

Customers have few kind words for Microsoft's Software Assurance, and even fewer good choices for upgrades.

## IT Influencer Series

# SA Exposed

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# SA EXPOSED

## Customers have few kind words for Microsoft's Software Assurance, and even fewer good choices for upgrades.

BY DOUG BARNEY

**I**n early 2001, Microsoft announced Software Assurance. You can still hear the howls of ticked off customers four years later.

Many felt pressured to move to SA, despite Redmond remonstrations to the contrary. In fact, a substantial number of customers report that Microsoft threatened overtly or at least implied that failure to sign up for SA could result in an audit, one of IT's deepest fears.

"I felt pressured to purchase SA on our key products," says Chris Munger,

Senior IT Manager for the American Academy of Periodontology. There were also warnings of price increases. "There was rather explicit messaging at the time that purchasing upgrades when new products came out would be substantially more expensive than keeping current SA agreements in place," Munger explained.

Munger is not the only one. "I used to work for a Fortune 500 company, and we were most certainly threatened with an audit by Microsoft if we did not sign up for SA. The company

plans to drop the SA this year and stay at the current software levels," says an IT executive who asked not to be identified.

Software Assurance replaces the old Upgrade Advantage, and was largely designed to please Microsoft accountants and Wall Street, critics believe. That's because signing up usually guarantees Redmond three years of recurring revenue. Here's how it works: every year customers pay 25 percent of the full retail cost of the software for servers, and 29 percent

for desktops. So you buy the software, and then pay a hefty sum every year for the right to upgrade. Forrester says the industry average software maintenance fee is 21 percent, quite a bit less than Microsoft.

“My biggest complaint from customers is that in order to get on board SA (Software Assurance) they have to purchase new licenses. Microsoft needs to come up with a way to give customers credit for these past purchases and let them convert to SA. With SA the customer has to pay for a new license twice—once with the PC purchase, once when they get SA. This issue needs to be resolved,” says Brian Silles, lead trainer for Great Lakes Workforce Development.

This all makes sense for those vested in Microsoft stock, but is less logical for run of the mill IT pros.

What if there is no compelling upgrade, or even more likely, no busi-

ness reason to upgrade. Then you’ve paid all that money just for the extras that come with SA, not for the upgrade.

“I believe that SA is Microsoft’s way of providing a continuous revenue stream. Software has changed; the days of yearly upgrades are gone. Microsoft needs to look for other means of providing profits year after year and stop asking computer users to pay more and more,” says IT pro Barney Lejuene.

### **Battle of the Surveys**

When SA was announced, IT feared major cost increases—here analysts disagree—vehemently! A 2004 Yankee Group survey showed that 35 percent of SA customers saw prices stay constant, and 27 percent saw prices actually decrease. On the other hand, a *Computerworld*/InterUnity Group survey of customers ranked Microsoft dead last for its licensing programs.

Jupiter Media also slammed SA, indicating that it is pretty much a failure. Jupiter’s report shows that 40% of small and medium size businesses saw costs increase, and 53 percent of enterprises spent more with SA than without it.

Meanwhile, the Gartner Group argues that SA and Licensing 6.0 (the latest overall licensing revamp) increases are causing contract renewals to drop. By the end of 2005, 30 percent of Enterprise Agreement customers (for whom SA is bundled), and half of Open and Select customers will decline to renew. All this is affecting Redmond’s bottom line. Microsoft has warned Wall Street that these renewals could be a problem.

SA, and in fact all the totality of Microsoft programs, are monumentally and some say purposely complex. That can put the ball back in Microsoft’s court as sales reps have

## *6 Benefits Enhanced or Added to Software Assurance*

Microsoft is broadening the list of benefits available to its Licensing 6.0 Software Assurance subscribers to include three new pieces of desktop software, deployment assistance, enhanced support and extended training. Most of the new benefits took effect in March.

In a statement, Microsoft positioned the additional or improved six benefits, which bring SA’s total benefits to 18, as a demonstration of the company’s continuing commitment to extend the program beyond a typical maintenance offering of support and upgrades.

“Since its inception four years ago, we’ve regularly fine-tuned Software Assurance in response to feedback from our customers and partners,” Brent Callinicos, Microsoft corporate vice president of Worldwide Licensing and Pricing, said in a statement. “We’ve substantially revamped the Software Assurance offering with new benefits that we believe IT professionals will find even more relevant and accessible in helping their organizations drive business results with Microsoft solutions.”

Response among partners and analysts was positive about the changes that Microsoft plans to start including in Software Assurance.

New benefits include exclusive access for Software Assurance customers to Windows “Eiger,” Windows Vista Enterprise Edition and Virtual PC Express. Other benefits, formally announced Thursday and reported by ENT in August, include Desktop Deployment Planning Services, Information Worker Desktop Services, enhanced support and extended training.

**Eiger** is the code-name for a version of the client operating system now officially called Windows Fundamentals for Legacy PCs. The OS is based on Windows XP Embedded with Service Pack 2 and is supposed to provide a

bridge solution enabling customers to get additional life out of older PCs that don’t have the horsepower for Windows XP or Windows Vista. Many of those older PCs are running Windows 95, Windows 98 or Windows NT. Eiger is a thin-client OS, so any applications the users must run would have to be hosted on a Citrix box or a Microsoft Terminal Server. The benefits, however, would come from reducing the security risks inherent in those older operating systems and improving the manageability of the environment. Microsoft also intends for Eiger to provide an easier upgrade path to new PC hardware running Windows XP or Windows Vista.

When Windows Vista ships in late 2006, Software Assurance customers will have exclusive access to a special edition called **Windows Vista Enterprise Edition**. Distinguishing features of the Enterprise Edition will include Full Volume Encryption through integration with specialized hardware and inclusion of all Windows language versions in the single edition. The idea of the multi-language support is to give administrators a way to maintain a single system image across multiple PC configurations for multiple countries in a global enterprise. Another exclusive feature of Windows Vista Enterprise Edition will be an integrated version of Virtual PC called **Virtual PC Express**. The version will run legacy applications in a virtual machine on a Vista system to help with compatibility. As a further enticement to Software Assurance, customers will get early access to a standalone version of Virtual PC Express running on Windows XP in March.

**Desktop Deployment Planning Services** are designed to assist in planning deployment of desktop software such as Windows and Microsoft Office. The planning services will be delivered by Microsoft partners and measured in engagement days. The number of days will depend on how

spent more hours dissecting this mess of programs, discounts, and toss-ins.

Microsoft argues that by replacing multiple upgrade programs, SA is actually simpler. While SA may have been designed to simplify licensing, it is only simpler if you ignore the gaggle of other volume licensing options.

Whether you like it or not, Software Assurance is probably here to stay, and you need to decide whether to sign up. A lot has been written about SA—we're here to cut through the fluff and help you decide when or if SA is right.

### Costs vs. Benefits

Deciding on SA really comes down to a cost/benefit analysis: are the benefits worth the cost when compared to the alternatives. Unfortunately, Microsoft removed most of the old upgrade alternatives, which means if you don't have SA, then you'll probably pay full price for new versions of your corporate Microsoft software.

