

# Contract Negotiation Clinic: Microsoft

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# Antitrust Guidelines

Welcome! With all Gartner peer activities, we are sensitive to topics that might implicate antitrust laws.

To ensure you understand and comply, we provide these basic guidelines:

## Do

- Share best practices you have observed and/or employed.
- Discuss general licensing terms and pricing — not specific terms and pricing from any particular agreement.
- Share frameworks and toolkits you have created to guide negotiations.

## Do Not

- Make any agreement regarding a joint action to take against a supplier.
- Agree with others at the session to refuse to deal with a particular supplier or obtain more favorable terms from a supplier, particularly where your firm is a large customer of that supplier.
- Agree with others at the session on similar terms and conditions regarding particular suppliers (e.g., pricing terms).

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If at any time you sense that the discussion may be violating these guidelines, identify this to the facilitator.

For further guidance, please see Gartner's complete policy at [Peer Activities and Antitrust Guidelines](#)

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# Gartner Prediction Made in 2020

**Through 2025, a majority of Microsoft-centric organizations will spend 25% more on Microsoft software and SaaS every three years without having budgeted for such a significant increase.**

Predicts 2021: Crisis Will Force Changes to Software and Cloud SaaS Contract Negotiation (G00735995)



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# Today's Topics

1. What's New?
2. Your Five-Phase Renewal Plan
  - Foundation
  - Assessment
  - Forecasting Demand
  - Contract Negotiation
  - Contract Execution



“Creating Leverage”  
Call-outs through  
the session



# What's New?

# You Will Likely Be Impacted by at Least One of These

- March 2022 List Price Increase
- Teams Rooms (Effective September 2022)
- Azure Savings Plans (Launched October 2022)
- Licensing Windows Server by Virtual Machine (Effective October 2022)
- SQL Server 10% Price Increases (Effective January 2023)
- Teams Premium (Launched February 2023)
- Unified Support Changes (Effective February 2023)
- Intune Suite (Launched March 2023)
- Copilot Announced (March 2023)
- Pricing Currency Increases AUD/NZD (Effective 1 September 2023)
- Local Currency Adjustments in February and September ongoing

# Are the Changes Risks or Opportunities?

Potential Risk	“It Depends”	Potential Opportunity
<ul style="list-style-type: none"><li>• AUD/NZD Increase on 1 September 2023</li><li>• Global List Price Increase (March 2022)</li><li>• Teams Rooms (September 2022)</li><li>• SQL Server 10% Price Increases (January 2023)</li></ul>	<ul style="list-style-type: none"><li>• Ongoing Currency Adjustments (April/September)</li><li>• Unified Support Changes (February 2023)</li><li>• Teams Premium</li><li>• Copilot</li></ul>	<ul style="list-style-type: none"><li>• Licensing Windows Server by Virtual Machine</li><li>• Azure Savings Plans (October 2022)</li><li>• Intune Suite (March 2023)</li></ul>

