

Microsoft Price Increases and your Renewal Readiness



Insight 

 Microsoft

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In August 2021, Microsoft announced changes to their pricing for Microsoft 365, their first significant pricing update since Office 365 was launched some ten years ago.

During this time Microsoft has brought innovation and value-led change to their solutions, enhancing employee experience with tools such as Microsoft Teams and Power Platform. They've also leveraged their global cloud capability to enhance security and compliance offerings. And they continue to drive innovation in AI and automation.

It's no surprise that price increases were on the way, even with the increases Microsoft offers a competitively priced platform, packed with a range of features not seen ten years ago.

Whilst the increases change depending on the product suite, based our customer base analysis, these changes will average out at a 13% increase in the Office / Microsoft 365 suites. See the table below for more detail:

Microsoft Solution	Increase
Microsoft 365 Business Basic	20%
Microsoft 365 Business Premium	10%
Office 365 E1	25%
Office 365 E3	15%
Office 365 E5	9%
Microsoft 365 E3	13%

We've learned from our customers that these changes have, at best, disrupted the significant spend and portfolio optimisation objectives of software and technology category procurement professionals the world over. At worst, they impacted the demand management and budget planning activities that have already been completed, disrupting procurement objectives.



Prepare

According to industry analysts, organisations can cut software licences by up to 30%. With businesses facing a 'new normal' following two years of lockdown and significant changes in ways of working, they have increasingly been looking to cost-cutting.

Review and optimisation of Microsoft licensing spend is a complex yet valuable activity, particularly when it comes to your renewal. Many organisations get by without performing optimisation, and organisational growth doesn't significantly impact the minor annual spend increases that we've come to expect.

With the price changes not going away, IT and procurement professionals are increasingly re-thinking how they are going to handle their forthcoming renewal. With the best deals often to be found at Microsoft's end of financial year in June, many customers are aligned to this milestone month for the renewal of their agreements, leaving very little time to plan and react to these changes.

Effective and optimised renewals involve establishing technology roadmap and planning for technology requirements over a multi-year period. Microsoft will want to position and drive future technology adoption in the run-up to the renewal, taking focus away from the price increases. At the same time, it's important to get the strategy right as planned future technology adoption can play a significant part in the discounting offered by Microsoft for the total deal.

Microsoft renewals should always consider future strategy, but not at the expense of understanding and rightsizing current consumption. When it comes down to brass tacks, who really wants to pay for something they don't value or use? Businesses must not lose sight of the opportunity to rightsize and mitigate these price increases, but to do so requires preparation, data and information.



Where to start

The best time to start preparing for your next Microsoft renewal is usually '6 months ago', but the second best time to start is today. Even for organisations 18 months out from renewal, establishing and maintaining visibility of Microsoft usage throughout the business will deliver results and support long term spend reduction. Sure, the prices may not decrease, but there are usually a raft of savings to be found through optimisation, not just in Microsoft 365 but right through the Microsoft stack. Focusing on these will get businesses towards '30%'.

'It's about getting into the nitty gritty of what employees are actually consuming' says Karan Minhas, Insight's Microsoft Principal Consultant, 'with Microsoft directing focus on new technology adoption and the commercial incentives that come with it, organisations sometimes lose sight of the major cost optimisation opportunities that come from getting your hands dirty with the data and building real insights into how the technology is being used. We find that it's by getting into the detail, procurement and IT stakeholders can deliver greater value to the business through the renewal process.'

So before paying more for your Microsoft software licences at renewal, procurement and IT operations teams have an opportunity to figure out whether everyone needs all the functionality, features and capabilities being used by the workforce and major business applications.



Where to look

There are a range of focus areas that can be reviewed to rightsize, to pay only for what you need. Businesses are incentivised to ignore these by focusing on long term strategy and spending on licensing to reduce operational overheads and management. Governance, however is key - licensing all your users in the same way regardless of role or licensing all your server applications in the same way for steeper discounts and simplicity is never the cost effective solution. The money saved by doing it correctly can mitigate the impact of price increases and provide technology visibility and governance.

So where can we harness good governance to rightsize?



Microsoft 365

There are many advantages to businesses in adopting Microsoft 365. The cloud infrastructure that supports it can significantly reduce the on-premise / private cloud operational costs businesses have traditionally used to support the modern workplace.