Roll up your sleeves and break out your old calculus books, because the SA decision is entirely based on data gathering, analysis and math.

The basic procedure is to realistically calculate how much economic value SA actually offers. There are two main ROI calculators that can help, one from Forrester Research, and the other being written by Nucleus Research. In neither case should you let Microsoft reps or resellers control the calculations. Nor should you simply plug numbers into the models. Instead, make sure the model includes all variables relative to your shop—and make sure it fully accounts for the downsides such as extra costs of upgrading (IT time, new hardware, training, bugs, compatibility problems, etc.), and the possibility that upgrades won't ship or won't suit your shop.

When looking at the benefits, remember that different programs have different bennies. "Which

license agreement are you looking at? For instance, if you are going with Open there are certain features that aren't included. Select has more extras, and Enterprise has even more. Open doesn't have spread payments, employee purchase, and training vouchers," explains Rebecca Wette-mann, Vice President of Research at Nucleus Research.

### Betting on Bennies

Much of the financial analysis focuses on the payback from the various benefits. The basic idea is to see if the dollar value of the benefits plus the dollar value of the upgrades exceeds the cost of SA. Even if the ROI is all positive, one must still compare this pay back to the alternatives, such as the various standard Microsoft volume programs.

When playing with these models, make sure that you include enough risk and that your assumptions are conservative.

## 6 Benefits Continued ...

much a customer spends on desktop SA over three years. Customers spending \$60,000 will get one day, \$150,000 will get three days, \$600,000 will get five days, and \$1.25 million will get 10 days.

**Information Worker Desktop Services** is a smaller-scale version of desktop deployment planning services for Microsoft Open Value customers. These customers can convert two training vouchers for the one-day Information Worker Business Value Discovery service or convert four vouchers for the two-day Information Worker Architectural Design Session.

Microsoft significantly overhauled the **support offerings** available through Software Assurance. "We heard from customers and analysts that we needed to beef up the support offering," said Sunny Jensen Charlebois, Microsoft senior product manager for Worldwide Licensing and Pricing. "One of our goals was easier integration with Premier Support for our larger customers. Because they can apply their support incidents to their Premier agreements, they can reduce their support costs. We also wanted to make sure it scaled to meet the needs of diverse organizations." To that end, Microsoft is offering one phone support incident for every \$200,000 of Software Assurance spending for Office and Windows Client. On the server side, every customer gets a complimentary phone incident; an additional incident for every \$20,000 in Software Assurance spending on servers and CALs; and unlimited Web support for covered servers. Customers with Premier Support can transfer SA incidents into Premier contracts.

Another significant change within the support benefit involves phone support hours. Previously, Software Assurance allowed phone support during business hours for Enterprise Editions of servers. Now phone support is 24x7 and can be used for Standard Edition servers and desktop products.

The Software Assurance **training benefit** is also extended with a huge increase in the number of vouchers Microsoft will hand out to customers with 30,000 or more licensed desktops. Previously, the largest number of vouchers a company could receive was 165, according to a Microsoft representative. Under the changes taking effect in March, companies with more than 30,000 SA licenses can get substantially more training vouchers. At the highest end of the scale, customers with 600,000 or more SA licenses can get up to 2,100 vouchers.

Some partners are enthusiastic about selling the new package of features. Peter Eils, who manages the Microsoft business relationship at the New Berlin, Wis.-based Microsoft Large Account Reseller Software ONE, said, "With Microsoft's enhancements, really across the board, it adds just that much more to the offering for us to continue to successfully sell Software Assurance." Highlights for Eils included training vouchers and the enhancements to problem resolution support. "Any time customers can obtain additional support from Microsoft, they are very open to listening to that," Eils said.

Analysts agreed that the new group of benefits included something for every size customer and partner.

"The most significant benefit change for large customers is to support, and for smaller and midsize firms the consulting and planning benefits,"

The Forrester tool, for instance, focuses on risks such as IT's inability to roll out new products and upgrades due to politics, tight budgets, etc. It also assumes that SA can *reduce* the risks of problem rollouts, and shorten deployment times.

However, you should load in risks such as late Microsoft products, unstable releases and lack of compelling features. Look at problems with key products such as Yukon and Longhorn—some of Redmond's increasingly complex products are taking longer and longer to build.

One cost you have to budget for is hiring a dedicated SA benefits administrator, and here you must figure salary plus benefits for this largely administrative position.

You, as a seasoned IT pro, will play a key role in building an ROI case. But there are some serious financial considerations that top company accountants need to weigh in on, and

salary info that HR might need to help with.

On the accounting side, you need to know how much money spent on SA would return were it invested elsewhere, the so-called time value of money. Then there is the tendency for the buying power of money to diminish over time due to inflation, referred to as the Net Present Value (NPV) discount rate. The financial side of the house can also guide you on what kind of annual rate of return is required before company funds are released.

Much of this analysis pertains to financing options, such as how you spread your SA payments. Redmond allows these to spread over two to three years—but only for higher-end agreements.

Make sure that all the benefits are corporate benefits, and not just benefits for employees such as cheaper prices for non-work software. This is

also the case for telecommuting. While the worker may save two hours of commuting a day, does this equal two more hours of productive work? Probably not.

Once the ROI analysis is complete, use it as a negotiating tactic. Let's say you are leaning towards SA, but the ROI isn't quite there. Well, if you change the investment part (by asking Microsoft to lower its SA costs), you will change your payback period and annual return.

Any benefit that you consider for ROI, make sure you plan to fully exploit.

### The Benefits Drilldown

There are benefits to purchasing SA besides the scheduled upgrade rights. These include:

*Easier Budgeting and Payments:* By spreading out your payments, you can free up money for other projects.

*Price Breaks:* Check the Microsoft

## 6 Benefits Continued ...

said Julie Giera, an analyst at Forrester Research. "For large companies it's going to be expansion of support hours and the fact that support is going to cover some of the desktop products."

Giera recommended that companies take a hard look at Software Assurance in light of their Microsoft support contracts to make sure they are optimizing their budgets. "There's certainly more value here on the support side. I would say companies should definitely look at what's available in SA now and what they may or may not need in Premier Support," Giera said.

To analyst Laura DiDio with Yankee Group, the voucher enhancements and deployment training are huge. "I think that the training benefits are the most valuable to customers because that's something that has been slashed out of budgets. Any time these folks can get out and mingle and talk to professionals and have it bundled in as a free service, that really does add to the value of a Microsoft license," DiDio said.

DiDio contended Microsoft's continuing investments in Software Assurance are probably fueled by Linux and Open Source competition and the difficulty of getting the installed base to upgrade older Microsoft software. Whatever the motivation, she said Microsoft's response has markedly improved the Software Assurance program since its debut four years ago. "You're paying a lot for these licenses, but you're getting a lot, too. These are real, tangible benefits," DiDio said.

At the same time that it is launching the new benefits, Microsoft is changing the way it talks about all the Software Assurance benefits to emphasize the role that each benefit plays in the software lifecycle.