# Creating Negotiation Leverage



Competition



Timing



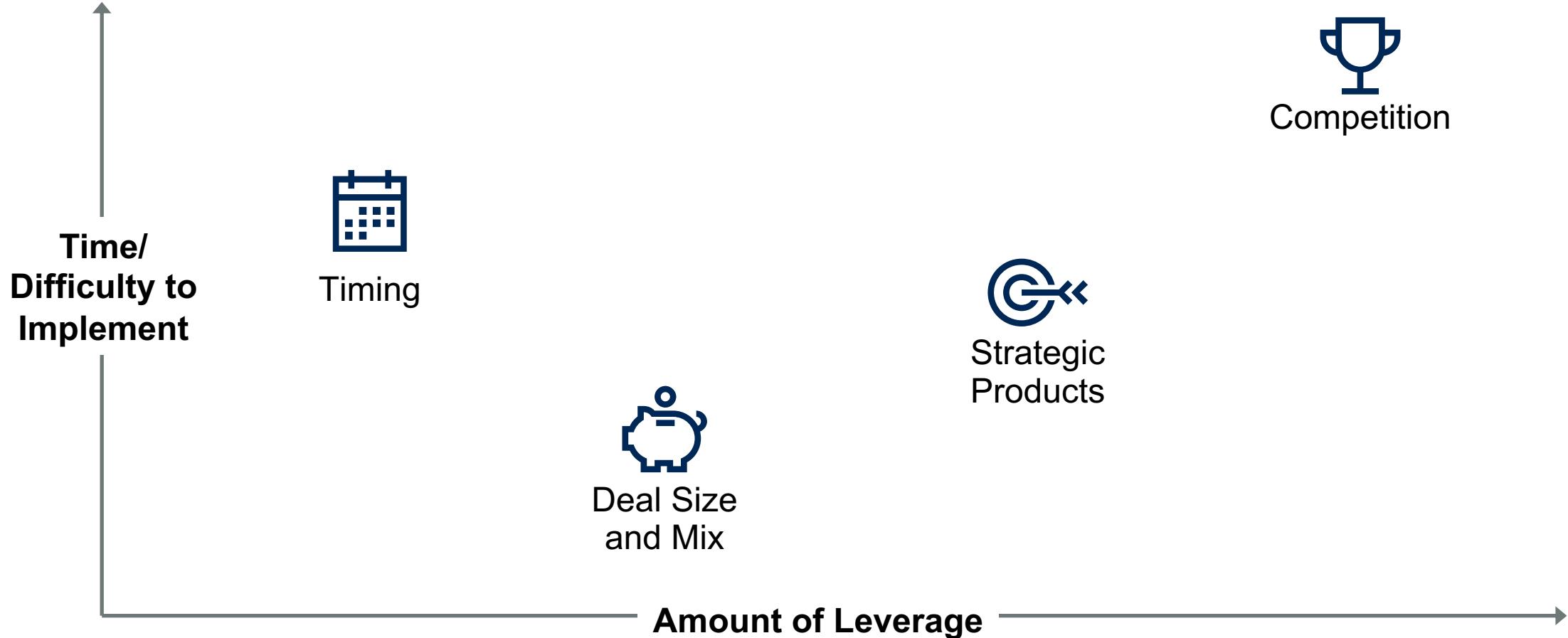
Strategic  
Products



Deal Size  
and Mix

# What Creates the Most Leverage?

Positioning Is Gartner's Opinion, Based on Client Interactions



Source: Gartner

# Your Five-Phase Renewal Plan



# 5-Phase Plan for Your Microsoft Renewal



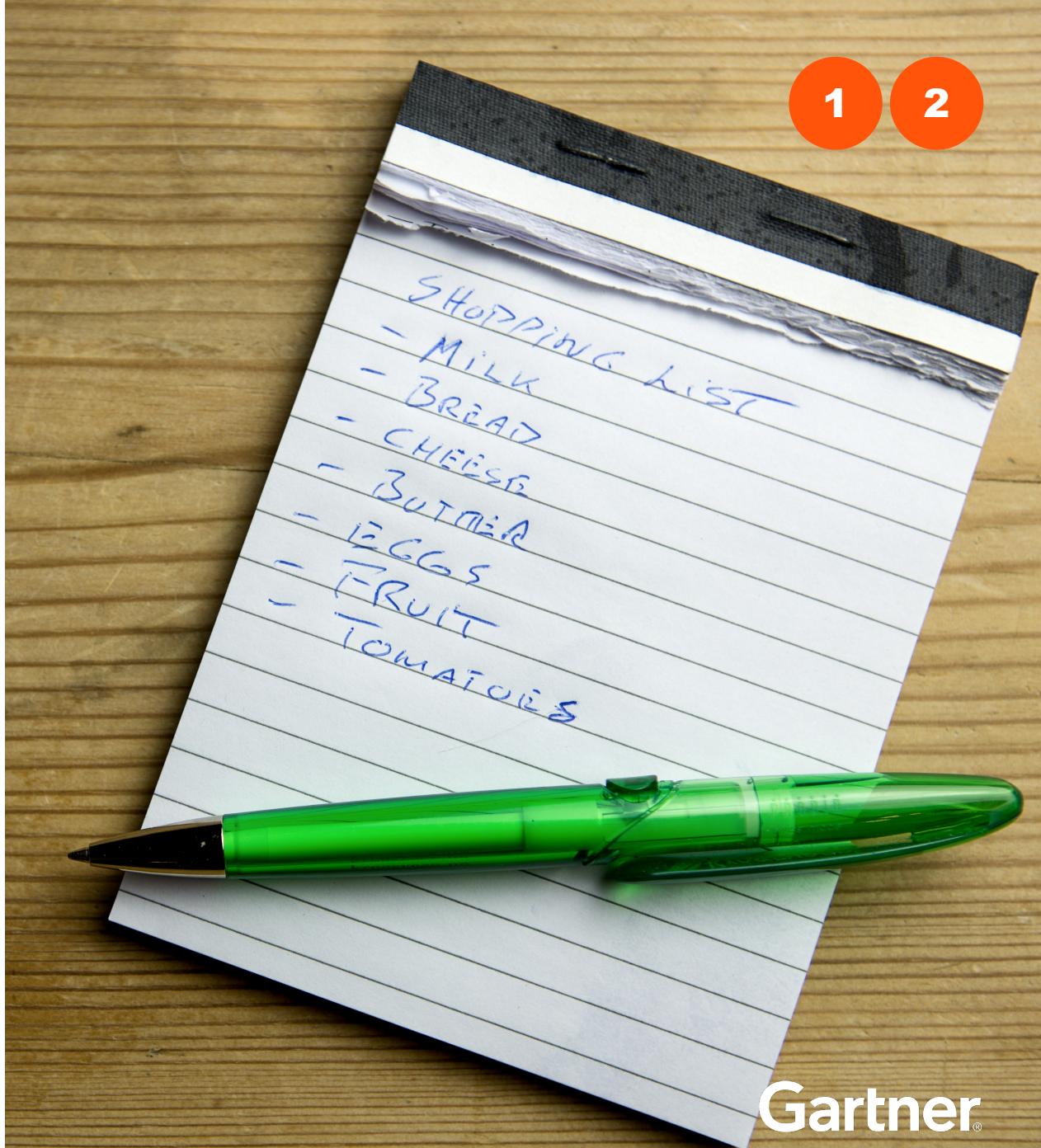
# Phases 1 and 2

1 <b>Foundation</b> (12 to 24 Months)	2 <b>Assessment</b> (9 to 12 Months)	3 <b>Forecast Demand</b> (6 Months)	4 <b>Negotiation</b> (3 to 6 Months)	5 <b>Execute Contract</b> (Renewal)
<ul style="list-style-type: none"><li>Engage key stakeholders</li><li>Control the narrative</li><li>Clarify and close information gaps</li><li>Identify switching costs</li><li><b>Gartner inquiry to plan, discuss license changes</b></li></ul>	<ul style="list-style-type: none"><li>Future requirements</li><li>Review technology roadmaps</li><li>Evaluate alternatives</li><li>Server consolidation /IaaS migration efforts</li><li>Review server licensing models changes</li><li><b>Gartner — technical planning inquiry</b></li></ul>	<ul style="list-style-type: none"><li>Reconcile licensing</li><li>Determine product mix</li><li>Establish timing for renewal</li><li>Request an as-is proposal for budgetary purposes</li><li><b>Gartner inquiry — review licensing and proposal</b></li></ul>	<ul style="list-style-type: none"><li>Engage Microsoft</li><li>Request preliminary options</li><li>Review proposals internally</li><li><b>Proposal review with Gartner</b></li><li>Negotiate pricing and T&amp;Cs</li></ul>	<ul style="list-style-type: none"><li>Request final CPS</li><li><b>CPS review with Gartner</b></li><li>Execute contract</li><li>Drive awareness across organization</li><li>Hand off to SAM/VM</li></ul>

