

## Overview

Microsoft is improving the way it does business with customers and partners as a part of its Modern Commerce strategy. Effective 1<sup>st</sup> October 2018 they will begin to adjust pricing to provide more consistency and transparency for its commercial customers. By simplifying its approach, Microsoft can provide customers with the best value with cloud support offers that support digital transformation efforts.

For several years Microsoft has been working on updating its customer and partner purchasing experience, first with the introduction of the Microsoft Products and Services Agreement (MPSA) and more recently the Cloud Solutions Provider Program (CSP), sometimes known as the Microsoft Cloud Agreement. As Microsoft continues to evolve its Modern Commerce strategy it is introducing programmatic changes across its Volume Licensing programs that relate specifically to offer pricing and discounting. These changes will begin to create consistency and transparency across purchasing channels, making it easier for customers to compare prices and make sound purchasing decisions based on the solution, and realize the long-term cost savings by adopting cloud services.



We've seen significant **global change in the 30+ years** since the introduction of Microsoft licensing



As we look to the future, Microsoft are upgrading their commerce model to **better support customers needs**



Through a single platform, they plan to deliver **what customers want to buy, how they want to buy it, and when they need it**

## What are the changes

As Microsoft continues to deliver its modern commerce strategy, they are adjusting pricing and discounting policies in order to deliver more consistent and predictable pricing across their procurement channels. These changes include:

- Establishing consistency by providing a single starting price across all programs.
- Removing the programmatic volume discounts (Level A and Open Level C) in Enterprise Agreement/Enterprise Subscription Agreement, MPSA, Select/Select Plus, and Open programs (Open, Open Value, Open Value Subscription) to improve the consistency in how offers are priced across our procurement channels
- Delivering consistency in pricing by aligning government pricing for on-premises and online services to the lowest commercial price in Enterprise Agreement/Enterprise Subscription Agreement, MPSA, Select Plus, and Open Programs

## Why is this change happening?

Microsoft's modern commerce vision gives customers a consistent set of offers, available through all channels, whether through-partner, direct with Microsoft (EA), or self-serve (web direct). The price changes should create consistency and transparency across all purchasing channels.

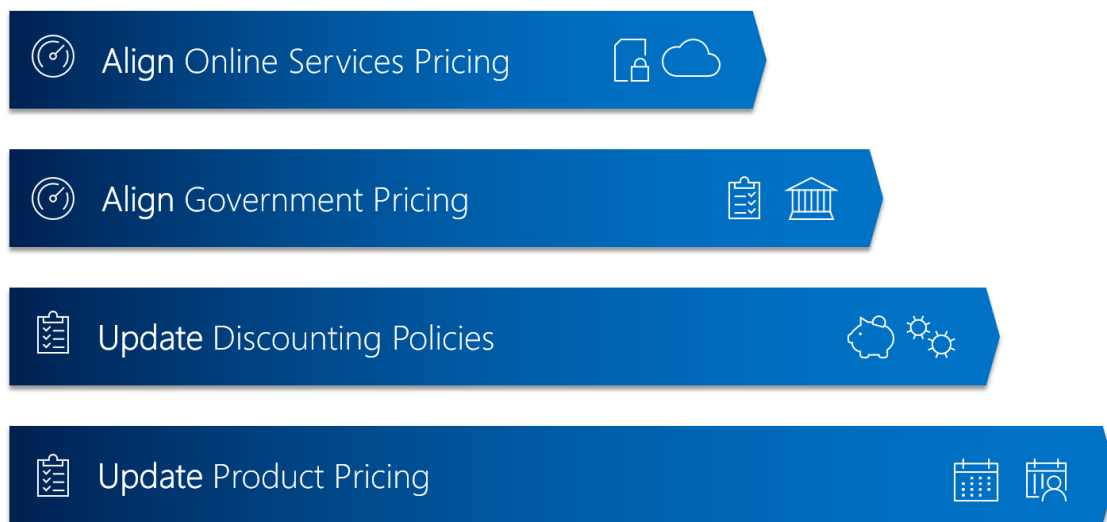
As Microsoft's business shifts from on-premises to cloud services there is a need to evolve their pricing structures. Pricing for cloud and on-premises don't align well, nor do programmatic volume discounts align with cloud pricing models.

### How is this part of modern licensing?

These changes will begin to move from program-centric pricing models into a modern customer-earned pricing model, where product pricing is earned independent of purchase engagement. Microsoft began this pricing shift with Azure in 2016, when they removed volume discounts and aligned prices across all the ways customers can buy. Initially modern pricing will focus on small and midsize (Level A and Open) customers.

### Program updates

What's changing with pricing in Volume Licensing?



