



## Campaign for Clear Licensing White Paper:

# “Microsoft stunts its own growth through licensing complexity”

## Executive Summary

- This paper collates the feedback from over 100 worldwide Microsoft customers on their concerns and challenges with software licensing and recommends five recommendations for positive change.
- Key issues with Microsoft Licensing are tracking, licensing complexity, bundling and transitioning to new license models.
- The five recommendations to Microsoft include clear measurement metrics, audit clarity, a knowledgebase and communications plan.

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**Campaign for Clear Licensing**

December 2015

[www.clearlicensing.org](http://www.clearlicensing.org)

*The Campaign for Clear Licensing is an independent, not-for-profit organization campaigning for clear licensing, manageable license programs and the rights of business software buyers. The Campaign for Clear Licensing will on behalf of its members work with software publishers and the reseller community to reduce the indirect costs of using commercial software by improving the clarity and usability of software license terms and conditions.*

## Introduction

The purpose of this paper is to highlight key discussion points for further dialogue with Microsoft on behalf of the Campaign for Clear Licensing. This paper collates the feedback from over 100 worldwide Microsoft customers on their concerns and challenges with software licensing. This paper was shared with the Microsoft Worldwide SAM and Compliance team in Redmond prior to publication.

Research methodology:

- Responses were collected via electronic survey and email from July to September 2015
- Responses were also collected and discussed in-person at an independent Microsoft Licensing Seminar in London, UK on the 17<sup>th</sup> September 2015 and New York, USA on the 21<sup>st</sup> October 2015.
- The average size organization was 12,000 seats. Respondents originated from USA 37%, UK 20%, Australasia 17%, Canada 7%, and other 19%

## Microsoft stunts its own growth through licensing complexity

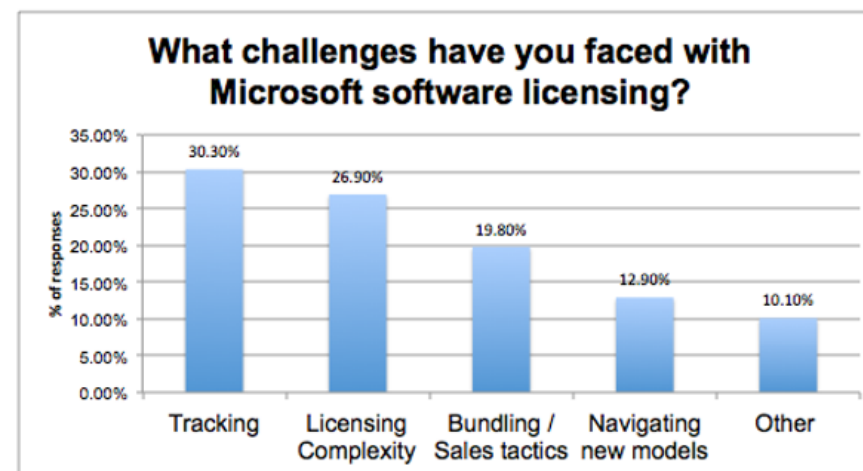
In comparison to similar research by the Campaign for Clear Licensing into Oracle, SAP and IBM – Microsoft is the most progressive software publisher. Microsoft promotes SAM within their partner ecosystem and has lent support to the ISO SAM standard. Feedback from Microsoft customers also suggests less hostile working relationships – especially in comparison to Oracle.

However, the overwhelming feedback from our research suggests that Microsoft licensing complexity, designed to give customers choice, is stunting their own growth and getting in the way of customer innovation.

## Key Issues for Microsoft Customers

Research into Microsoft Licensing points to four common themes. The customer perceives:

1. Tracking the use of Microsoft software is difficult
2. Licensing is at times unnecessarily complex
3. The bundling of products benefits sales objectives over customer requirements
4. Not enough information is provided to support transitioning to new license programs and economic models



## Tracking

*Desktop, mobile, datacenter, perpetual or in the cloud - Tracking the use of Microsoft software is difficult.*

Microsoft customers tell us it's difficult to track what Microsoft software is being used in their environments.

