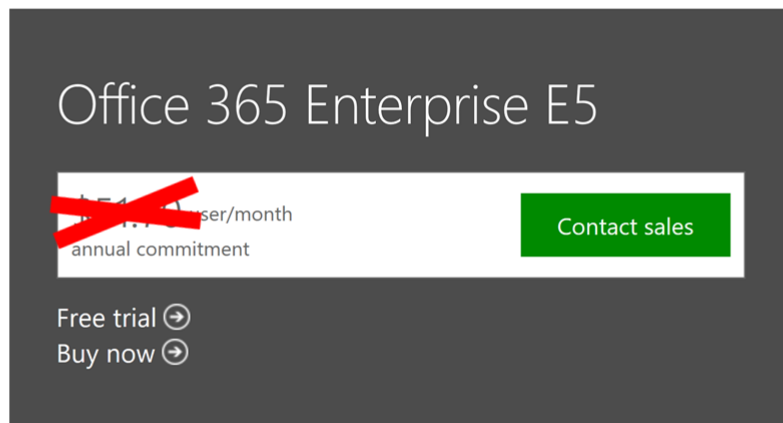## Australian Government

These are **not** the prices you are looking for!

Public website pricing is almost never correct for enterprise and government customers!

Australian Government:
These are not the prices you are looking for!

- Published on September 8, 2018
  https://www.linkedin.com/pulse/australian-government-prices-you-looking-aaron-dinnage/
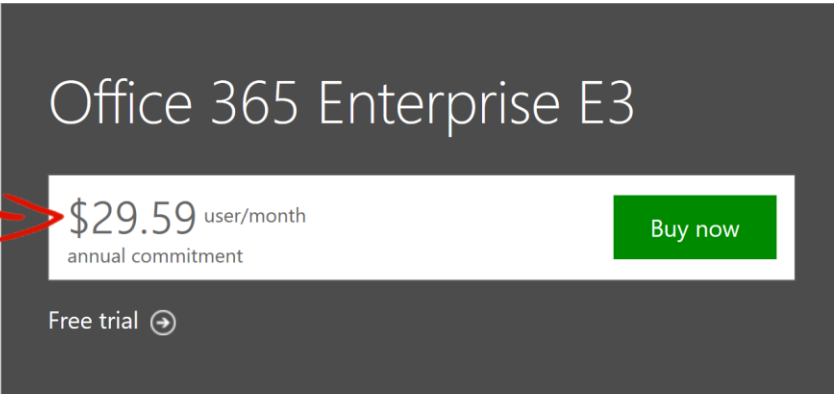
Over the last couple of months, I've had a number of customers tell me that they have looked into Office 365 and decided it's too expensive. I know from personal experience with dozens of customers in government and commercial enterprises that Office 365 has a very strong return on investment and is actually more cost effective than traditional IT. As I've dug a little deeper to understand this decision I've found two recurring reasons for the 'expensive' misconception.

The first misunderstanding relates to the scope of Office 365, what services are included, and the cost displacement that is possible (a topic for another day). The second misunderstanding, and the focus of this article, is a misunderstanding of the price.

Often the price customers have used to make a decision comes from the Microsoft public website and is what's called Estimated Retail Price (ERP). This is a **very** different price compared with the options available to customers on an Enterprise Agreement (EA) or similar licensing arrangement, which the majority of government and enterprise commercial customers in Australia are on.

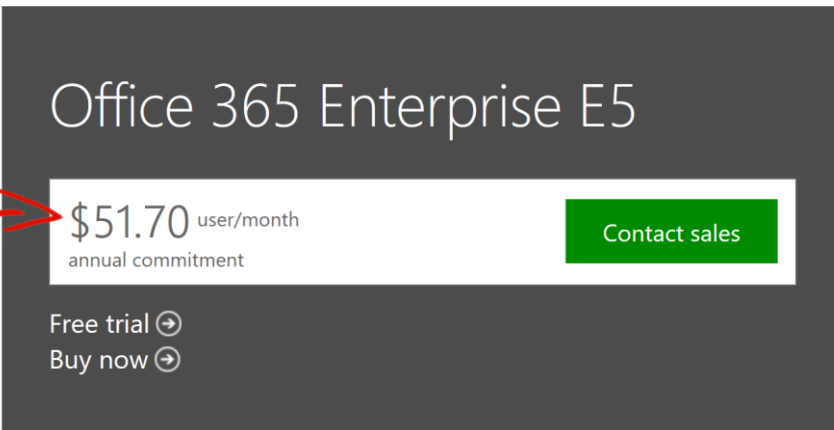[**Office 365 E3 Estimated Retail Price**](#):

Why is ERP wrong?

There are two principal reasons why the online prices are not accurate for large customers:

1. **Volume licensing**
2. **Add-on vs full User Subscription License (USL)**

Other reasons exist too. For example, negotiated contract terms and discounts, but the two above are true for all government and enterprise commercial customers regardless of individual circumstances.

[**Office 365 E5 Estimated Retail Price:**](#)

Reason 1: Volume licensing

With volume licensing, Microsoft programmatically applies a discount based on the size of the organization and the commitment they are making. There are four "license levels", level A through to level D, each with its own discount rate ranging from 15 to 45 percent respectively.

