Miro Consulting
The world's software license management expert

Negotiate A Microsoft Enterprise Agreement: Saving Cost and Time

Companies don't have to accept the opening bid or the initial "discounted price" given to them when purchasing or renewing Enterprise Agreements with Microsoft. With proper planning, proactive management and intimate knowledge of software licensing, companies can save up to 30 percent — sometimes much more — on licensing fees.

There are several key points to consider when negotiating Microsoft Enterprise Agreements, and the smart software licenser can identify and capture big savings quickly if armed with the right information. In fact, larger, longer-term savings are available to customers who control the buying cycle and are proactive, not reactive, with their vendor management – even when the vendor is Microsoft. Key issues to consider during any license review process are:

1. While Microsoft may come to you with "unsolicited" offers that look attractive at first glance, remember that these offers are rarely, if ever, structured for your best cost/benefit and technology needs. Build your deals based on your own core requirements and plans – and not by haggling against Microsoft's opening offer.
2. Microsoft and their Enterprise Software Advisor (ESA) partners closely control access to price lists, deal options and

Continued on page 3

INSIDE THIS ISSUE

The Limitations of License Mobility

Microsoft's Product Use Rights state very clearly that you may not reassign licenses on a short-term basis (within 90 days of the last assignment). However, licenses can be reassigned sooner if the licensed device or server is retired due to a permanent hardware failure. That's a constraining and very strict rule that talks about when the 90-day timeframe is set aside and it talks specifically about hardware failure.

Given the strictness of that rule, without License Mobility you could only move the licenses to a server every 90 days. What that means then is that in order to be properly licensed amongst the hosts in a cluster, you would have to have enough licenses assigned to each of those nodes to cover the peak number of virtual instances that could be moved to that server at any given time. While the licenses or environment may call for, say, half a dozen licenses, you might need 20 simply because you've moved these instances from physical node to physical node within the cluster.

Now, looking at SQL Server as an example, all of the cores on all the hosts in the cluster must be licensed and covered by Software Assurance. This now expands your rights to allow any number of instances of that software to run in any number of virtual machines within that farm. In the case of SQL Server that is not covered by Soft Assurance, you're limited to the number of licenses that you're actually running (core licenses). If you have a total of 16 cores within that cluster, License Mobility rules without Software Assurance state that you can only have 16 instances of support SQL Server.

It's complex and easily misconstrued but it's a trend that we're seeing over and over again. Microsoft is associating Software Assurance to many, many new benefits - License Mobility is just one of them.

Software Assurance Versus Premier Support

Software Assurance is not support. Support for software that has been legitimately licensed is a licensing right. You are entitled to support by virtue of purchasing the license. Having said that, there is a connection between Software Assurance and support and it comes from the amount of your Software Assurance spend.

For each $20,000 in Software Assurance spent for the Server pool which includes Windows Server, SQL Server, CALs, etc., a single support incident is granted (yes, just one). For the Application pool — which is Office or Vision or Project, etc, and the System pool (which includes the Windows client) — there is a single support instance granted for each $200,000 in Software Assurance coverage.

For mission critical applications, Microsoft offers Premier Support. Premier Support is an annual contract in which a defined number of hours for specific disciplines are chosen. The most popular of these disciplines is called Problem Resolution Support (PRS). These disciplines are pretty rigorously enforced because Microsoft uses those numbers to calculate the required types of resources and the number of resources or support professionals that need to cover that contract.

If you are considering a Premier Support contract, it doesn't come cheap ($40,000 and up). A Premium Support contract would be something to consider if you are contemplating an upgrade to Windows 8, or another complicated rollout for which you foresee needing additional support.

Office 365 — Is it too Cloudy?

As of October 2013, Microsoft reports that 90 percent or more of its Office 365 business customers have been upgraded to the new underlying foundation of Exchange Online, SharePoint Online and Lync Online. The upgrades for the remaining business customers are anticipated to be completed within the next several months.

Many organizations are considering Office 365, including many small/medium-sized businesses – a group which comprises the lion's share of Office 365 subscribers since June 2011.

But there are caveats... First, the licensing can be extraordinarily complex with dozens of new SKUs or part numbers for Office 365 offerings. So determining which plan to purchase, like with most Microsoft licensing issues, relies on the starting point (i.e., the current environment) and the objective (i.e., the planned environment).

Second, Office 365 – at some point to be hosted on Azure – will adopt the more rapid update frequency that the other Microsoft teams have. So this prompts the questions: How might this affect home-grown applications that are tightly coupled with Office Applications? And what are the alternatives? By ceding deployment, support and the authority to implement updates to Microsoft, an organization is essentially relinquishing control over certain aspects of their operations – perhaps mission-critical ones – to the procedures and practices of Microsoft.

