



# Top 5 Methods to Optimize and Reduce Office 365 Licensing Costs

## Abstract

Microsoft's Office 365 platform provides dozens of options that can affect subscription price. Microsoft provides these options to allow customers to tailor the service to their specific requirements and budgets. It is up to each customer to make smart decisions about licensing so that optimum value is gained from Office 365. It is therefore important for customers to identify and enact policies that will optimize and ultimately reduce subscription costs and, as a result, make Office 365 more cost competitive.

## 5 Assign licenses by business need and save up to \$216 per user

Assigning licenses by the business needs of the user can save a significant amount of money in Office 365 licenses fees. Microsoft offers a broad selection of different Office 365 licenses at a wide range of costs. Each Office 365 license defines a set of features to be unlocked for the user. Generally, the more features unlocked, the higher the cost of the license.

By understanding the business needs of your users you can assign the minimum required license and thereby reduce the cost of using the Office 365 platform. For example, temporary workers may only need a mailbox while full-time employees may require more advanced collaboration or storage features provided by a more expensive license.

If a mailbox is all the user requires, the Exchange Online (Plan 1) license at \$4 per month is an excellent value. If the user requires a downloadable copy of Office and other enterprise features then an E4 plan (\$22 per user/month) may be justified. The cost difference between the two plans is a whopping \$18 per user per month or \$216 per year – and for those users that require only a mailbox the organization gets a 550% Savings!



US Full-Time Employees  
Assign Office 365 E4



Part-Time Associates  
Assign Office 365 E3



Contractor  
Exchange & Lync Online

### Exchange Online (Plan 1)

Messaging, calendaring, and email archiving plan accessible from Outlook on PCs, the Web and mobile devices. (Plan f30df)

[Learn more](#)

**\$4.00**  
Per user license, per month

[Add](#)

**Exchange Online – Great for temporary or seasonal employees**

### Office 365 Enterprise E4

For businesses that need full productivity, communication and collaboration tools with the familiar Office suite, including Office Online and on-premises server rights to information protection and enterprise voice capabilities. (Plan 3ebdc)

[Learn more](#)

**\$22.00**  
Per user license, per month

[Add](#)

**Office 365 Enterprise E4 Plan – For serious enterprise knowledge workers**

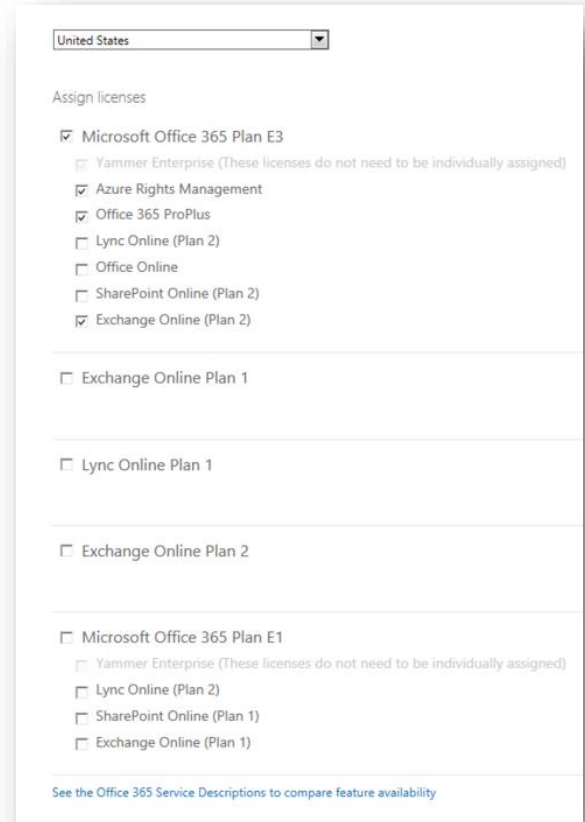
Pricing as of 12/29/2014

## 4 Implement automated license assignment

Native Office 365 license assignment can be a complex, time consuming and error prone manual process. Errors in license assignments are often discovered after users complain about missing features or after running out of E4 licenses despite having bought enough E1 and E4 licenses for the entire organization. Not only do incorrect license assignments cause operational problems they also cost the organization money. Incorrect license assignments can increase license costs by as much as 550% each year given the price differences between licenses.

Automatic license assignment and on-going enforcement, eliminates time consuming and error-prone manual assignments, resulting in reduced license costs, reduced administrative burden and an improved user experience. Ideally, automatic assignment decisions are made using geographical or organizational criteria that target the correct users with a specific license plan and the desired options enabled.

As Microsoft improves Office 365 there are likely to be changes to the current Office 365 license offerings. Automatic license assignment also gives administrators the flexibility of migrating some or all users from once license plan to another easily and accurately.