Qualifying government customers receive Level D prices, regardless of size.
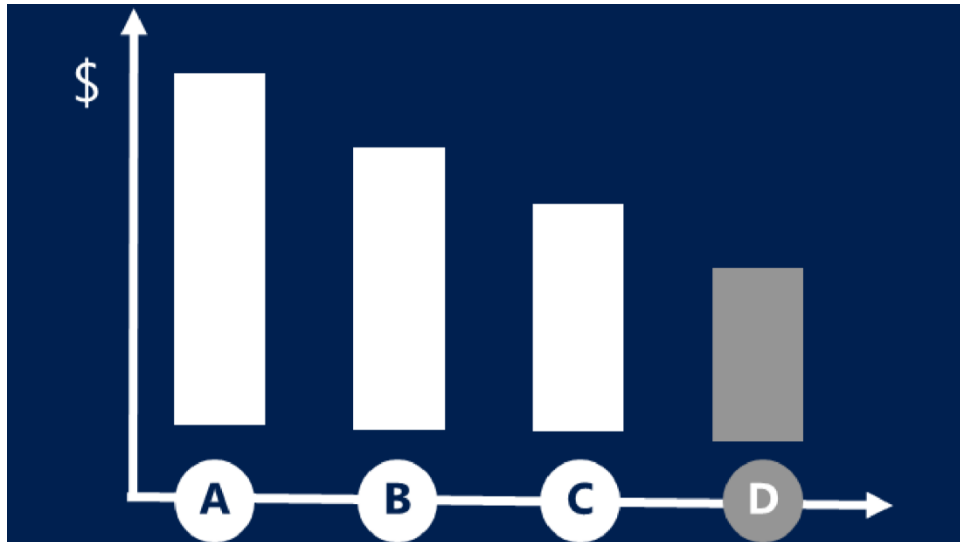

This reason alone accounts for some significant differences in pricing compared to ERP. However, the next item can make a huge difference too!

Reason 2: Add-on vs full User Subscription License (USL)

When a customer enters into an Enterprise Agreement they make a commitment to what are called *enterprise products*. These could be a Client Access License (CAL), Office, and more...

When the customer then chooses to add Office 365 on top of their existing enterprise products Microsoft recognises the existing investment and offers an Add-on License.
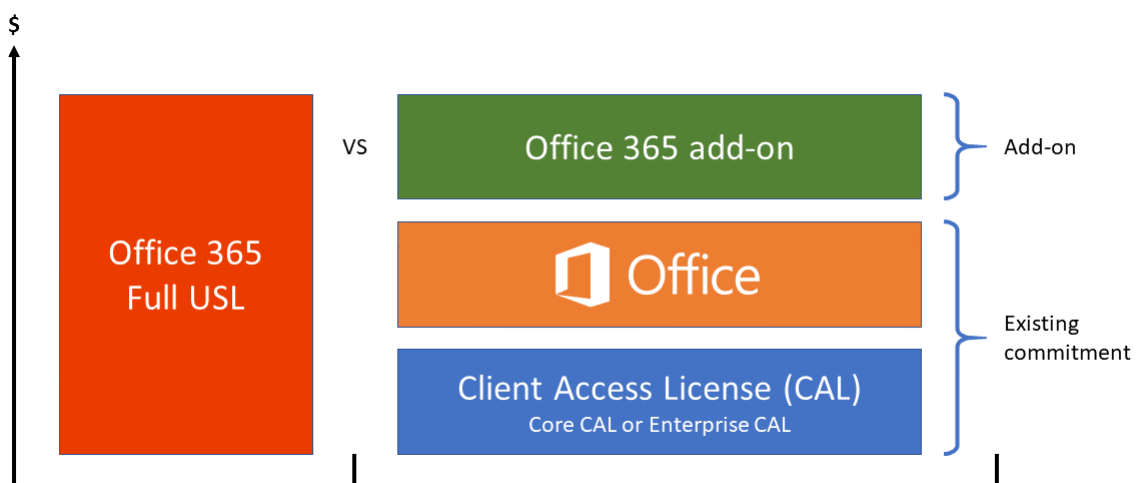
The cost of an add-on is dramatically reduced by the existing investment the customer has. I can't provide specific pricing figures here due to the sales model Microsoft has, so it's important to get a quote from your License Solution Provider (LSP) to see what the true cost of Office 365 is for your organization.

An add-on license can be purchased during the term of an agreement to add new capabilities, when you need them, without having to buy a whole new full license. When you purchase an add-on, you only pay for it from that point onwards. That is, add-ons don't get back-dated or charged from the start of the agreement. An add-on honours the commitment and the spend you already have.

Add-ons are not just available for Office 365, but also for Enterprise Mobility + Security (EMS) and the Microsoft 365 suites.

Conclusion

Online pricing is meant as a guide, but for many customers it is never even accurate enough to use for a ball-park estimate. The best way to understand the true cost and benefits of a Microsoft solution is to work with a Microsoft partner or with your Microsoft account team directly.

In my humble opinion, estimated retail pricing for *enterprise* products shouldn't be posted online. In my experience, the online pricing for enterprise products creates more confusion than it solves, so I'd rather it wasn't there. But I'm interested to hear what other people think about that. If you disagree or have another idea, please reach out.

There is a lot of great resources to explain how Microsoft licensing works in more detail at GetLicensingReady.com. And any customer can, of course, reach out to Microsoft or their LSP to get a better handle on what their particular options and costs would be.

Updated 2018-09-10 to clarify the role of add-on licenses during the term of an Enterprise Agreement.