The change arose as Microsoft spoke with customers about the benefits they used and the benefits they needed, Charlebois said. "What bubbled up was the software lifecycle. [Customers] need help with planning ... with deployment. A lot of customers aren't doing zero-touch employment. They're still sending administrators to each desktop," she said.

Microsoft now presents the Software Assurance benefits as part of a lifecycle that goes from planning to deployment to use to maintenance to transition. "Planning" benefits are the original SA benefits – Upgrade Rights for new versions and the ability to spread payments annually. For the "deployment" phase, Microsoft now will have Desktop Deployment Planning Services, Information Worker Solution Services and the existing Windows Preinstallation Environment benefit. During the "use" phase, customers will be able to take advantage of Windows Vista Enterprise Edition, Extended Training, the Microsoft eLearning Program, the Home Use Program, the Employee Purchase Program and the Enterprise Source License Program. The "maintenance" phase includes 24x7 Problem Resolution Support, TechNet Plus, Corporate Error Reporting and "Cold" Backups for Disaster Recovery. The "transition" phase will encompass Extended Lifecycle Hotfix Support, Windows Fundamentals for Legacy PCs (Eiger) and the Enterprise Edition Step-Up License.

For more information about details of Microsoft's new Software Assurance benefits, visit <http://microsoft.com/licensing>.

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Web site or get rebate details from your reseller or Microsoft rep.

*Work at Home Help:* Work at Home lets users install licensed Office applications on their home machines or laptops to facilitate working at home.

*Special Hotfixes:* SA customers get some hotfixes that aren't available to other customers.

*Additional Discount Points:* Each SA purchase adds points to your pool.

*TechNet Online Concierge:* This is a Web-based support offering with live chat, in which Microsoft techs can direct you to relevant TechNet content.

*TechNet Plus:* TechNet Plus includes beta software and access to Microsoft technical content.

*E-Learning:* SA includes access to dozens of E-learning courses aimed primarily at boosting end-user productivity. This Microsoft E-learning Library is worth about \$50 a seat.

*Training Vouchers:* Aimed at IT pros, SA offers free courses from Microsoft Certified Technical Education Centers.

*Corporate Error Reporting (CER):* This tool tracks and analyzes errors, points to fixes and does regular maintenance. Here you can track how much time and money you're spending grappling with these issues.

*Access to Source Code:* Shops with more than 1,500 Windows PCs can access Windows source code to help build custom applications and make it easier to support software that Microsoft discontinues. Dealing with Windows source, however, is an expensive, developer-centric endeavor.

*Extended Hotfix Support:* Like the source code, this helps support older software.

*Digital Rights Management for Word:* This content protection software is offered free to SA customers.

*Intelligent Message Filter (IMF) for Exchange:* SA customers get extra software—in this case a Bayesian spam filter.

*Windows Pre-Installation Environment (WinPE):* This tool is designed to ease Windows XP deployment, including remote installation and configuration.

### Support Extras

The biggest bennies focus on support. Here you must first fully understand how much it costs to support the Microsoft software that could be covered by SA. Look at time spent by internal IT staff, money given to Microsoft (number of support calls multiplied by price), and whatever third-party services you may have. Then scrutinize exactly how free SA support services will save money on existing support costs. Don't guesti-

covered employees. This used to be a standard part of many Microsoft licenses, but no more. This is a pretty complex calculation. You need to figure how much extra work employees will actually do. Do they already have key work apps, like Word and Excel, installed at home? Are they on laptops where the software already follows them wherever they go? And are you willing to adapt custom Microsoft apps to run on home systems—and support them?

### The Pressure's On

Many felt pressured to move to SA, despite remonstrations to the contrary from Redmond. Some customers reported everything from subtle implications to overt threats from Microsoft that failure to sign up for SA could lead to an audit, one of IT's deepest fears. "I felt pressured to purchase SA on our key products," says Chris Munger, senior IT manager for the American Academy of Periodontology. "There was rather explicit messaging at the time that purchasing upgrades when new products came out would be substantially more expensive than keeping current SA agreements in place."

Munger isn't the only one. "We were most certainly threatened with an audit by Microsoft if we did not sign up for SA," says an IT executive who asked to remain anonymous. "The company plans to drop SA this year and stay at the current software levels."  
— D.B.

mate, but be rigorous in this analysis. Your IT budget depends on it!

So far, the support offerings don't appear to justify SA's costs. "If SA fees include full telephone support, a 15 percent fee is reasonable. If full support is not included, a 10 percent fee should be sufficient. After all, what Microsoft and other vendors are getting is an annual income guarantee!" says Larry M. Gerlt, Network Manager at Mosaic National Headquarters.

### Training Day

Training is another key issue. Do you have a training budget, if so how much do you spend and what does it buy you? Then calculate the value of the free Microsoft training. Even if you don't have training, what would you gain by using the Microsoft training? Would productivity increase, troubleshooting decrease? Can you put some real numbers on this?

The next big bennie is work at home, or free home software for SA-

Be realistic and carefully, conservatively estimate home use value.

All of these SA benefits can total up to millions for large buyers, at least according to a report, "Microsoft Licensing 6.0: Practical, Tactical Advice for Negotiating and Winning the Best Deal," from Sunbelt Software Inc. and Information Technology Intelligence Corp. (ITC). But only YOU can put a true dollar value on SA.

Finally, you must compare the cost of SA versus the cost of not using SA. How much would full price volume buys cost and how often would you need them? "I get a number of things [with the bennies]—but that is probably not going to give me enough [to justify SA]," says Nucleus' Wettemann, arguing that the upgrades rights are the real meat of the program.

Don't fall for an overly simple ROI analysis. "There are a number of things that are straightforward: The cost, basic benefits, etc. But this is not all happening in a vacuum, your budget can

change, and something else can come out that is better,” argues Wettemann.

And look at all possible outcomes. “Do some expected and worst case analysis,” Wettemann advises.

### Use Your Benefits

It’s nice for Microsoft to offer SA benefits, but if you buy them, make sure to use them. “As an MCT/MCSE/MCSA, I see students in class all the time paying for Microsoft training when as part of the Software Assurance Program, they could have used Software Assurance vouchers for free training. When I ask about it, they have no idea that this benefit is available. After investi-



**“I consider myself a Microsoft stalwart (but) the whole SA fiasco has left me feeling seriously burned and taken advantage of.”**

Chris Munger, Senior IT Manager, American Academy of Periodontology

gating, they find out that not only did they not know of this benefit, but they haven’t used any vouchers since the inception of SA, and many of the vouchers have already expired,” says Richard Robb, a trainer with Frameworks Computer Consulting & Training in Trevese, Pa.

“The problem is that the people who are responsible for *buying* the software are not the same people that support it. Those that buy probably say, “Oh, that’s nice,” if they are even told about the training vouchers. Then they never mention these valuable vouchers to the techs and admins in the trenches who in this age of tight IT budgets would just about kill to get a week of training and some critical hands-on time with the new products SA is prompting them to upgrade to,” concludes Robb.

### The Points System

Like volume software buys, SA purchases accrue points which can increase discounts. Many Microsoft volume programs are based on pools that gather as you buy software. Office, for instance, is worth two

points under Microsoft Select, and each annual SA buy is another point. Each SA purchase equals 1 point towards your pool, while the software purchase itself averages two points.