Microsoft are:

- Establishing a single, consistent starting price across all programs. Aligning ERP pricing for Online Services across Web Direct and all licensing programs to drive pricing consistency and predictability
- Aligning Government pricing for software and Online Services so that it always aligns to the lowest commercial pricing within a program
- Removing programmatic entry volume discounting (Level A discount) in commercial programs with level discounts.
- Removing programmatic entry volume discounting (Level C discounting) in Open programs
- And finally, updating product pricing to reflect increased product value and provide greater alignment between user and device offers

### Which customers are affected?

The biggest impact will be on small and midsize commercial customers purchasing through Open Programs (including Open License, Open Value and Open Value Subscription), MPSA, Select Plus, Select, Enterprise Agreement and Enterprise Subscription Agreement, and on government customers. The customer-earned pricing display changes are only applicable to customers with a direct Enterprise Agreement, including Enterprise Subscription Agreement.

**Will this affect public sector customers?**

Price changes for government programs will come with the commercial changes. See the government changes section below for details.

This won't affect academic or non-profit agreements at this time. The Office 2019 changes described in the product price changes section below will affect Open, Open Value Subscription for Education Solutions, Select Plus/Select, and MPSA academic agreements.

**How much will prices change?**

Some renewing commercial customers will see a programmatic price increase in the range of 2-3.8% depending on their Volume Licensing program because of the price level discount removal. Enterprise Agreement, MPSA, and Select Plus Level A renewing customers will see prices go up less than 4% over current pricing. Open/OV/OVS Level C pricing renewing customers will see prices go up around 2%, mostly for larger customers in this space. Pricing in Open will be the Open No Level pricing.

Government customers will see up to 6% increase in Enterprise Agreement and between 3-18% for online services in MPSA and Open programs, as well as pricing increases on perpetual products. See the government changes section for information on government price changes.

**Will pricing in direct purchases online be the same as in Enterprise Agreement?**

The starting price will be the same for online services in both Microsoft Online Subscription Agreement and Enterprise Agreement, then discounts will be applied based on the channel or program from which the customer procures. For example, there are discounts in Enterprise Agreement such as program, organization-wide (coverage), and platform that aren't available through direct, online purchase ("web direct"). So, if a customer enters an Enterprise Agreement and qualifies for Level A, the starting price equals that of the web direct price, but the customer would qualify for discounts, such as a coverage discount, that would lower their price below that of web direct.

Note that the web direct starting price will only be visible to customers for those products that are available for sale via web direct. While we're basing our starting price on web direct, not all products are available via that method, so that starting price isn't always something customers will see. For example, if an Enterprise Agreement customer wants to find the starting price for on-premises Office Professional Plus to compare to their final price, there's no web direct equivalent, except in Microsoft internal systems.

However, an Enterprise Agreement customer could look up Office 365 E3 starting price in web direct to compare to their Enterprise Agreement final price because it's a product sold via web direct.

**Why are we removing the Enterprise Agreement/MPSA/Select Plus Level A and Open Level C discounts?**

Our objective with this price waterfall change is to make pricing consistent and transparent across programs so it's easier for customers to compare prices and make sound purchasing decisions. Our future vision is that customers will be able to get a consistent, predictable price regardless of purchasing method (through Microsoft sales, partner, or self-service).

Providing consistent pricing through the removal of level discounting for small and midsize commercial customers purchasing through Open Programs (Open License, Open Value and Open Value Subscription), MPSA, Select Plus, Select, Enterprise Agreement, and Enterprise Subscription Agreement should help customers compare solutions based on their organization's need, not just price, accelerating their journey to modern commerce through a modern discounting approach.

## Will customers with agreements without price protection be impacted by price changes for purchasing starting in October 2018?

Yes, this will affect customers without price protection for new purchases. Customers affected include those with Select Plus, Select, MPSA on-premises, and Open License agreements.

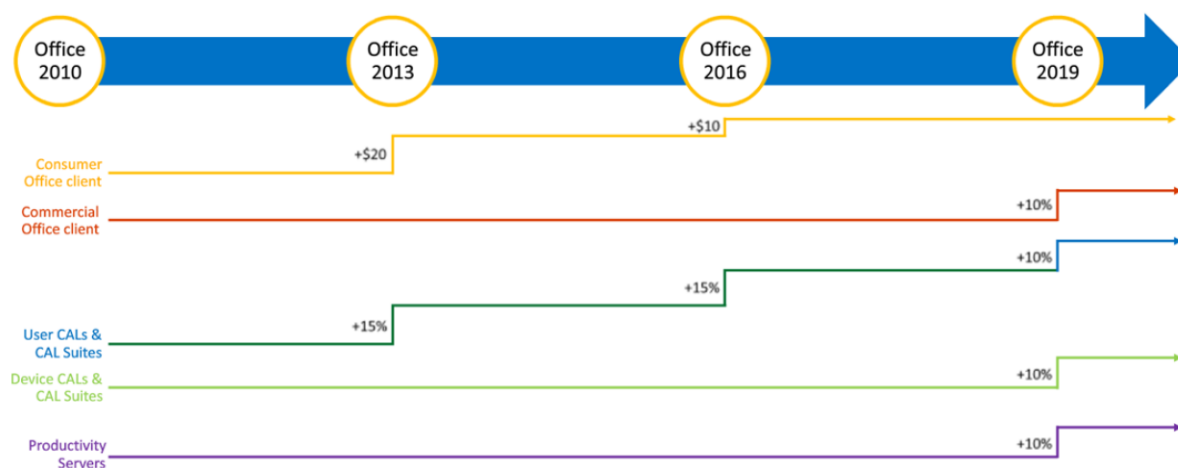
Price protection is included for the following customers, who won't see a price change until renewal:

- Price protection is offered in Open Value for the original quantity ordered
- Open Value Subscription purchases are price protected regardless of quantity
- MPSA online services purchases are price protected through subscription's term
- Enterprise Agreement/Enterprise Subscription Agreement purchases are price protected

## Product price changes

### What are the changes to product on-premises pricing?

Pricing for Office 2019 (on-premises) client licensing for commercial customers and for academic agreements for small and midsize customers\* is increasing by 10% for the first time since 2010 to represent the significant value added to the product over time.



*\*doesn't include the Enrollment for Education Solutions*

Server products will also receive new pricing, including but not limited to: Enterprise CAL, Core CAL, Productivity Servers, Windows Server 2019 Standard edition, and RDS per Device CAL. While productivity server products will increase by 10%, the RDS per Device CAL price will increase by up to 30% to match the per user price.

For Windows, commercial offerings have evolved to include Per User offers and integrated cloud services in conjunction with Microsoft 365. The majority of customers are renewing using the Per User offering, either as a standalone offering or as part of Microsoft 365. Windows 10 Enterprise E3 offers will be renamed:

- E3 will now refer to the per user offer only.
  - Windows 10 Enterprise E3 per User becomes Windows 10 Enterprise E3
  - Windows 10 Enterprise E3 per Device becomes Windows 10 Enterprise
  - Windows 10 Enterprise E5 per Device will be discontinued

The price of what's now called Windows 10 Enterprise (formerly Windows 10 Enterprise E3 per Device) will be raised to match the price of Windows 10 Enterprise E3.

## Summary of product price increases from 1<sup>st</sup> October:

Product Group	Current Product Name	New Product Name (if applicable)	Increase %
Office	Office Standard		9%
	Office Professional		9%
	Productivity Servers & CALs, Core CAL, ECAL		10%
	Project / Visio		10%
Windows	Windows 10 Enterprise E3 Per Device (L&SA)	Windows 10 Enterprise (L&SA)	19%
	Windows 10 Enterprise E3 Per Device (SA)	Windows 10 Enterprise (SA)	25%
	Windows 10 Enterprise E5 Per Device (SA)		Discontinued
	VDA E3 Per Device	VDA	16%
Infrastructure Servers	Windows Remote Desktop Services CAL Per Device		23%
	Windows Remote Desktop Services External Connector		23%
	Windows Server CAL Per User		10%
	Windows Server CAL Per Device		9%
	Windows Server Standard / Datacenter Core (2 Core Licence)		10%
	Windows Server Standard / Datacenter Core (16 Core Licence)		9%

## Government changes

### What's changing with pricing for government customers?

Adjustments are being made to government pricing for on-premises and online services purchases to provide alignment between government and commercial programs, following the changes in 2017 to web direct and CSP government pricing. The changes will make the government price in Enterprise Agreement, Enterprise Subscription Agreement, MPSA, Select Plus, and Open programs equal to the lowest commercial price in the respective program.

For Open/OV/OVS government agreements, there will be one No Level price for government customers which is equivalent to commercial No Level price (there may be country variances).

Enterprise Agreement/MPSA/Select Plus government pricing for online services will align to lowest commercial pricing.

		Open / OV	MPSA	EA
Online Services	Office 365	18%	18%	6%
	Microsoft 365	N/A	14%	5%
	EMS	14%	14%	4%
	Dynamics 365	0%	3%	4%
Software (all products)		32%*	0%	0%

% = (lowest Corp/Gov) – 100%

\*Programmatic increase capped at 20% in year 1 with additional phased over term

### Will government customers pay the same price as commercial?

The government starting price will be equivalent to the lowest commercial price in the same program (for example, Enterprise Agreement government price equals Enterprise Agreement commercial Level D price). However, in some cases the increase will be phased in over several years, as the percentage increase the first year will vary depending on the programs. Microsoft will take a phased approach for alignment where the pricing gap between government and commercial is more than 20% for software sold through Open programs, and the percentage of impact will be capped at 20%. The exception to this will be if a standalone product price increase exceeds 20%, then it'll supersede the cap and the percent of impact will be whatever the product percentage is. For example:

If a customer purchases Product A and the product price increase is 22% the customer will see the full 22% increase. But if a customer purchases Product B and the product price increase is 10% and the price alignment (program) price increase is 15%, the total impact to customer will be limited to 20%.