# Be Prepared

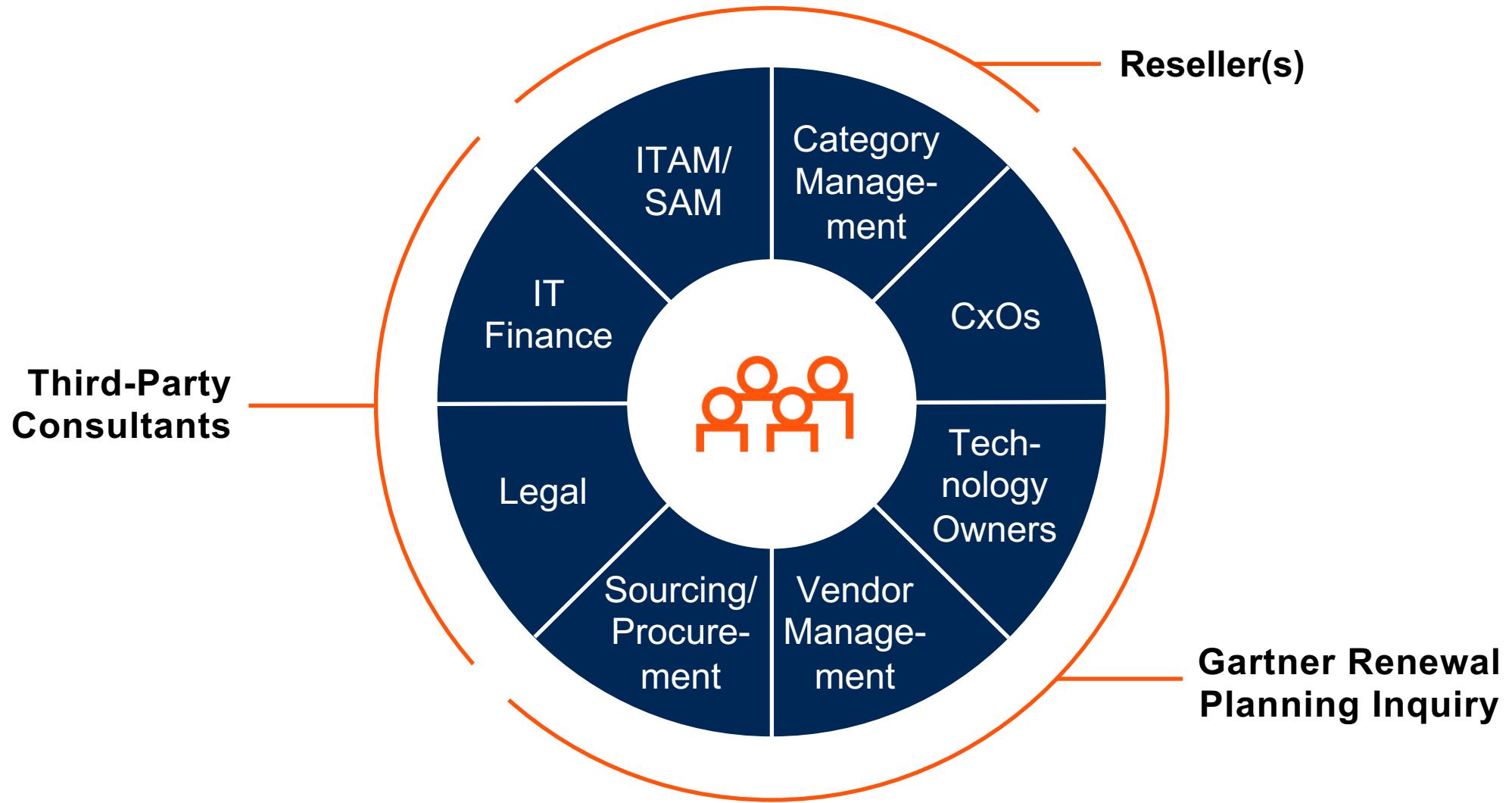
1 2

- Building your team/  
establishing roles  
and responsibilities
- Gather all relevant data  
and identify any gaps
- Review alternatives
- Timing



# Pull the Team Together

1 2



# Gather Data and Identify Information Gaps

1 2

- Identify changes since the previous renewal, e.g., organizational change
- Address any sponsor and/or stakeholder gaps
- Compile a list of current licensing
- Collate contracts
- Assess future requirements
- Review technology roadmaps
- Commence pilots and evaluations of alternatives
- Server consolidation/IaaS migration efforts
- Review server licensing models changes

