterprise Product is ordered in.

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Finally, with an understanding of Qualified Devices, we’ll look at the Enterprise Products that must be enrolled across all Enterprise Devices and their licensing mechanism. This will help get a handle on how un-suited most Enterprise Agreements are when it comes to licensing multiple devices and set the stage for a better understanding of the available options.

The Microsoft Enterprise Desktop, comprised of Microsoft Windows SA Upgrade, Microsoft Office Professional Plus and the Enterprise CAL Suite is currently the de-facto method for licensing devices in all the agreements we come across.

**Microsoft Office Professional Plus** is the productivity suite that includes Word, Excel, PowerPoint, OneNote, Outlook, Publisher, Access, InfoPath and Skype for Business. Microsoft Office Professional Plus has always been and will continue, for the foreseeable future to be licensed on a Per Device basis. There is no Per User licensing option although there are add-on licenses that can enable per-user like scenarios. These will be covered in the next section.

**Microsoft Windows Upgrade** is the upgrade license from the Windows Pro OEM to Windows Enterprise. The Windows Upgrade license also, always has been and will continue to be licensed on a Per Device basis. There is no Per User licensing option. Like the Microsoft Office Suite, there are add-on licenses that can enable per-user like scenarios.

**The Enterprise or Core CAL Suite** includes Client Access Licenses which provide the right to access services for Microsoft Windows Server, Microsoft Exchange Server, Microsoft SharePoint Server, Microsoft Lync Server, Windows Rights Management Services and System Center Client Management Suite. The CAL Suite has always been available as a Per Device model, and, at a roughly 15% premium a Per User model.

Historically speaking, in most organizations, the number of users exceeded the number of devices and so most organizations signed up for the device based CAL suite as part of their Enterprise or Professional Desktop purchase. In the last two years, as the number of devices and the demand for mobile productivity has continued to grow, many organizations chose to transition their CAL Suites to a Per User Model. It’s important to note here that Microsoft currently only permits a switch in licensing models at the time of renewal.

**What’s wrong with your current Enterprise Agreement**

As you can see, only the CAL suite has a per user based licensing option. That means that even organizations who transitioned over to the user based licensing model at renewal would be on the hook to purchase a copy of Office Professional Plus and Windows Upgrade for anyone needing a secondary device like a laptop. At a respective ERP price of $787 and $184 that can rack up to quite an amount.²

Organizations who are still on the device based model for the CAL Suite are being faced with requests to pay an ERP price of up to $368 to procure a full User based CAL suite licenses to cover for mobile phones and tablets that are being used solely to access email, calendaring and other LOB applications on the network.

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²—All prices quoted in this document are based on Microsoft Open License Estimated Retail Price list and are indicative prices only. EA pricing will vary substantially.
It’s this outdated device based, perpetual model and a lack of user based licensing options that has traditionally made Enterprise Agreement unsuited for licensing new ways of working and today’s mobile productivity requirements. That is, until the launch of Microsoft’s Enterprise Cloud suite in November 2014.

That said, the Enterprise Agreement itself cannot be faulted for a surprisingly large true up bill. Rather, the lack of operationally sound Software Asset Management practices are to blame for the current situation that many organizations across the region are finding themselves in.

Although far from optimal, the Enterprise Agreement has for years had options to help organizations license their multiple devices. Microsoft Office 365, was introduced into the EA in June 2011 and the Windows Companion Subscription License (CSL) has been around since October 2012. Over the last two years, Microsoft has thankfully continued to update their offerings culminating in the release of Windows SA Per User and the Enterprise Cloud Suite which now give us a cost effective way of emulating a true user based pricing model.

Available options for user based licensing

In addition to the User based CAL Suite which has been available for years under the Enterprise Agreement, we now have a number of options to emulate a user based licensing model. In an effort to aid its transition to a devices and services company, Microsoft has released all of these options as cloud services, also available under the Enterprise Agreement.

As a cloud service, these licenses deviate substantially from Microsoft’s traditional on-premise, perpetual licensing model. All Microsoft public cloud services, with the exception of Windows Azure are available in two models. A detailed discussion covering a comparison between the two models is beyond the scope of this paper but we’ve included a brief description of each for completeness of our discussion.

Add-On are an add-on to an existing license that is covered with Software Assurance. It provides all the features of the relevant cloud service but requires a base license to be added on to. As an example, the Office 365 Add On would require a licensed copy of Microsoft Office with active Software Assurance. A Windows SA Per User add-on would require an underlying Windows license with active Software Assurance.

Add-ons are ideal for extending functionality to existing users already licensed under the Enterprise Agreement and / or for organizations that would like to leverage / explore the functionality of the cloud services without committing to a full cloud based EA.