#### **Does the government price alignment apply to all programs and all pricing levels?**

Yes, the government pricing alignment applies to all programs and all pricing levels. The majority of government customers get Level D pricing, but levels A-C will be aligned to commercial as well as part of the pricing reset. Some of the changes for Open programs on-premises purchases may be rolled out in a phased approach so the full change will be implemented over time and not all at once for government customers.

#### **Are the government price change percentages based on today's price lists, before the level pricing changes?**

The percent increases are based on the new pricing on the October pricelist. Level A government price change alone will increase prices 4-6% and removing the Level A discount raises it to an 8-10% increase for Level A government customers. Levels B-D will increase 4-6%, although there are very few government customers purchasing at Levels A-C. Note that these percentages are general guidance.

#### **When will price changes happen with negotiated government Framework agreements?**

Whether government or commercial, price protected SKUs won't change until the agreement / enrolment / subscription expires (e.g. Enterprise Agreement/Enterprise Subscription Agreement/SCE/OV/OVS Enterprise SKUs, MPSA online services subscriptions, annual payments for perpetual L/LSA, etc.). The new pricing will apply at renewal. Pricing for transactional program such as Open, OV non-org-wide, MPSA prepay on-premises, and additional products in all the programs will be updated at the purchase following October 2018 launch.

### **Summary and Bytes recommendations**

Here are the changes to Microsoft on-premises products and licensing programs, that will affect your business, together with our recommendations to minimise additional cost. If you would like us to look at your licensing agreements and future strategy – we'd be happy to help. We are Microsoft's #1 UK partner with 100+ Microsoft Licensing specialists.

Changes	Explanation	Recommendations
Price Increase of 10% for <b>Perpetual Office and related Office Servers</b>	Microsoft is increasing prices of perpetual on-premises Office and its associated server products, for example Exchange Server, Skype for Business Server and SharePoint Server, by approx. 10%	Office 2019 is to be released as click-to-run only so now is a great time to consider moving to Office 365 or Microsoft 365. Dual use rights will allow for the continued use of on-premises server software until you are ready to move to the cloud.

Price Increase 10% for <b>Core CAL and Enterprise CAL Suite</b>	Microsoft is increasing prices of on-premises Core and Enterprise CAL Suites by 10%	Consider moving to cloud based licensing. EM+S and Office 365 bought together give the same rights as the Core or Enterprise CAL Suite. If you've been looking at increased security, now is the time to make the move.
Price Increase of 16% to 25% on <b>Windows 10 Enterprise</b> when licensed Per Device	Microsoft is increasing pricing of Windows 10 Enterprise <u>Per Device</u> .	Customers should consider moving to a Per User licensing model which offers greater flexibility and improved compliance for users with multiple devices.
Price Increase 10% on <b>Windows Server</b>	Microsoft is increasing pricing of Windows Server Standard and Datacenter by 10%	Get more value from your Windows Server licenses with Software Assurance by taking advantage of Hybrid Benefit for Windows Server which allows the use of the software both on-premises and in Azure concurrently (Datacenter only). An alternative to Software Assurance are the new Server Subscriptions for Azure which are available for 1 or 3-year terms.
Removal of <b>Enterprise Agreement Level A</b>	Price increases of approximately 4% for companies with 250 - 2,499 users (excl. Public Sector)	Customer with renewals between now and July 2019 should engage Bytes to understand the impact. Options to reduce the impact will include an early renewal commitment and/or moving to cloud or renewing through a difference program type.
Removal of <b>Open License Level C</b>	Price increases of approximately 2% - 10% for companies with up to 500 users (excl. Public Sector)	Speak to your Bytes account manager to look at bringing purchases forward and consider options including moving to cloud.

### Get the best outcome

Striking the right balance between cloud and on-premise licensing is key here. In addition to having 100+ Microsoft Certified Professionals (MCPs) with expert knowledge around on-premises and cloud based licensing, our Cloud specialist team can advise on the best Microsoft Cloud solutions for your business.

### Book a FREE commercial assessment or Cloud Workshop

Find out how our [Commercial Advisory Service](#) can reduce your licensing costs or book a [Microsoft Cloud workshop](#) to discover how Office 365 and Microsoft 365 can modernise your organisation.

We'd love to hear from you, simply reply to this email or contact us on 01372 418 500 to discover your best options.