If you are thinking about pure points, SA is a fairly efficient way to accumulate them, according to Directions on Microsoft, because the amount you pay for that SA point is less than what you paid for your Office points. Of course, with Office you got the software, with SA you got the promise of upgrades and the extras.

If you are on the verge of earning the next discount level, SA could push you over the edge.

The more SA points you gather, the deeper the overall discounts. But do these discounts justify the extra SA costs? This complex question can only be answered in the context of your overall upgrade strategy and support and training cost structure.

### What Kind of Shop Are You?

Your historical and planned upgrade strategy is the most fundamental factor in the go or no go SA decision. In general, though, Microsoft couldn’t have picked a worse time to unleash a paid upgrade program. That’s because vendor product cycles, and corporate upgrade schedules are lengthening—witness the excruciating wait for Yukon and Longhorn.

According to the report from ITC and SunBelt, customer upgrade cycles today are typically four to six years, far longer than SA’s two to three year terms.

Upgrades aren’t as simple as clicking and install button and exploiting new features. Besides the hardware, usability, training and licensing cost issues, IT needs to make sure the software actually works. That is why IT commonly waits

for at least the first service pack before even thinking about upgrading. You should not just consider your new feature needs, but how long you typically wait to adopt new software and what this means for your upgrade cycle.

Shops that upgrade on the four to six year cycle are far better off avoiding SA, unless you can clearly prove that the free benefits are worth and extra 25 percent or 29 percent a year. This is not likely, but not impossible. Go through the exercise, but you are probably better off budgeting for less frequent, full price upgrades.

Another group that might not want to dash into the arms of a costly SA contracts is those that upgrade on an ad hoc basis, or whenever the need or desire arises. A lot of these folks are still nursing along NT 4.x, Exchange 5.5, and Windows 9x. There’s nothing particularly wrong with this, except that these products aren’t eligible for SA. But even if these products are modernized, such historically lethargic upgraders should beg off on any SA sales pitches.

The most aggressive shops upgrade frequently. Sometimes IT quickly exploits new features and garners a quick payback. In some cases, the company is so connected to so many partners, many of whom have the latest software with the latest file formats, that staying current is an absolute requirement.

If upgrades consistently happen ever two to three years, or if you’d like them to, then SA or an Enterprise subscription program may make a lot of sense.

Finally, Software Assurance demands disciplined planning for upgrades. Are you that disciplined?

### Bad for Small Business?

SA is aimed primarily at larger customers, so it’s no surprise that most small businesses express little to no interest in SA. “SA has no merit for small businesses whatsoever,” says small business Consultant Joe Hass. “Since companies like Dell will bundle

and pre-install the latest version of Office with the latest version of Windows on a new PC, I believe SA actually increases the overall costs to small businesses.”

Other consultants are also gun shy. “As a small business consultant, I’ve had some real hard times trying to explain to my customers after they bought SA why they spent all that money for nothing,” says Brian Kronberg, MCSE, CNE, networking consultant, IT People Unlimited. “SA has only helped me in one case: Microsoft Project. I was able to save a lot of money getting the Project server free.”

Kronberg steers his small business clients away from SA. “I’ve lost all respect for SA because Microsoft doesn’t honor free upgrades to those who were in SA for their original release date, but not for their postponed release,” he says. “Microsoft’s release record shows that it’s consistently missing ship dates and removing key features. Many of these features were the only reason customers wanted an upgrade.”

Factoring in delays is critical to gaining an accurate view of Redmond roadmaps (see March 2005’s “Microsoft Math” for more on Redmond’s delivery delays). When Microsoft reps pitched SA to the AAP’s Munger, he expected that upgrades would ship regularly. “Implicit in all the discussions was that Microsoft would continue rolling out at least one upgrade to their products

within the SA period—maybe more than one,” he says. “However, 12 to 18 months ago, Microsoft changed direction and began to roll out key business products at a much slower pace.”

This is a common customer theme. “When faced with the issue of purchasing SA for our Microsoft licensing, we declined. We figured that our upgrade schedule didn’t fit with Microsoft’s and that we’d deal with the licensing expenditure when the time came,” says Paul Edwards, an IT manager with PHH Arval, a commercial fleet management company based in Mount Laurel, N.J.

While it’s wise to look at SA with a critical eye, it’s not all gloom and doom. “We purchased SA for our Exchange 2000 server when we bought it in July 2001 and as luck would have it, Exchange 2003 came out before the end of that SA agreement. We are now running a brand new e-mail server and the upgrade cost was only for the hardware. SA worked like it should have,” explains Ken Mallinson, technical coordinator for Lincoln Office, a furniture company based in Morton, Ill.

**Keep 'Em Separated**

Some true SA believers sign up for the SA Membership program (SAM) that applies SA to each every Microsoft product in your shop. While there may be cases where this makes sense, it remains quite rare and ROI analysts don’t tend to recommend it.

Instead, IT should consider that different products are upgraded in different ways.

SA for Office, for instance, may not make sense if end-users don’t tend to exploit new features. However, if your company needs the latest file formats to communicate with partners, there might be some value. “We thought about doing an SA agreement for Office, but decided against it based on the fact we had lived with Office 97 for about four years and didn’t foresee a need to upgrade past (Office) 2000 for an even longer timeframe. Office 2003 is out now and we are still not planning on upgrading yet. The new Outlook version arbitrarily blocks certain attachments from even showing up in e-mails, but Word, Excel, and PowerPoint don’t have enough improvements to make a noticeable difference” says Mallison.

Desktop upgrades might not make sense either, as many buy new PCs with new OSes when the old ones run out of steam. “Our (desktop) operating systems have all been purchased with our new Dell computers and as they become obsolete we will order the next round that will no doubt still be Windows XP due to another release date push back,” Mallison says.

**Read the Redmond Roadmap, and Guess Where It Might Go Wrong**

Signing up for SA without a clear notion of where the products are going is like flying toward a hurricane without a weather report. Take the time to research Microsoft’s product plans. Assume that these products happen as Microsoft says. Would you use them? If so, when? Will these upgrades pay for themselves through rapid ROI?

Even if this all sounds good, there is one more important step—factoring in a bit of reality. As you know, Microsoft promises don’t always come true, and certainly not on time.

Take a close look at Microsoft’s development roadmap, and pay atten-

*Consider This When Considering SA*

1. How does your technology roadmap look compared to Microsoft’s release “schedule?” Is Microsoft planning to upgrade an application that you will actually want to upgrade during your SA coverage?
2. There are unwritten benefits to having a lot of SA coverage—things like better responsiveness from Microsoft’s local office on tech issues, briefings and so on. Do you need to deepen your relationship with Microsoft?
3. How well do you track and manage license compliance? If you don’t have a solid asset and license management system, upgrades and versions are a headache. SA makes it slightly simpler.
4. The primary SA benefits include server support and training. What price would you pay if buying separately? Are they available from other sources as a better deal?