# Create Leverage Call-Out



Competition



Timing



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and Mix

# Review Alternatives: Competition Takes Time — Start Early!



Microsoft Title	Competitive Alternatives (not exhaustive)	Associated Gartner Research	Time Needed
Azure Virtual Machines	AWS, Google, Huawei, Nutanix, Oracle, VMware	<a href="#">Market Guide for Server Virtualization</a> , (G00766160)	Six-to-18 months?
Dynamics 365	For sales force automation: BusinessNext (CRMNEXT), Creatio (Sales), Oracle (Sales Cloud), Pega (Sales Automation), Salesforce (Sales Cloud), SAP (Sales Cloud), SugarCRM, Zoho	<a href="#">Magic Quadrant for Sales Force Automation</a> 20 September 2022 (G00756921)	2 years
	Service/CRM: Oracle (Service Cloud), Pega (Customer Service), Salesforce (Service Cloud), SAP (Service Cloud), ServiceNow (Customer Service Management), Freshworks and Zendesk	<a href="#">Which Vendors Are Included Most Frequently in CRM-Related Magic Quadrants?</a> 15 September 2022 (G00778064)	2 years
Office	Apache OpenOffice, Google Workspace, LibreOffice, WPS Office (formerly Kingsoft Office)		2 years
Power BI	Domo, MicroStrategy, Oracle (Analytics Cloud), Qlik, Salesforce (Tableau), SAP (Analytics Cloud), Sisense and ThoughtSpot	<a href="#">Magic Quadrant for Analytics and Business Intelligence Platforms</a> 5 April 2023 (G00768632)	Six-to-18 months?
Security	Crowdstrike, Cybereason, McAfee, TrendMicro, SentinelOne, Sophos	<a href="#">Magic Quadrant for Endpoint Protection Platforms</a> 31 December 2022 (G00752236)	Six-to-12 months?
Teams (Meeting Solutions)	Cisco, Google, Huawei, RingCentral Zoom	<a href="#">Market Guide for Meeting Solutions</a> 19 October 2022 (G00767701)	Six-to-12 months?

## What is happening?

- Premier support sunsetting
  - Unavailable for commercial customers
  - Available through 30 June 2024 for the public sector
- PRS & SAB Credits 24/7 eliminated in February 2023 (except for some three-year deals)
- Unified Support price decrease February 2023
  - 12-month lookback
  - 0.5% decrease in user support cost tiers
  - Change to server discount tiers