Microsoft provides tools to support customers identify software in use such as SCCM, MAP and so on but these are configuration centric and require considerable manual interpretation to decipher licensing requirements.

50% of respondents had no SAM tool in place and 65% had no solution in place for managing Microsoft SQL Server. Feedback from respondents suggests True-ups and compliance positions are very much desktop centric with SQL server being a significant audit blind spot. The speed of change, pace of innovation and complexity of modern license agreements means that customers without adequate tracking place themselves at a significant disadvantage – both in terms of negotiating competitive terms and the agility required to meet customer demands.

Since tracking is difficult, so does picking the most competitive and suitable license model for their requirements and making strategic procurement decisions. Microsoft offers reviews via it's partners for customers to establish an effective license position, these are sales driven activities with the aim of identifying any gaps and driving the customers towards new technology and longevity in the contract. We believe these SAM engagements make customers numb to their real licensing requirements and encourage immature software management processes.

A combination of Microsoft licensing complexity and the common immature nature of customer internal software management controls – results in the customer being reliant on Microsoft for decision-making.

## Licensing complexity

Microsoft's defence for its licensing complexity is flexibility. Microsoft has many different customer types, and licensing flexibility allows them to build solutions for different types of customer at the right price.

This is all well and good but there is a dire shortage of clear licensing information to support customers attempting to navigate this complexity. The industry has witnessed a growth in consultants specifically recruited to navigate this absurd complexity. Further evidence that the customer is not autonomous and does not have adequate information at their finger tips to make competitive decisions.



*Anecdotally:*

- “The constantly shifting changes to the PUR and licensing bundles create duplication in entitlements (e.g. remote desktop CAL has app-v as well as MDOP has app-v). While it does create attractive packages for some clients, for clients who subscribe to the whole suite, it seems as though you are paying for the same features through many different combinations while not having any discounts. Also, the language used between the PUR, EULA, and agreements is extremely confusing to understand which one supersedes the other or holds more weight. Lastly, MS's own staff don't understand their licensing, so what hope do clients have. Many cases where staff are misquoting what entitlements are included, especially with O365. E.g. they often say a full enterprise core CAL suite is included and its not at all, you require a bridge CAL in addition to the subscription.”
- “Desktop licensing is quite clear. Citrix, VDA, external contractors (CAL's) etc. It is different story.”
- Difficult to understand VDI and VDA. Confusing rules about what SW rights require SA. Lack of documentation about whether our Enhanced Desktop option that we have available in the MS/USAF ELA includes the OS or if it must be used with an existing OA.
- “Licensing is unnecessarily complex”

## **Bundling & Sales Tactics**

Microsoft customers claim it's difficult to unpick product bundles from Microsoft to suit their business requirements. Similarly customers tell us contract renewals are heavily driven towards pushing the latest technology rather than listening to customer requirements.

*Anecdotally:*

- “Traditional perpetual licenses cannot be trued down. Only at the end of the agreement can SA be dropped. Office is a big issue for us as both Office Professional Plus (EA) and Office proPlus (O365) provide full bundling of all applications. This represents approx 50% value as many products are not required by the majority of users. Again, to use Lync enterprise Voice, all users must have the full E4 suite including Office ProPlus. They may only need Lync, Outlook, Excel and Word but have to pay for Access, publisher, Onenote, etc. Not considered value
- “From an Office standpoint, we've got too many machines with the full suite of Office installed where most of the applications aren't used, only Word or Excel. It's very hard to manage which machines should get the full version versus only the readers.”
- “The biggest challenge is the renewal of our subscription agreement with Microsoft. Getting what we need instead of what the want to sell to us.”