– Scott Braden, author, *Microsoft Licensing Secrets*

tion to the release dates. What is a realistic ship date, how stable will the upgrade be, what will it take to exploit the new features, and what is their value? Figure out when the upgrade will likely ship, and whether it is compelling. “We see more and more people skipping upgrades,” says Rebecca Wettemann, Vice President, Research, Nucleus Research. “A lot depends on the maturity of the solution. Some solutions have been through a lot of versions. Office, for instance, is pretty mature so there is less incentive to upgrade,” Wettemann continues. Other products, such as Commerce Server, Project Server, and SQL Server, are up for some significant upgrades, and may

an understanding of Redmond’s roadmap is crucial.

There are plenty of places to get this information. Two of the best? Redmondmag.com and ENTmag.com.

These two Web sites are great, but don’t just count on us—get the betas for every application or OS upgrade you care about. Oh, and don’t forget to read Don Jones’ Beta Man column in each issue of *Redmond*.

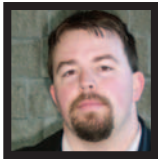
### Change in Redmond Upgrade Schedules

Factoring in delays is critical to gaining an accurate view of Redmond roadmaps (read our analysis of ship dates in the article “Microsoft Math”).

SA changed Munger’s Microsoft stalwart—ready to defend Microsoft against those with unrealistic views of capitalism and the running of successful businesses. The whole SA fiasco of the past three and half years has left me feeling seriously burned—so much so that I now analyze every Microsoft purchase with a heavy dose of caveat

## 9 Tips & Tricks for Making the SA Decision

1. Analyze all of your spending with Redmond and compare that to the cost of moving to SA.
2. Do your own ROI analysis. Don’t allow vendors to conduct it for you.
3. Benchmark all your options.
4. Keep in mind the little—but important—details like the fact that the standard edition SA does not let you move to an Enterprise or Pro Edition. Instead, you may have to buy it all over again to move to a higher version. In some cases, Redmond will have a step-up offering and will negotiate exceptions with key customers.
5. Understand the time value of money. With SA, you pay up front and lock in the long-term upgrade price. But what if you invested that money or used it for something else? Research firm Directions on Microsoft points out that over the course of three years, money borrowed at 5 percent would equal paying the full amount for a new piece of software. For high-end contracts, Microsoft offers spread payments, which can alleviate some of these concerns.
6. Maximize your timing. SA runs out in December, so buy in early January to get nearly three years of coverage. Make sure this fits in with the timing of your other volume purchases, and if not, try to sync them up.
7. To make the most of SA, make sure you have a good inventory system for your software assets. This way you know exactly what SA covers.
8. Precisely determine your upgrade plans. Unfortunately, you’re flying somewhat blind as you’re making choices to upgrade to incomplete software.
9. SA doesn’t cover operating systems from OEMs—but you may be able to buy a non-SA upgrade. — D.B.



**“We are now running a brand new e-mail server and the upgrade cost was only for the hardware. SA worked like it should have.”**

Ken Mallinson, Technical Coordinator, Lincoln Office

be more worth an SA investment. Look at the features and determine the likelihood that you will want to upgrade.

“A lot (of SA decision-making) is driven by specific projects” Wettemann says, adding that she hasn’t seen many customers taking an overall look at SA. “Companies should look on a solution by solution basis,” she adds. Exchange 12, due in 2006, might make sense for an SA upgrade, as there are a lot of expected improvements, Wetteman says.

Microsoft’s own roadmap seems to indicate four years between major new server versions, and two years between updates. Due to product delays, Microsoft is looking at interim releases of XP and Windows Server. The question is: is this a ploy to appease SA customers, and further, are they worth upgrading to?

Even more to the point, are products like Longhorn, on servers and workstations, even worth it, and what will it take to make the move?

And what if the product you bought SA for is discontinued? Here is where

When one IT pro was pitched SA, he expected that upgrades would ship regularly. “Implicit in all the discussion was that Microsoft would continue rolling out at least one upgrade to their products within the SA period—maybe more than one,” says Chris Munger, Senior IT Manager for the American Academy of Periodontology. “However, twelve to eighteen months ago, Microsoft changed direction and began to roll out key business products at a much slower pace. This, in my mind, broke an implicit part of the agreement and violated a key “understanding” of contract law—for a contract to be valid both sides need to benefit. In our case, we ended up having paid for SA for products that were never upgraded within our agreement window—essentially giving Microsoft a blank check, which was made even worse by the need to then purchase the products at full list price (as opposed to an upgrade discount) when they were finally released,” Munger concludes, pointing to his purchase of ISA Server.

empton. Microsoft has left me feeling taken advantage of and left without the feelings of loyalty to the company I supported strongly," says Munger.

In many cases, major upgrades take years to finally ship. "I'm not a hater of SA like some folks, but I have one example where SA doesn't work: long release cycles. Most notable recently are Windows XP and SQL Server 2000. They're both looking at a five-plus year cycle between versions—long after SA would have expired. SA on a three-year cycle only makes sense if software follows suit. I can think of nothing more maddening than a new version being released just after the SA contract runs out. You've paid twice for the software and got one version," says Jeff Brumley, a DBA based in Bellevue, Wash.

And there are no real guarantees that upgrades will ever ship. "The fundamental reason SA %\*#@\*s is the same fundamental reason why high speed data connections 10 years ago %#@&^ed: service level. We now have the comfort of an SLA to keep our telcos honest, as honest as a telco can be, but don't have that same ability with any of the major software vendors. If there was a place in the SA licensing that clearly said that on X date we'll get a new version of XYZ

**Fun Fact**  
Under SA, company employees can buy most any Microsoft retail product—except Xbox titles!

software, that the software must be delivered on time and with only a 5 percent failure rate, then it would have value. There isn't any software company on the planet that could hold up their end of such a bargain," says Paul Holt, MCSE and IT Systems Administrator for Advanced H2O. "Until Microsoft can commit to a tangible value with SA licensing I'll keep buying OEM software with my hardware upgrades and avoid SA all together."

This is a common customer theme. "When faced with the issue of purchasing SA for our Microsoft licensing, we declined. We figured that our upgrade schedule didn't fit with Microsoft's, and that we'd deal with the licensing expenditure when the time came. After seeing what has happened with Microsoft's delivery schedule problems, our decision has proven to be downright prophetic. If, for instance, we had chosen to purchase SA for our SQL 2000 servers that money would have been thrown out the window. I think there's an inherent problem when a company's licensing scheme (Licensing 6.0) has a version number, but that's just me," says Paul Edwards, an IT pro with PHH Arval, a commercial fleet management company based in Mount Laurel, N.J.

Even when upgrades come available, they must be compelling—otherwise SA has little value. "SA is very, very wrong indeed," argues Holt. There is a substantial financial burden for small business IT departments for both licensing and new hardware to support the upgrades, Holt contends. "I can't find any way to justify SA to management when it comes to Microsoft Office licensing. What improvement has Microsoft put in that makes vast leaps and bounds past the previous version? The extra features are never going to be used by the majority of the staff," Holt concludes.