One of the benefits of M365 is that it provides customers the opportunity to profile their users and select licensing levels that align with an employee's usage profile. By reviewing employee usage profiles, organisations can realise significant savings by adjusting renewal volumes to align with actual usage.

Why keep paying for Project if an employee has only ever used it once or twice, why assign desktop based software subscriptions to employees working on the factory floor, accessing email through a browser on a shared device?

Azure

Azure Hybrid Benefit is an opportunity for businesses to utilise their own Windows Server licenses or subscriptions to run Windows Server Virtual Machines on Azure at a cost.

Enabling the Azure Hybrid Benefit on Azure Windows Server Virtual Machines (VM's) can save up to 40% - paying only the equivalent Linux Base Rate. Instead of paying for the Windows Server operating system via Azure, customers pay for Windows Server Core licenses with software assurance.

Establishing a clear list of Windows Server VM's and looking at existing on-premise / private cloud licence consumption will show where it's cost effective to use Hybrid Benefits. Why pay for licences in the cloud when you've got licences sat on the shelf that you can use instead?



Datacentre

There's a range of technology Microsoft offers for the datacentre. The licensing models applied in the datacentre are more complex to understand and manage.

Slight changes to application configurations can cause major cost blow-out where care isn't taken to understand the licensing impacts. Conversely, the licensing models provide opportunities to consolidate and carefully configure licences optimally across the estate.

Care and attention to doing this correctly can optimise licence consumption and free-up licences or budget. Why pay for unnecessary, expensive datacentre licences when virtual optimisation can enable you to re-assign licenses effectively and reduce spend?



Licence reharvesting and re-allocation

As people join the business and become employees, they will need new software. Over time their roles will change, and they may need additional software. They may get involved in a project that requires them to have a licence for a short period of time. Eventually they may change roles completely or even leave the business.

As these changes happen across hundreds and thousands of employees, it can result in new software being purchased. A significant challenge many organisations face is what happens to these licenses when roles and tasks change, or when the employee leaves.

Building up a catalogue of your license entitlements can provide the inventory visibility required to evaluate

whether new licences or subscriptions need to be purchased. Not having an effective management process can result in significant over-purchase of subscriptions and licenses. Taking steps to work out which licenses and subscriptions are incorrectly assigned can free up a significant volume of software licenses that can be re-deployed.

The challenge comes in maintaining the pool of re-harvested licenses and intervening in requests to change software for employees and applications, but it's worth it. After all, why pay for a new software licence when you have many on the shelf?



How to address

Your Microsoft renewal is your prime opportunity to renew only what you need to use. Deploying an all-software-for-all-employees approach to simplify Microsoft licence management is a false economy. Your money can be invested into other strategic or governance initiatives such as IT asset management – which can give you better visibility of your hardware and software technology, creating a virtuous circle of portfolio rationalisation, optimisation and more effective contract negotiation.

Microsoft does offer some support in providing dashboards to share visibility into usage, however there's a significant amount of work required to extract, analyse and massage the data into something meaningful that can be used to support renewal negotiation.

We come back to the industry analyst statement and ask, how much is it worth to you to save up to 30% of your software spend and how do we optimise?

It starts with effective technology visibility. Understanding not only what's installed but, critically how it is being used, is essential in achieving software cost savings. Understanding usage involves determining which employees are using which products and how often they are using them. With effective usage information, it's possible to create optimal user profiles for your Microsoft renewal and ensure you buy only what you need. Doing this can reduce your Microsoft spend.

How do you get technology visibility? Many organisations will use technologies such as SCCM to keep track of software deployments. SCCM, however, isn't designed for software licence management – using tools like SCCM for software licence and asset management is like using an internet search engine to understand software licensing - there are hundreds of similar results, many of which aren't always accurate and you'll need to review a number of them carefully to work out whether you've found what you're looking for and whether it's right.

To solve this, Insight has partnered with Snow Software to develop a 'Snow Atlas Quickstart' package that delivers Microsoft licensing savings, control and lasting technology visibility through an easy-to-deploy platform.

Insight are one of only 11 providers globally to be recognised as a leader in Gartner's 2021 Magic Quadrant for Software Asset Management Managed Services. We were recognised for our service delivery framework, client QBRs, scale and presence in APAC. Snow Atlas Quickstart brings together Insight's Gartner-recognised Software Asset Management (SAM) capabilities with Snow Software's Snow Atlas Microsoft 365 connector to help you realise savings across the Microsoft portfolio by providing comprehensive IT asset deployment and usage visibility.