User Subscription License (USL) are a full fledged subscription license that do not require an underlying license. Like the add-ons, they provide full access to the respective cloud service. Given that the USL doesn’t have an underlying perpetual license, users of a USL need to use the software installers for the respective applications from the cloud distribution point. USLs do provide access to local services such as access to an on-premise Exchange or SharePoint Server. As a cloud service, USL’s are non-perpetual licenses.

USL licenses are ideal for adding new users with a specific function (e.g. outsourced sales people) or even any new user if the organization is comfortable managing a mix of perpetual and non-perpetual licenses.
The following cloud services are available from Microsoft under both Add-on and USL models. These services can help organizations emulate user based pricing and help employees be productive anywhere on any device while reducing the cost of the annual True Up bill. A detailed discussion on each service would be a paper in its own right. The information provided below is a brief description of each and how it relates to user based pricing.

**Microsoft Office 365** is Microsoft’s cloud offering for Microsoft Office. With over 5 different plans each with a different combination of software and services. As of this writing, the E3 and E4 SKUs, available under the Enterprise Agreement provided a user with the right to install Microsoft Office Professional Plus on up to 15 devices such as laptops, desktops, phones and tablets (iOS, Android, Windows) both at work AND at home. It also enables access to Microsoft Office services such as Exchange and SharePoint either on premise or in the cloud from up to 15 devices.

**Windows SA Per User** launched in November 2014 and similar to its Office 365 cousin, provides a user with the ability to run a copy of Microsoft Windows on up to 15 devices. With the CAL Suite available under a per user model, and the introduction of Office 365 which provided near per user licensing for the Office Suite, Microsoft realized the need to provide a similar option for Windows which it introduced late last year, retiring the inexplicably confusing Companion Subscription License.

**Enterprise Cloud Suite** is simply a combination of the Office 365 E3 SKU, Windows SA Per User and Microsoft’s Enterprise Mobility Suite (EMS) which includes access to services such as Windows InTune for mobile device management, Active Directory Premium and Azure Rights Management Services. The Enterprise Cloud suite provides an attractive price point for organizations exploring the move to a user based licensing model AND simultaneously exploring a number of services that are part of the EMS suite of product.

A further distinction to the Enterprise Cloud Suite over just the combination of Microsoft Office 365 and Windows SA Per Use is that it also provides user based licensing access to the underlying Windows Server CAL on a per user basis, an option that may be attractive to organizations who are still on a device based CAL Suite model although there are cheaper solutions when pressed for compliance.

**Applicable Scenarios**

With the introduction of Windows SA per User and the Enterprise Cloud suite, organizations now have all the ingredients in place get back into compliance without having to pay hefty true up bills for perpetual licensing while future proofing their agreements for the inevitable growth in devices. In fact, we’ve helped companies save millions of dollars by transitioning to a user based licensing model enabled by Microsoft’s cloud services—a testament to how ineffective continuing down a traditional device based path would be in an increasingly mobile workplace.

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3—You must first have licensed and installed a qualified full desktop PC operating system on your device before your PC is eligible for the Windows Pro upgrade license or Windows Enterprise upgrade license through Microsoft Volume Licensing programs.
Additionally, we’ve seen a number of common scenarios during our engagements throughout the region, and while each of them is a subject it’s own Licensing Negotiation Guide, we feel it’s important that we share an overview of these scenarios as a primer on how these different products and services come together to help ensure compliance and drive productivity.

**Licensing email workloads for BlackBerry and mobile devices**

This has become a common ground of contention between various enterprises and their respective Microsoft sales teams and we’ve seen tens of cases in the last twelve months alone. The premise is that mobile devices (phones specifically in this case) are accessing email and therefore require an applicable license. For organizations already on a user based CAL Suite model, this discussion is not applicable. Their mobile devices are considered non-qualified companion devices consuming services they are entitled to use under the user based CAL suite.

However, for organizations still on a device based CAL Suite, these mobile phones will require their own license. Technically, they only require a CAL for Windows Server (which is being used as part of the authentication mechanism) and Exchange Server which is used for email and productivity. Neither of these CALs are available as standalone CALs under an Enterprise Agreement and we therefore see Microsoft sellers proposing additional, user based Core CAL suite licenses to bring the organization back into compliance.

While the additional CAL suite licenses do technically resolve the compliance issue, they are neither the most cost effective or future proof method of resolving the problem as these licenses are likely to be dropped from the agreement at the next renewal should the organization decide to transition to a user based CAL Suite model.