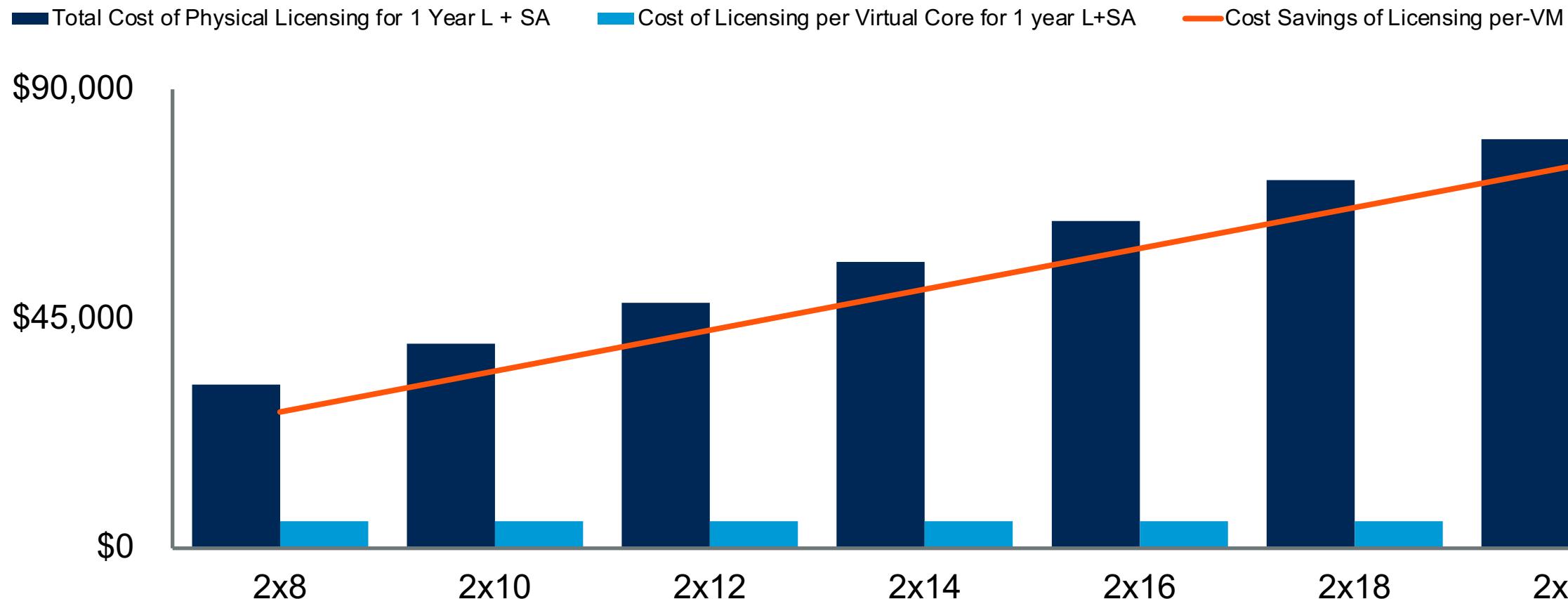
## What you must do:

- Ensure SAB Concession discount
- Synchronize the negotiations
- Challenge the details: **Collate all product spending across contracts**
- Pay attention to the terms on multiyear deals
  - Trigger clause (5%)
  - Calculate true-up costs and limits
- **Assess third-party options**
  - Pure players: Definity First, IBM, US Cloud, IncWorx, Sentinel Technologies
  - Resellers: Crayon, Insight, SHI, SoftwareOne

# Could You Switch to License Windows Server by Virtual Machine?

1 2

Cost implications of licensing eight VMs with Windows Server Standard by the physical versus per-virtual-core licensing models



# Could You Switch to License Windows Server by Virtual Machine?

- Evaluate new Windows Server licensing requirements for virtual core vs. historical physical core licensing
- Calculate the cost reduction opportunities within your production and DR environments to see which approach will provide the greatest savings

Source: [Quick Answer: Does the Windows Server Virtual Core License Model Provide a Cost-Savings Opportunity? \(G00781099\)](#); [Tool: Analyze Whether the Windows Server Virtual Core License Model Provides a Cost-Savings Opportunity \(G00784956\)](#)

# Creating Leverage Call-Out



Competition



Timing



Strategic  
Products



Deal Size  
and Mix

# Timing



	YE & QE	Early commit?	Co-term agreements	New purchases aligned with renewal date?
Benefits	Potentially reduced pricing.	Potentially reduced pricing.	Reduced administration?	Usually a better deal. Discount for the full length of the agreement.
Challenges	Could take years to change.	Must start planning sooner. New Product Terms may apply.	Could take years to change.	Committing to products before they are needed or can be deployed.

# Phase 3

1 Foundation (12 to 24 Months)	2 Assessment (9 to 12 Months)	3 Forecast Demand (6 Months)	4 Negotiation (3 to 6 Months)	5 Execute Contract (Renewal)
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# Working Toward Cost Optimization

1. Price increases, impacting renewals
2. Profiting users
3. Cost modeling for Microsoft 365 E5
4. Options for frontline workers
5. Determining the right licensing vehicles



# Prices Increases 2021-2023 Impacting Renewals

- Microsoft 365: **+9 to 25%**
- Intune: **+33%**
- EMS E3/E5: **+21% & 11%**
- Windows Server Standard: **+10%**
- SQL Server: **+10%**
- Office Perpetual: **+10%**
- CSP monthly subscription: **+20%**
- Price ‘Harmonization’ —  
Ongoing Non-USD Changes  
(February and September)