Another way of viewing the hosting of tightly coupled applications is that the organization could effectively be deciding to decouple these applications, to sunset them, to invest in other solutions, or to maintain a local copy of the software that supports these applications. It's essential to assess the advantages and disadvantages that accompany each of these scenarios.

PR Newswire
United Business Media

"Working with Miro Consulting, PR Newswire saved an estimated 30 percent on Microsoft licensing fees. We will also see approximately 12 percent in ongoing savings versus previous purchase costs, which we intend to reinvest toward additional product innovations for our customers."

– Andy Murrell, manager,
Global IT Procurement of PR Newswire

Saving Cost and Time, continued from page 1

information that might help customers better customize deals. Without expert assistance, you are at the mercy of these representatives when exploring and negotiating options.

3. While Microsoft positions Enterprise Agreements as "direct" deals with your company, in reality it is the reseller (or your ESA in many instances), who earns commission from the sale. It is important to require your ESA "partner" to earn his or her commission by supporting you in the negotiations and by offering other value-added services. However, ESAs are managed tightly by Microsoft and cannot aggressively support your negotiations.
4. A careful analysis by an expert familiar with Microsoft's policies will help you understand the company's pricing and your complete out-of-pocket costs for the licensing agreements, and will develop a plan that gives you the most benefit for the least cost. This expert can be an internal staffer but more frequently is an outsider whose sole business is understanding and maximizing enterprise software licensing.
5. Never assume that your Microsoft representative or ESA will accurately price your offer or even compute the totals correctly. While these errors will likely be caught during the contract review/final pricing process, fixing them will delay implementation and create extra work for all involved.
6. While Microsoft may offer you software support options at a reduced price, those costs may still be well above market value for comparable services from third party providers.

By keeping these six lessons in mind and working with an expert outside consultant – Miro Consulting – a Northeastern financial services company recently saved nearly one third of its anticipated Microsoft enterprise licensing costs.

Companies spend 30% more (on average) than they have to on software licensing fees.

Does MSDN Need to Be Licensed for SQL Server Database?

The Microsoft Developer Network (MSDN) is a subscription-based offering for all commercial and consumer products that Microsoft offers. The subscription is Per User. MSDN can be a very cost effective way to secure licensing for your development and test environments. So, rather than licensing Windows Server or SQL Server or SharePoint Server plus all of those requisite CALs, each person with an MSDN license may install and use that software on any number of devices to design, develop, test and/or demonstrate their programs. They can also be used in those environments for diagnostic issues, for example, to debug programs once they've been deployed into production.

Microsoft licensing rules require that each person who uses the software created within that MSDN environment must also have a license. To clarify — the tester of an application, which resides in an environment in which a licensed MSDN developer has created an application, must also be licensed with an MSDN subscription. Microsoft insists that if the non-licensees are using these servers then these servers must be fully licensed. A solution we have come up with for this problem is to isolate the two environments to be a MSDN environment and a non-MSDN environment.

We found your report to be quite invaluable. Thanks again for your assistance.

– John Burnett,
Huron Consulting Group

Licensing SQL Server in Low Versus High Density Virtual Environments

Our recommendation is to plan that environment, look ahead very carefully, very deliberately, and then do the math and find out which way represents the most affordable method for you.

Licensing SQL Server is often confusing, and the rules have changed. Here is a snapshot of how to license in high and low density virtual environments:

For smaller environments or low density environments the option to license individual virtual machines can be considered. When licensing by core, each virtual core or virtual thread in a hyper-threading architecture must be allocated with a minimum of four cores per virtual machine. This can be a very attractive configuration when the physical server is very dense and only a small percentage of the cores are supporting SQL Server.

For the Standard Edition and the Business Intelligence ("BI") Edition which can be licensed in "Server+CAL" metric, one server license is required for each VM.

For the larger or high density environments, the arithmetic works against the individual virtual machine licensing scheme, so licensing the physical server is more effective. In the "Server+CAL" metric, the license entitlement for the BI and Standard editions is one instance — either the physical instance or the virtual instance. For Enterprise Edition, which is no longer available except as an extension of Software Assurance, a single license in the "Server+CAL" metric entitles you to up to four instances.

You cannot have a conversation about Microsoft licensing without mentioning Software Assurance, and in this case Software Assurance also plays a key role in maximizing your virtual environment in the "Per Core" license model. Unlimited virtual machines supporting SQL Server are an entitlement under two conditions:

(1) When all the physical cores are licensed; and

(2) When all of these licenses are covered by Software Assurance — in other words, unlimited virtualization in SQL Server has now become a Software Assurance benefit.

That same configuration is also necessary when virtual machines supporting SQL Server might be moved from one node to another within a multi-node cluster. Software Assurance will not only provide you with unlimited virtual instances but also license mobility. Our recommendation is to plan that environment, look ahead very carefully, very deliberately, and then do the math and find out which way represents the most affordable method for you.