## Transitioning to new License Models

Microsoft, like other veteran software companies developed in the perpetual era, is trying to swap its customers to a cloud or subscription based model. You could argue they've done a good job of this with 50% of respondents reporting having adopted Office 365 as a license model for Office (That is to say they use Office 365 as a license model – they might not necessarily be using Office 365 fully).

Customers have cited migrating to Office365, the cloud based version of Office or a hybrid mix between the two as a key concern as they consider their long term Microsoft strategy. In particular Microsoft appears to be suffering from very primitive cloud objections such as data sovereignty, cloud exit strategies and data privacy – by either failing to address these cloud adoption issues effectively or failing to communicate solutions.

Customers cite a lack of clarity around harnessing their existing investments to move to the cloud. Customers want to retain some of the value they have invested in perpetual Office rather than paying twice.

Similarly there is considerable market demand for mobility and using Microsoft products on mobile devices. Feedback during our research suggests Microsoft have made this much easier if you adopt Office 365, customers who have not adopted Office 365 are finding it difficult to navigate their choices. Whilst Microsoft is fully entitled to promote Office 365 as a solution for mobility – it would be restrictive and uncompetitive not to provide adequate information on the alternatives.

Anecdotally:

- “Switching from a device based license to user based is/will be EXTREMELY expensive for us”
- “As MSFT moves more toward a subscription model, it will become more challenging for us to retain our hold of perpetual licensing, but we have a significant supply to last us for several years.”

## Recommendations for Microsoft

Based on the key issues highlighted above the Campaign for Clear Licensing recommends five key changes:

Key issues for Microsoft customers		Market Impact	Changes Required
1	Tracking the use of Microsoft software is difficult	<ul style="list-style-type: none"> <li>Customers are not autonomous</li> <li>Customers are dependent on Microsoft for decision making</li> <li>Restrictive to Microsoft competitors – encourages lock-in and over consumption</li> </ul>	<ol style="list-style-type: none"> <li>Clear and open measurement metrics need to be defined and shared for each product. Measurement metrics should be clearly communicated to customers. Microsoft has begun work on ISO tags – but this is years if not decades from meaningful execution. Immediate clarity is required. Microsoft should empower their channel and technology partners to add value around these metrics.</li> <li>A customer should not be audited / reviewed based on metrics that have not been defined in the contract and / or are publicly accessible. Microsoft should adhere to the Campaign for Clear Licensing Audit code of conduct.</li> <li>Microsoft needs to promote Software Asset Management as a permanent internal business practice for customers – rather than a sales driven review process</li> <li>Microsoft customers need access to a clear and well-organized licensing knowledgebase to aid independent decision-making - including all products, versions, product use rights, and historical changes.</li> <li>Microsoft needs an open and universal communications plan for all licensing changes. Whilst everyone appreciates the great value of the Microsoft channel – the customer should also be able to make up their own mind via a clear information and communications. Communications should be open and public.</li> </ol>
2	Licensing is at times unnecessarily complex	<ul style="list-style-type: none"> <li>Customer innovation is thwarted</li> <li>Projects are delayed or postponed because of confusion / fear regarding licensing</li> <li>Audit threat casts a shadow over vendor relationships</li> <li>Competitors are restricted due to licensing murkiness</li> <li>Lack of trust in sales relationships</li> </ul>	
3	The bundling of products benefits sales objectives over customer requirements	<ul style="list-style-type: none"> <li>Competition is blocked via bundling</li> <li>Customers over-consume software</li> <li>Customers become numb to genuine requirements</li> <li>Customers are dissatisfied and don't meet business objectives</li> <li>Market choice is restricted</li> </ul>	
4	Not enough information is provided to support transitioning to new license programs and economic models	<ul style="list-style-type: none"> <li>Good technology does not get implemented</li> <li>Projects are delayed or postponed because of confusion / fear regarding licensing</li> <li>The customer is not autonomous</li> </ul>	

We believe that by addressing these issues Microsoft can encourage independent decision-making, increase loyalty, reduce barriers to implementation and ultimately increase revenue.

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December 2015  
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