Our recommendation is for organizations to explore licensing these devices either using stand alone CALs purchased under a separate licensing agreement such as Microsoft Open Licensing Program or explore one of the Microsoft Office 365 SKUs as a potential to both resolve the compliance issue and also provide users with additional benefits that can help justify and partially offset the increased cost of compliance.

For more detailed insights, a comparison of the different options available for licensing mobile devices and a detailed negotiation strategy please download a copy of our associated licensing guide.
Licensing your Virtual Desktop Infrastructure (VDI)

Licensing Microsoft’s desktop software, namely Windows and the Office Suite has always been a complicated affair for organizations. The combination of device based licensing schemes with virtual desktops often led to a net increase in the overall cost of licenses and frequently resulted in the organization moving to a non-compliant position.

The increase in cost and risk of non-compliance is best explained through an example from a recent engagement with a regional financial institution who had decided to pursue the implementation of a VDI infrastructure for 4,200 employees across its 4,500 desktops in an effort to reduce the long term TCO and enable a BYOD policy.

Under Microsoft’s device based licensing terms for VDI, EVERY device on which an employee could log into and access Microsoft Windows or Microsoft Office over VDI required a license for Windows 7 Enterprise and Office Professional Plus. Despite the fact that some machine wouldn’t be used to access productivity applications, given the potential for employees to roam between physical devices across the organization, a license had to be procured for each device that had access to the VDI infrastructure or accept the risk of non-compliance, putting the organization on the hook for an additional 300 Microsoft Windows and Microsoft Office Professional Plus licenses.

As of the July 2013 Product Use Rights (PUR), Microsoft had permitted Volume Licensing customers to use Office 365 in a virtual environment, entitling each user to activate and run the software for local or remote use on up to five concurrent OSEs. Combined with Microsoft’s recently released Windows SA Per User license, the organization was able to save the cost of procuring an additional 300 licenses while providing the organization with additional benefits from Office 365 and Windows SA Per User including:

- Employee access to Microsoft Office on up to 15 devices at work and at home
- Future proofing the organization’s licensing scheme to support upcoming BYOD initiatives
- Rolling out additional capabilities from Office 365 including Yammer and Microsoft OneDrive

Licensing software in a VDI environment remains a tricky process and despite being made simpler with the advent of user-like licensing with Office 365 and Windows SA Per User, organizations need to continue to be on the lookout for other software that can pose a risk of non-compliance in an audit or large true up bill such as Microsoft Project and Visio.

For more detailed insights into licensing Microsoft software in a VDI environment please download a copy of our associated licensing guide.
Enabling mobile sellers or remote workers

Mobile sellers and remote workers have become the hallmark of the modern organization as companies strive to spend more time in front of and enhancing customer experiences. This new breed of employees has introduced additional cost and infrastructure complexity as new devices such as tablets and smartphones have become a part of this new way of work, supplementing existing laptops and desktops.

With a device based strategy, each new qualified device would require its own license which, depending on the licensing program in place could range anywhere from $800—$1,300 per device. With such figures, its easy to see how mobilizing a sales force of 200 people could incur a large sum of money under traditional licensing models.

By choosing the right device for each use case and correctly leveraging new, cloud subscription based licensing models organizations can hope to achieve a much more cost effective way of driving additional productivity scenarios.

As can be seen, a detailed understanding of Microsoft’s Product Use Rights, organizational entitlement and leveraging cloud add on licensing can help organizations unlock substantial value—driving additional productivity scenarios while keeping costs contained, and in many cases, actually driving a reduction in costs.

With so many scenarios and potential for cost savings and productivity benefits, it’s impractical to cover every conceivable scenario in detail in this report. We do however pull on the experience of our engagements to publish additional, focused licensing guide for the various scenarios that we encounter throughout the region.
About PLAN{X}

Reducing cost and ensuring compliance. At PLAN{X} that’s what we’re all about. As ex-Microsoft “Blue-Badge” employees, not only are we an authority on software vendors and their licensing practices, we also know the region, negotiation styles, rules, culture, priorities and programs first hand.

Through our engagements, we bring our knowledge, insight and experience and support to help level the playing field in your software negotiations, delivering measurable results every step of the way. We ensure your success by providing:

- Licensing advisory & Optimization
- Asset Management Process Audit & Consulting
- Audit and SAM Defense
- Contract Negotiation Support
- Software Asset Management As A Service
- Organizational Training & Development

For More Information

To find out how PLAN{X} can help you ensure organizational compliance, deliver savings on software contracts and maximize utilization of existing software assets, please visit us at www.planxme.com. Or reach us by visiting www.planxme.com/contact-us.