United States

Assign licenses

- ☒ Microsoft Office 365 Plan E3
  - ☐ Yammer Enterprise (These licenses do not need to be individually assigned)
  - ☒ Azure Rights Management
  - ☒ Office 365 ProPlus
  - ☐ Lync Online (Plan 2)
  - ☐ Office Online
  - ☐ SharePoint Online (Plan 2)
  - ☒ Exchange Online (Plan 2)
- ☐ Exchange Online Plan 1
- ☐ Lync Online Plan 1
- ☐ Exchange Online Plan 2
- ☐ Microsoft Office 365 Plan E1
  - ☐ Yammer Enterprise (These licenses do not need to be individually assigned)
  - ☐ Lync Online (Plan 2)
  - ☐ SharePoint Online (Plan 1)
  - ☐ Exchange Online (Plan 1)

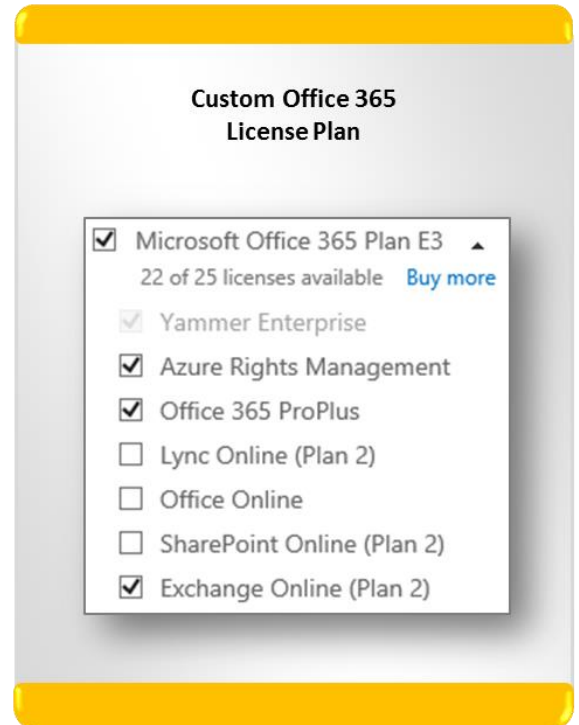
[See the Office 365 Service Descriptions to compare feature availability](#)

### 3 Use custom license plans to control hidden and help desk costs

Office 365 licenses are presented by Microsoft as a set of checkboxes. The top checkbox is the License Plan and below it are plan sub-options. By default, checking the main License Plan assigns all plan sub-options, but this may not be ideal for all situations.

Some default user creation methods also assign all sub-plan options so it is important to have a thorough understanding of how license options are going to be set: manually or automatically. In both cases there are a lot of checkboxes to keep track of and each check box may represent a complex set of features or downloads that represent real hidden costs if they impact end user productivity.

One method many organizations use is to phase-in license sub-options over time. By enabling a limited set at the beginning and then adding additional options later administrators have time to come to resolve issues or provide training to keep things running smoothly.



## 2 Monitor, alert and communicate license usage

One of the simplest and most overlooked methods to optimize and reduce Office 365 license costs is to simply understand how licenses are being consumed. Monitoring, alerting and communicating how licenses are being used introduce confidence in the assignment efficiency and it may uncover new ways to minimize costs.

**Monitor License Consumption & Validate License Assignments** - It is important to monitor license use at both the Macro and Micro level. At the Macro level, a weekly high level e-mail report showing licenses consumed and remaining will provide insight into license distribution. On the Micro level, twice-monthly license validation reports comparing intended licenses assignment per user vs. the actual license and option assignment, should be created. License validation reports provide visibility into possible assignment mistakes so those mistakes can be corrected quickly before additional expense is incurred.



**Avoid service interruptions caused by a lack of licenses** - Alert the administrative staff to critically low available license levels before Office 365 licenses are exhausted and operations are interrupted. Depending upon the size of the organization, the rate of consumption and any planned bumps in hiring, a threshold of between 10% and 20% should be used.

Communicating license count usage to managers or department heads will allow people in other areas to share responsibility for the license their direct reports consume. Coincidentally, this is the information normally used for internal or inter-departmental billing/chargeback scenarios where each department is notified about its share of license costs.

## 1 Define a policy for inactive account cleanup and licenses recovery

Most organizations would rather not pay for something that is not being used. Identifying licensed users that are not using the software is an effective way to optimize license usage and keep license costs manageable. The criteria needed to identify inactive accounts vary widely, but most organizations set a policy of 60 or 90 days of inactivity before they officially consider a user inactive.

After an inactive user has been identified the action to be taken must be carefully considered. Simply revoking the license may not be an option because license revocation also flags the mailbox for deletion. As an alternative to revoking the license outright, consider changing the license to a less expensive license. For example, if the inactive user has an E4 license, change the license to an Exchange Online license. Not only will that save \$18 per month it will maintain the mailbox. If the account continues to remain inactive for an additional 90 days, the organization's deprovisioning policy can be applied and the lower cost license will most likely be revoked.



60 days inactive  
Begin Monitoring



90 Days Inactive  
Assign Exchange Only



180 Days Inactive  
Recovery License

## About Cayosoft

Simple and affordable, Cayosoft Administrator Suite is the #1 solution for Office 365 License Management. Cayosoft's unique architecture gives administrators easy to setup rules to define the organizational wide policies for Office 365 License Management.

### Cayosoft Office 365 License Management

- Granular License Enforcement
- Assign to AD or Office 365 Users
- Compliance & billing reporting
- Alert on low-license availability

### Cayosoft Administrator– Platform Capabilities

- Account Provisioning
- Automatic Group Management
- Office 365 License Management
- On-going Administration & Maintenance
- Real-time Visibility & Reporting
- Works with: Active Directory, Exchange, Office 365 and Windows Server

## For more information visit:

<http://www.cayosoft.com/office-365-license-management/>

We are here to help answer any questions you may have so please contact us using one of the following methods:

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