Definitely count us among your satisfied customers! Our licensing negotiations with Microsoft were long and painful (no surprise, I'm sure), but I feel that we were able to get the best possible deal from them. Thanks again for helping us out!

– Craig Penner,
Stream-Flo Industries Ltd

Licensing Oracle in Windows Azure

Microsoft and Oracle have an enterprise partnership that will allow their customers to run Oracle software on Windows Server Hyper-V and in Windows Azure. Customers will be able to deploy Oracle software — including Java, Oracle Database and Oracle WebLogic Server — on Windows Server Hyper-V or in Windows Azure and receive full support from Oracle. This essentially makes the Windows Azure platform the equivalent of Amazon's Elastic Compute Cloud or the EC2 environment and it makes Azure an alternative to the EC2 environment.

Customers, who prefer a Windows server and Microsoft's Hyper-V technology, can now deploy Oracle products in an Azure platform. Licensing in this scenario gets tricky since we are talking both Microsoft and Oracle. Oracle's licensing rules state that customers are required to count each virtual core as equivalent to a physical core in that cloud environment. This policy applies to all Oracle programs licensed with a Processor metric. There are limitations that exist for the down edition products for Oracle database. For Oracle Standard Edition and Oracle Standard Edition 1, the licensing is calculated based on the size of the instance.

Licensing, or subscribing to, more correctly, Windows Azure is separate and distinct from Oracle licensing. There are various options ranging from a pay-as-you-go or a transactional model to committed spending plans with terms of 6 months or 12 months. If you opt for one of these latter plans – the way you elect to pay for these programs, in advance or on a monthly basis – influences the posted discount rate that Microsoft offers.

Because of the different licensing rules and compliance requirements, consider how the cost will compare with an on-premise deployment, which will be determined by what an enterprise does with the software and how many licenses will be purchased from each vendor in order to remain compliant

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About Miro Consulting, Inc.

Miro Consulting is an IT and software asset management consultancy focused on lowering the total cost of ownership through hardware and software optimization. Miro specializes in Oracle, Microsoft, IBM and Adobe licensing management & Oracle hardware assets. Services include, but are not limited to Adobe, Microsoft and Oracle license assessments and vendor audit consulting; contract negotiations; technology evaluations; hardware management programs; and virtualization consulting. For more information, visit us at www.MiroConsulting.com.

Miro Consulting services includes:

- Contract Negotiations
- Cost Containment Services
- Server Consolidation Services
- Software Asset Management
- Software Vendor Audit Services

Miro Consulting services focus on:

- Adobe
- IBM
- Microsoft
- Oracle

I really appreciate your approach and I'd recommend it to anyone negotiating with Microsoft.

– GK, Boston

(Fortune 50 Space & Defense Co.)

How Microsoft Enterprise Agreements Affect SQL Upgrades

Microsoft offers a trade-in program for their SQL server 2012 licenses. Before considering this, it's important to understand that "qualifying" licenses as Microsoft defines them are those that were covered by Software Assurance when SQL Server 2012 was released. Therefore, under an active Enterprise Agreement, these licenses would have been considered qualified because Software Assurance is inherent under an Enterprise Agreement.

There are multiple factors to consider relative to this trade-in program and we can't possibly cover all in one short article so, we'll draw upon the SQL server Enterprise Edition 2008R2 as an example, which is licensed in the Per Processor metric.

With Software Assurance being renewed on these licenses, the customer would be eligible to convert to the Per Core metric of SQL Server 2012 for the equivalent number of cores. The numbers of those per core licenses is determined using one of the following calculations:

(A) The actual number of processors multiplied by the actual number of cores per processor; or

(B) The number of processors multiplied by four, whichever of A and B is greater; or

(C) The number of Per Processor licenses that were assigned to the server multiplied by four – this is referred to as license "stacking".

Option C speaks to when we have allocated more licenses to the server than Microsoft would consider as "standard" for the edition of SQL Server. The reality is that the conversion can be a very, very complex situation and Microsoft's calculations are and can be difficult to verify. It's truly important to work through it very carefully and perhaps even with the assistance of a licensing expert.

Take note of the term "being renewed." The trade-in takes effect at the renewal of Software Assurance. So that means re-upping, re-enlisting for another term of Software Assurance, which makes this trade-in something less than free. This is not a scenario that never ends. The qualification of licenses ends on April 1, 2015. If you have an Enterprise Agreement that is being renewed in the months ahead, you'll want to start preparing soon.

Miro Consulting's cost containment strategies begin with a confidential, comprehensive licensing and compliance review. Each client receives a customized plan to fit their business needs in order to obtain the best price as well as terms and conditions. The company also offers ongoing software asset management programs that include a meticulous audit, analysis and implementation of strategy.

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After reading this guide, if you feel that you need more information, please call or email us. The contact information is on the last page. If you are not sure what makes sense for your business, we would be happy to send more information so you can make the best possible decision. Questions? Comments? Ideas? Contact Us!

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