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# SmartSpend™ Bulletin

## How to Knock Your Microsoft 365 Purchase or Renewal Out of the Park



Whether you're already a Microsoft 365 customer or expect to be one soon, optimizing licensing and cost is challenging. To minimize TCO and maximize usage rights, companies need to take preparatory steps in the months leading up to every purchase or renewal.

Microsoft 365 is used by an estimated 200+ million people across the globe and is largely responsible for the vendor's surge in commercial cloud revenues. But despite its popularity, the Microsoft 365 sourcing event – whether an initial subscription or part of an Enterprise Agreement renewal – is still unfamiliar territory for many Microsoft enterprise customers. When purchasing or renewing, there are a variety of important choices to be made that have a major impact on cost. In some cases, customers know about them – and are confused. In other cases, customers aren't even aware of their options.

As companies migrate to M365, there are steps they can take to protect themselves from cost surprises and optimize TCO – during both initial migration and in the months leading up to an EA renewal. Striking the right balance of cost and flexibility requires full understanding of the options, license scenario cost modeling and license scenario cost/benefit analysis.

### **DURING YOUR INITIAL MIGRATION PURCHASE**

**Choose the right user subscription license (USL) for your risk tolerance.** There are four options: the **Full USL**, the **From SA USL**, the **Add-on USL** and the **Step-up USL** (technically, this last option applies only to existing O365 customers). You can read more about these options [here](#).

The Full USL is ideal for customers who haven't purchased Microsoft's on-premise productivity solutions or have stopped paying SA on on-premise licenses. Customers that choose this SKU no longer have version upgrade rights to their on-premise licenses. The From SA USL is designed for current Microsoft customers who are currently paying SA on on-premise licenses and want to transition to M365.

On the other end of the spectrum is the Add-on USL. This option is designed for current on-premise customers who want to try M365 without fully giving up upgrade rights to their on-premise licenses. Although the total cost impact of this SKU is greater (customers are essentially paying for both on-premise and cloud versions of Office), the protection is worth it in the event that the client wants to move parts of their Office environment back to on-premise.

**Correctly install Office 365 as click-to-run bits.** O365 Pro Plus uses click-to-run bits to install and update Office products. However, some customers have inadvertently installed the incorrect product, which puts them out of compliance with Microsoft's product usage rights.

**Protect your discount.** With demand on the upswing, big discounts on M365 deals are becoming less and less common. With this in mind, customers should put contract language in place that will protect their current M365 discount. Keep in mind that gathering the leverage to successfully execute this tactic requires a thorough analysis of your current state and future state solution requirements.

**Determine whether you need to maintain SA on on-premise licenses, and any potential issues that could arise if you migrate to M365 in the future.** The move to M365 is rarely a forklift exercise for enterprises and is more often a piecemeal migration. In some cases it may be wise to purchase the Add-on SKU to maintain existing SA on on-premise licenses. While this is more expensive than simply purchasing the From SA USL, the difference can be a point of negotiation in a well-constructed licensing strategy. The benefit? Customers can retain rights to the most current version of on-premise products at the end of their agreement. Plus, even if the customer has no intention of migrating away from the cloud over the current agreement term, it positions them for greater negotiation leverage during future renewals. Note: it's critical for customers to understand the options available to them, especially as they continue to evolve. This specific area of Microsoft licensing/subscription can be deceptive and requires deep expertise and careful navigation.

## LEADING UP TO YOUR RENEWAL

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**Vocalize any concerns and explore credible alternatives.** For all of its popularity and performance, most companies will encounter challenges migrating to and using M365. Be sure to make Microsoft aware of these issues and explore credible alternatives. This is a best practice in general, but can also factor into negotiations if you have important concerns.

**Analyze time-to-value.** One powerful negotiation lever with any cloud transition is time-to-value as migrations are typically disruptive to the business. Define reasonable success metrics for your organization's migration to M365 and track how long it takes to achieve them. Delays in time-to-value can translate into leverage during a renewal event.

**Map your current subscription level to Microsoft's newest programs.** Changes to Microsoft's M365 subscription options are frequent, and customers should expect to be pressured to upgrade to Microsoft's "latest and greatest" option during the renewal event. One example is the current push to move M365 E3 customers to M365 E5, which Microsoft bills as a more complete, intelligent enterprise solution that includes Office 365, Windows 10, and Enterprise Mobility + Security. NPI advises customers to proceed with caution. These newer offerings may provide more functionality

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than you require, and it's important to note that Microsoft is continuously adding new capabilities and features. Conduct an "equivalency map" exercise to determine the pros/cons of upgrading – in some cases, your willingness to upgrade can open the door to deals in other areas of your Microsoft spend. Updating your licensing strategy is critical.

## AUGMENT YOUR M365 LICENSING EXPERTISE FOR HIGHER SAVINGS, LESS RISK

For any Microsoft investment, optimization requires deep licensing expertise, and the ability to explain licensing options – and their cost and usage consequences – to business stakeholders in terms they can understand. This decision support dialogue is an area that most enterprises struggle with. That struggle is heightened for M365 purchases and renewals – an area where most companies have had fewer at-bats at the negotiation table, and subscription options and product roadmaps are quickly evolving.

Enterprises have a lot to gain by supplementing their internal Microsoft buying team with external M365 [cost and subscription optimization expertise](#) – namely ensuring an optimized M365 purchase and subsequent renewal, and the elimination of cost surprises. A word to the wise: No matter how great your reseller may be, their charter is to maximize revenue from your account – not optimize your TCO. Be sure to look to independent experts for unbiased analysis.



## ABOUT NPI

NPI is an IT procurement advisory and intelligence company that helps businesses identify and eliminate overspending on IT purchases. We deliver transaction-level price benchmark analysis, license optimization advice and vendor-specific negotiation intel that enables IT buying teams to drive measurable savings. NPI analyzes billions of dollars in spend each year for clients spanning all industries that invest heavily in IT. NPI also offers software license audit and telecom carrier agreement optimization services. For more information, visit [www.npifinancial.com](http://www.npifinancial.com).

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