Many in IT purposely hold off or skip upgrades because today's products are already quite good. "Software has reached the point where there is no longer a need to upgrade every year or even every three years. Many of our PCs continue to run Windows 2000 Professional and Office 2000. This configuration continues to meet our needs and we don't see a need to upgrade at this time. The SA on this software would be expired had it been

purchased when the PC and software was purchased—so why pay for SA? By the time we need to upgrade the software we would have to purchase it again because SA would have expired," says IT pro Barney Lejuene.

And upgrades include a lot of extra expenses that aren't always justifiable. "With the huge amount of software in the marketplace, it isn't realistic to expect a company to upgrade Office or desktop and server products every



**“Software has changed. The days of yearly upgrades are gone.”**

Barney Lejuene, IT Manager

release—not with the support staffing or end-user training needed to gain the benefits of a new release," says Robert T. Fix, network administrator for Midwest Sign & Screen in St. Paul, Minn.

While this article pushes customers to look at SA with a critical eye, it is not all gloom and doom. "Microsoft's Software Assurance plan is a good one, in theory. But as has been seen time and again, they can and do push back release dates of new software because of vulnerabilities, mistakes, or just errors in the programs. We purchased SA for our Exchange 2000 server when we bought it in July of 2001 and as luck would have it Exchange 2003 came out before the end of that SA agreement. We are now running a brand new e-mail server and the upgrade cost was only for the hardware. SA worked like it should have," explains Redmond customer Ken Mallison.

### **Pass the License Management Test**

With many Microsoft volume programs, tracking licenses is up to you. This works to Microsoft's advantage—after all, software you can't prove you own is assumed to be pirated software. And it can't be counted towards volume discounts. As a result, IT often buys licenses for software it already owns, but can't legally prove.

SA helps here since Microsoft itself enforces good license management processes. SA comes with license tracking and benefits tracking accessible through a private Web site—Microsoft Volume Licensing Services (MVLS).

Even better, SA generally requires that IT pick a benefits administrator who makes sure that all freebies are taken advantage of.

The nice part of all this is having a clear idea of what you own, and what Microsoft owes you in terms of freebies and extra benefits and earned upgrades. There is a clear economic value to the information, but you don't have to buy SA to get it. Even if Microsoft doesn't track this for you, or give good purchase documentation with lesser purchases (for some buys,

only the software itself serves as proof of purchase), you can do your own license and asset tracking. Track all serial numbers, and dates and conditions of purchase. Perhaps even ask the bean counters in accounting or purchasing to help out.

Even if you avoid SA, use some of the discipline that SA demands, and tackle license tracking, auditing, centralized purchasing, all of which forms the basis of an aggressive negotiating strategy.

### Know What You've Got

Just now we suggested tracking all purchases. But before signing any sort of contract, do your darndest to hunt down all existing licenses and what kind of maintenance or upgrades might already be in place. Also look

for any support obligations Redmond might have, and what low-cost alternatives third parties have.

### Budgeting Bennies

SA has some features that might be tantalizing to company accountants. For instance, it includes predictable costs instead of huge one-time fees when you actually decide to upgrade.

It also offers price protection—your upgrade price can be locked in for up to three years. This might not be just chump change we're talking about here. Microsoft has had some significant price increases, such as Project 2003, which is five times more expensive than Project 2000.

"SA solves a budgeting problem by making annual software costs predictable and amortized over time. A company needs to be up-to-date with their deployment of Microsoft software to take full advantage of this scheme. SA can produce savings which offset the cost of SA when corporations have a large number of servers/clients and wish to stay current with their software," argues J. Vierra, a consultant with Designed Systems & Services in West Caldwell, N.J. "Unfortunately, too many companies don't have an ongoing upgrade/test/deploy strategy so the savings aren't apparent. As a long time fighter for staying current, and after maintaining many complex systems over time, I think this is a much better model than anything that has gone before and is quite competitive with other vendors' offerings."

### You Still Have to Negotiate

SA is a form of lock-in, which reduces the economic feasibility of moving to a competitive product, or even using that as a negotiating ploy.

If you read our [November issue](#), you know it always pays to negotiate. When it comes to the costly SA, negotiating is more important than ever—especially since it can be a multi-year commitment. So press your best case before getting locked in.

## SA 101: How It Works

When you purchase SA, you'll sign a one-, two-, or three-year contract, depending on when you sign up, volume program and how long the coverage is. You'll pay an additional maintenance fee that allows you to upgrade at no additional cost for that period. The annual cost is 25 percent of the volume license for server software and 29 percent for desktop software.

Here's how a Microsoft representative explains the structure of SA contracts: "Select Agreements run for three years. A Select customer who has purchased SA will have three years of access to the productivity benefits, support, tools and training available through SA to help them deploy and use their software efficiently.

"The same coverage term applies to an Enterprise Agreement, but SA is included as part of the Enterprise Agreement. Both Select and Enterprise customers have the option to renew their license agreement for either one or three additional years.

"An Open License and an Open Business License runs for two years. You can add Software Assurance to both these types of agreements, so an Open License/Open Business customer can have SA coverage for two years."

SA is only available for relatively current products. If you have older software like older versions of Windows, NT or Exchange 5.5, you need to buy a new product, and then add SA. You can also purchase Software Assurance Membership, which applies SA to all of your Microsoft enterprise software.

SA was first unveiled in 2001. Scant customer adoption led Microsoft to add a wealth of features in 2003 and more in 2005. These are the features you'll have to analyze to help justify SA. Additional benefits now include:

- Work at home
- Training credits
- Special hot fixes
- Additional points towards discounts
- Spread payments
- Employee purchase program
- TechNet online concierge
- E-learning
- Corporate Error Reporting
- Access to source code for shops with more than 1,500 Windows PCs.
- Digital rights management for Word
- Intelligent Message Filter for Exchange (available only for SA customers)
- Windows Pre-installation Environment
- Indemnification from patent suits
- Problem resolution support
- Access to Eiger—a mini version of XP
- Additional desktop services

Many of these extras, unfortunately, aren't available to Open Business and Open Value SA customers.

— D.B.

Microsoft has basic—let’s call them full list—prices for SA and the volume prices upon which SA fees are based. Blindly accepting these is like hitting “Buy It Now” on eBay—before even bidding.

ITC argues that you can effectively push for discounts. You can and should negotiate steep SA discounts, get ’em down to 15 percent in some cases. Talk to peers, and hit the newsgroups and see what discounts other are getting—and accept no less.

After going through hours of mathematical toil, calculate the overall price of SA versus what you pay now for equivalent upgrades and services. Pick a number below that and see if Redmond will bite. If they don’t offer savings, walk away.

If you are on the verge of SA, negotiating can put the plan over the edge. If you maximize the benefits, have a clear and justified upgrade plan, and think SA makes decent sense, then cut your best deal and walk away relatively happy.

“Go to Microsoft with a specific project and show them that the numbers don’t work—that is a good negotiating technique,” says Wettemann.

**Alternatives to SA?**

While there are few non-SA Microsoft upgrade options available, there are alternatives—such as buying retail. “SA is a pure waste of money. I can buy retail upgrade versions at half the cost of Volume Licensing, and without the added cost of SA,” says Eric Kirkpatrick, manager of IS for Diamond Tours.