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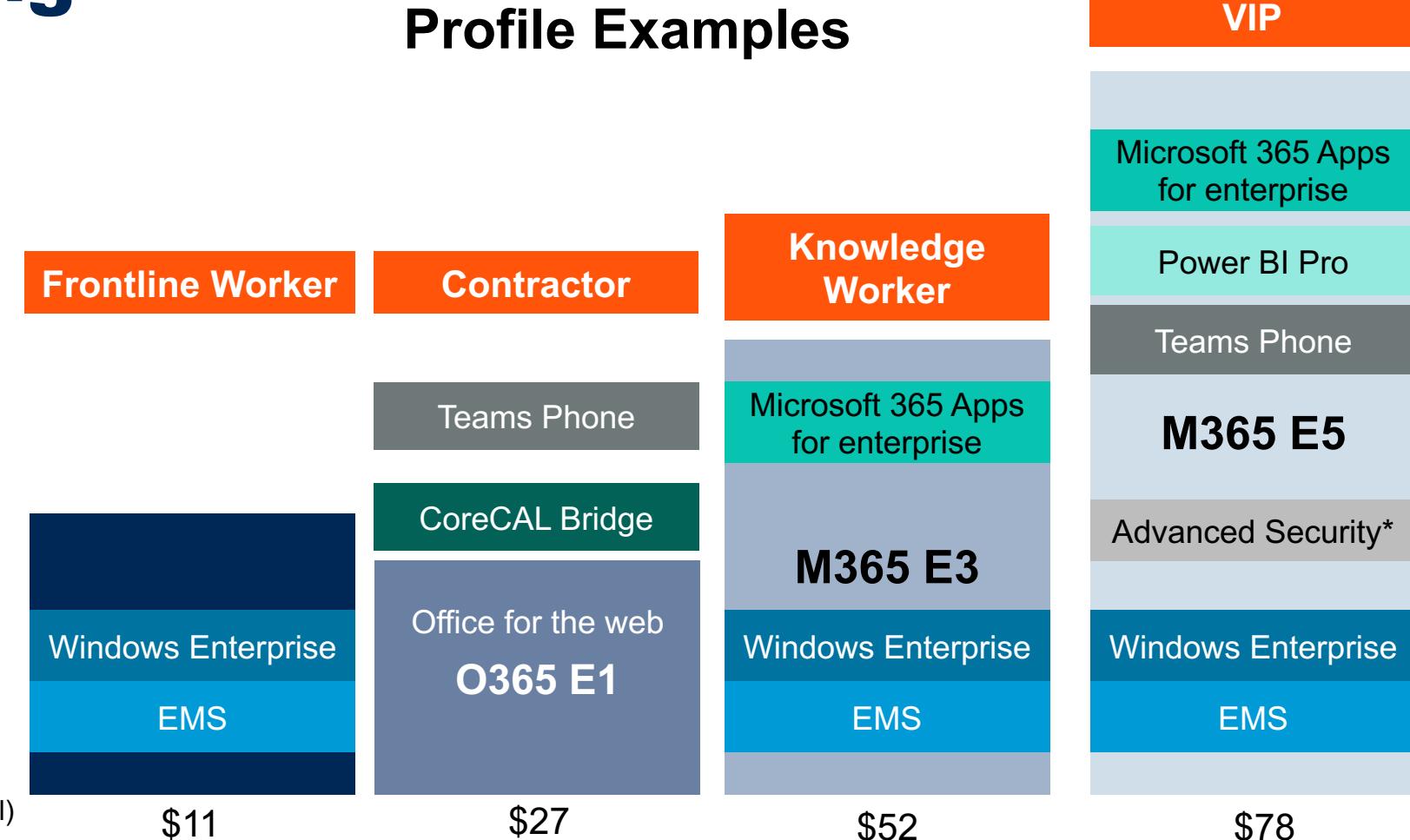


# User Profiling: Select the Right License for the Right Need (AUD)

## August Pricing

### Sample Decision Criteria:

- Microsoft 365 Apps for enterprise
- Hosted email/SharePoint
- Teams Phone
- Hybrid use rights
- Enterprise Mobility & Security Suite (EMS)/Intune
- Security services
- Power BI Pro
- Windows Enterprise