Others buy new software only when they get new hardware. “Having experienced the SA mess, I don’t see that it is ever a good thing. Most companies don’t upgrade software or hardware every three years, so instead of buying SA, just buy the OS license with the PCs that you buy when you buy them, and upgrade all other software when needed,” says one former SA customer who asked not to be identified. “Even with all of the bells and whistles, [SA] is not cost justifiable.”

Microsoft’s subscription licenses are another alternative for those who upgrade frequently. They come with a three-year term just like SA that includes upgrade rights. An Enterprise Agreement (EA) subscription (which operates like a lease) is 15 percent less than an outright EA purchase, which itself is already 40 percent to 60 percent less than full retail. In some cases, there can also be

ing maladies that plague the market,” says Midwest Sign & Screen’s Fix.

**Not So Assuring**

It’s clear that customers want Microsoft to rethink SA. If it must keep SA, then at least lower the costs, lengthen the terms and guarantee the upgrades.

Extending the term to four years and offering two possible upgrades within that period would help. “This would

*Upgrade Downgrade*

SA replaces most former upgrade programs, including:

**Version Upgrade:** This is still possible for retail buys. These upgrades are no longer offered as part of volume buys with the exception of client operating systems.

**Product Upgrade:** Here you upgrade from one product to another that is similar but not directly comparable, such as moving from a consumer to an enterprise program.

**Upgrade Advantage:** This is a two-year right to upgrade. You could buy these upgrades at any time, such as right before you are about to upgrade. The two-year Upgrade Advantage program went away July 31, 2002.

In the past, upgrades typically cost 40 percent to 70 percent of the new software price, according to Directions on Microsoft. Now the only real choice is to get SA or buy a new product at the full volume license cost. To get SA, you have to buy a brand new full cost license—even for software you already own and use—and then pay the extra fees.

There is still one non-SA upgrade option: OEM software. You can buy a retail upgrade or use SA. Retail upgrades for Office XP at \$329, for example, are cheaper than using SA. Also, you can purchase retail upgrades any time.

If you upgrade Office every three to four years or longer, avoid SA. Otherwise, SA for Office has an advantage since customers that buy Office Pro 2003 and then buy SA get an automatic upgrade to Office Pro Enterprise Edition, which includes InfoPath.

— D.B.

decent tax breaks by procuring your software this way.

At the end of the three-year term, you can buy perpetual rights to the software by paying the annual license cost one last time, plus an additional 50 percent of the license cost. Again, this functions much like closing out a lease. You get discounts, Microsoft gets recurring revenue. At the end of the three-year cycle, you have to renew or buy out the license—otherwise the software ceases to function.

Some believe subscription plans are the future, if the pricing can be straightened out. “Software as a subscription or a service would have a much higher utilization if not for pric-

let users decide if a product is worth upgrading to immediately or waiting for the next release. Customer adoption of a release would send strong feedback to Redmond about how their product is being received and whether it truly contains the benefits that the Microsoft hype machine claims,” says Fix. “On Microsoft’s end, a four-year cycle would not require pushing an inferior product out every two years just to make the current SA subscribers happy.” And keeping its customers happy, ideally, should be Microsoft’s goal. **R**

*Doug Barney is the editor in chief of Redmond magazine. You can reach him at dbarney@redmondmag.com.*

## DESKTOP OFFERINGS AVAILABILITY

	Offerings	Open License/ Academic Open*	Select License/ Academic Select*	Open Value	Select License SAM	Open Value Companywide Option	Campus and School Agreement/ Academic Select SAM*	EA/EA Subscription
<b>Productivity</b>	New Version Rights	●	●	●	●	●	●	●
	Spread Payments		●	●	●	●	●	●
	Home Use Program	●	●	●	●	●		●
	Employee Purchase Program				●	●		●
<b>Support</b>	TechNet Online Concierge Chat				●	●	●	●
<b>Tools</b>	Windows PE				●	●	●	●
	Corporate Error Reporting				●	●	●	●
	Enterprise Source Licensing Program				●			
<b>Training</b>	eLearning	●	●	●	●	●	●	●
	Training Vouchers			●	●	●		●

## SERVER OFFERINGS AVAILABILITY

	Offerings	Open License/ Academic Open	Select License/ Academic Select	Open Value	Select License SAM	Open Value Companywide Option	Campus and School Agreement/ Academic Select SAM	EA/EA Subscription
<b>Productivity</b>	New Version Rights	●	●	●	●	●	●	●
	Spread Payments		●	●	●	●	●	●
<b>Support</b>	Problem Resolution Support		●	●	●	●		●
	TechNet Online Concierge Chat	●	●	●	●	●	●	●
	TechNet Plus		●	●	●	●	●	●
	Extended Lifecycle Hot-Fix Support		●	●	●	●	●	●
<b>Tools</b>	Windows PE				●	●	●	●
	Corporate Error Reporting				●	●	●	●
	"Cold" Backup for Disaster Recovery	●	●	●	●	●	●	●
<b>Training</b>	eLearning	●	●	●	●	●	●	●

\* Academic programs use Microsoft Research Source Licensing Program and Work at Home rights. They do not include Enterprise Source Licensing Program, Home Use Program, Training Vouchers, or Employee Purchase Program.

<sup>1</sup> This option is not included with Academic Open/Select.

<sup>2</sup> Open License Value customers with at least five server SA licenses receive two incidents per agreement.

<sup>3</sup> TechNet Subscription Media requires five servers and Managed News Groups receive IDs starting with the fifth server.

Eligibility for Software Assurance benefits vary by offering and region and are subject to change. The terms and conditions of your volume license agreement and the terms and conditions under which any specific Software Assurance benefits are offered will take precedence in the case of any conflict with the information provided here. For information about the terms and conditions of your volume license, contact your Microsoft account manager or reseller.

# Tales from the SA Trenches

By Travis Parrent

I used to work for a subsidiary of a much larger organization, and was responsible for about 2,500 clients. Our overall Enterprise Agreement covered about 20,000 clients. The organization was manufacturing oriented, and our business was not IT - that's why they only upgraded about every four to six years depending on the product. It didn't hurt them to sit on old software, such as Microsoft Office 97 or Office 2000 for ages.

Truthfully, tell me what's so great about Office 2000, Office XP, or Office 2003 for the typical office worker? For Office, the biggest difference is usually Outlook, but that is covered under exchange licensing anyway. At this organization I was fairly hands off on the licensing when SA came into being, but now I'm working for another small manufacturing organization and I have to deal with the problems of SA first hand.

In the old days you could buy upgrade licensing through any form of Volume Licensing. This way, we could buy Office 2000 across the board, wait five years, and then pay upgrade pricing for all of the original Office 2000 licenses to go to Office 2003. This gave us the flexibility to skip Office XP, and when we did have a reason to upgrade, we only paid the upgrade price, which was far lower than the full version price.

That was the old way. Now there are no more upgrades for most products in the volume licensing arena. The only products that have upgrades are certain OS's because these licenses are still primarily obtained through OEM's. Today Microsoft wants you to purchase SA, which gives you upgrades while you are under the SA agreement. If you don't purchase SA within 90 days of your initial purchase, you cannot upgrade your product! That's right, you need to buy all new licenses no matter when you want to go to a new version. Want to pay an upgrade price for the licenses you already own? Tough, you should have purchased SA.

There are some good licensing presentations that MS folks use to convince you to buy SA here... [www.mssmallbiz.com/MS%20Small%20Biz%20Shared%20Documents/Forms/AllItems.aspx](http://www.mssmallbiz.com/MS%20Small%20Biz%20Shared%20Documents/Forms/AllItems.aspx). Be careful—they aren't telling you the whole story and are often twisting things their way.

## A Little Travis Math

Let me walk you through some math (I invite you to check out the spreadsheet I created at <http://www.charterinternet.com/genei/salicensing.xls> detailing these scenario's.) Let's say I have 100 clients, need Office, but will not upgrade for at least 4 years. Using the Open Business pricing that I have right now, it would cost  $100 \times (\$426 \text{ for Office Pro 2003 Open Business License}) = \$42,600$ .

Now I own those licenses and those licenses only. I must purchase SA within 90 days of purchasing these licenses, or else I essentially can't upgrade them. So my choices are:

### Option 1. Purchase SA up front:

$100 \times (\$662 \text{ for Office Pro 2003 w/SA} - 2 \text{ years}) = \$66,200$ .

Plus in two years, buy another two years of SA:

$100 \times (\$250 \text{ for Office Pro 2003 SA}) = \$25,000$ .

The total investment is **\$91,200**.

This is more than double the cost of the original licenses, plus after these four years I have to purchase another two years of SA to keep the upgrade possibility.

**Option 2.** Don't purchase SA and upgrade in 4 years. This means I buy new licenses in 4 years.

$100 \times (\$426 \text{ for Office Pro 2003}) = \$42,600$ .

Then in 4 years I purchase again:

$100 \times (\$426 \text{ for Office Pro 2003}) = \$42,600$ .

The total investment is **\$85,200**.

I didn't have the ability to upgrade during those four years, but I never intended to anyway. Note that I actually own 80 licenses with this option (40 old and 40 new) vs. 40 with Option 1.

**Option 3.** Retail/Box Product Upgrades (This is not really feasible to larger organizations because of activation, no setup /a /q, etc, but these organizations should be the most frustrated because volume license upgrades are how it used to be within the volume license program).

$100 \times (\$426 \text{ for Office Pro 2003}) = \$42,600$ .

After 4 years purchase 100 box product upgrades to upgrade those licenses:

$100 \times (\$291 \text{ for Office Pro 2003 upgrade-retail}) = \$29,100$ .

The total investment is **\$72,126**.

There is a lot to be said about these three options. First, on a three-year upgrade scale after about 10 years SA starts to be cheaper in overall cost (please see my spreadsheet), on a four-year upgrade scale SA will always fall behind.

I am sure people will throw up a red flag on Option 3. Many probably caught that this is a retail product. In this case I want to point out not so much the pain of dealing with 100 box products, meaning activation, no setup /q /a, etc., but rather the idea that this pricing and upgrade availability used to be available directly through the various volume licensing programs—until SA came along. You would purchase your licenses and then purchase upgrade licenses when you were ready to upgrade. The CD's for full version and upgrade were the same.

Microsoft has put some proverbial carrots into the licensing programs to make them look appealing. They give you a lot of reasons (at least for medium and large enterprises) to go to SA, but a few things you won't see on their slides are my spreadsheet figures and the fact that you used to be able to buy all these upgrades via the volume licensing program. They have made tiny technical changes on the CD's (affecting installation) that equate to

## Tales from the SA Trenches Continued

giant political changes in license management that essentially force several organizations to SA or to buy new licenses every X amount of years. Also, keep in mind that if you are joining the SA program, you're most likely making more hardware investments to keep up with being able to run the newest versions.

In my opinion, Microsoft is seeing that few people are falling for the 'new version' syndrome, and that most companies skip versions, even when upgrades are offered. Microsoft has been losing out on the profits from the skipped versions. With SA, everyone is upgrading on every version, even if they aren't installing it! If someone decides not to buy SA, then Microsoft recoups a portion of the money they would have made from SA by making them buy the full license again, rather than paying an upgrade price.

I have been working with Microsoft licensing and products since the days of Windows for Workgroups and the launch of NT, and have never been able to justify retail box product over volume licensing until now. Do you think that just because you're a large enterprise that you are getting better pricing than small companies? Think again, because those small companies can handle retail products very easily. They can upgrade when they want and

they pay a fraction of what you do for their products over the long run.

The worst part is that your licenses become essentially worthless after 90 days if you opt out of SA. Why do I say they are worthless? First, you can't upgrade them. You know that \$40,000-plus you spent four years ago in my scenario? Get ready to spend it again. Second, you can't sell the licenses to someone else. Say an other company wanted to buy your old versions of Office when you buy new ones. You can't sell your electronic licenses to them.

I'm pretty steamed about this whole thing—not only that Microsoft is doing it, but other companies may follow suite if Microsoft is successful. It's hog-wash. I'll try to give a real life example. Let's say you buy a new car. After three years if you want a new model, the dealer says your car isn't worth anything (\$0), that you have to buy a new one without a trade-in—and you can't sell your old car to someone else.

Your other option is to buy a new car of that model, pay us half the price of the new car in addition to your up front cost of the car. Then every two years you continue to pay us half the price of the car and then you can get a new one whenever you want, err what they mean is ... when they decide to release a new one!

### Additional Links

Forrester ROI Report

[www.microsoft.com/downloads/details.aspx?FamilyId=6CEE6D9D-CBE2-4AEB-BF49-253709A02CB0&displaylang=en](http://www.microsoft.com/downloads/details.aspx?FamilyId=6CEE6D9D-CBE2-4AEB-BF49-253709A02CB0&displaylang=en)

"Microsoft Licensing 6.0: Practical, Tactical Advice for Negotiating and Winning the Best Deal" from Sunbelt Software Inc. and Information Technology Intelligence Corp. (ITC)

[www.sunbeltsoftware.com/product.cfm?id=130](http://www.sunbeltsoftware.com/product.cfm?id=130)

Nucleus Research

[www.nucleusresearch.com](http://www.nucleusresearch.com)

17 Steps to a Better Microsoft Deal

<http://entmag.com/techlibrary/resources.asp?id=48>

Microsoft SA home page

[www.microsoft.com/licensing/programs/sa/default.mspx](http://www.microsoft.com/licensing/programs/sa/default.mspx)

*Microsoft License Secrets*, by Licensing Geek Scott Braden:

[www.MicrosoftLicenseSecrets.com](http://www.MicrosoftLicenseSecrets.com)

"Understanding Microsoft Licensing," Directions on Microsoft

[www.directionsonmicrosoft.com/sample/DOMIS/research/2003/12dec/nav.html](http://www.directionsonmicrosoft.com/sample/DOMIS/research/2003/12dec/nav.html)