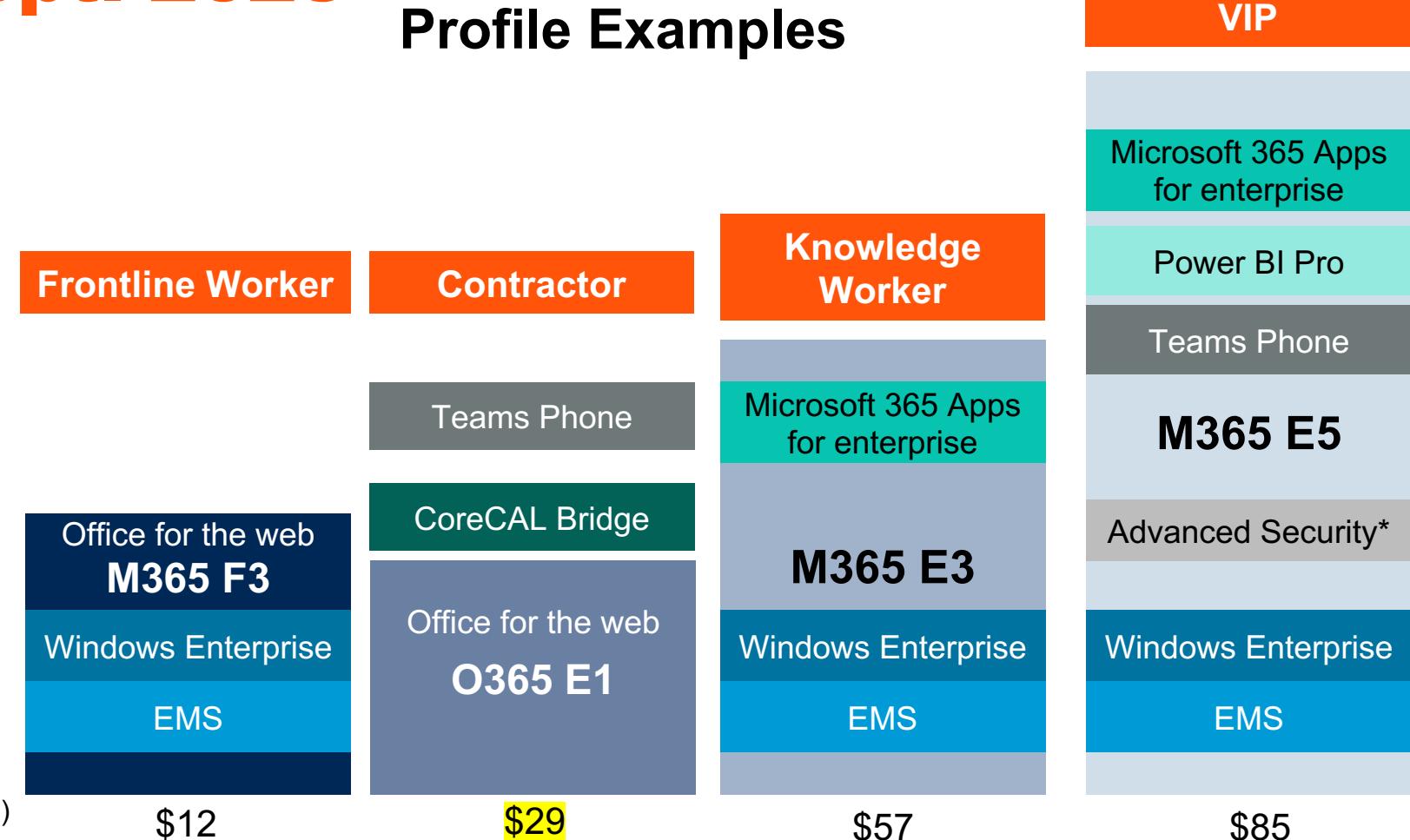


# User Profiling: Select the Right License for the Right Need (AUD)

## Estimated Sept. 2023

### Sample Decision Criteria:

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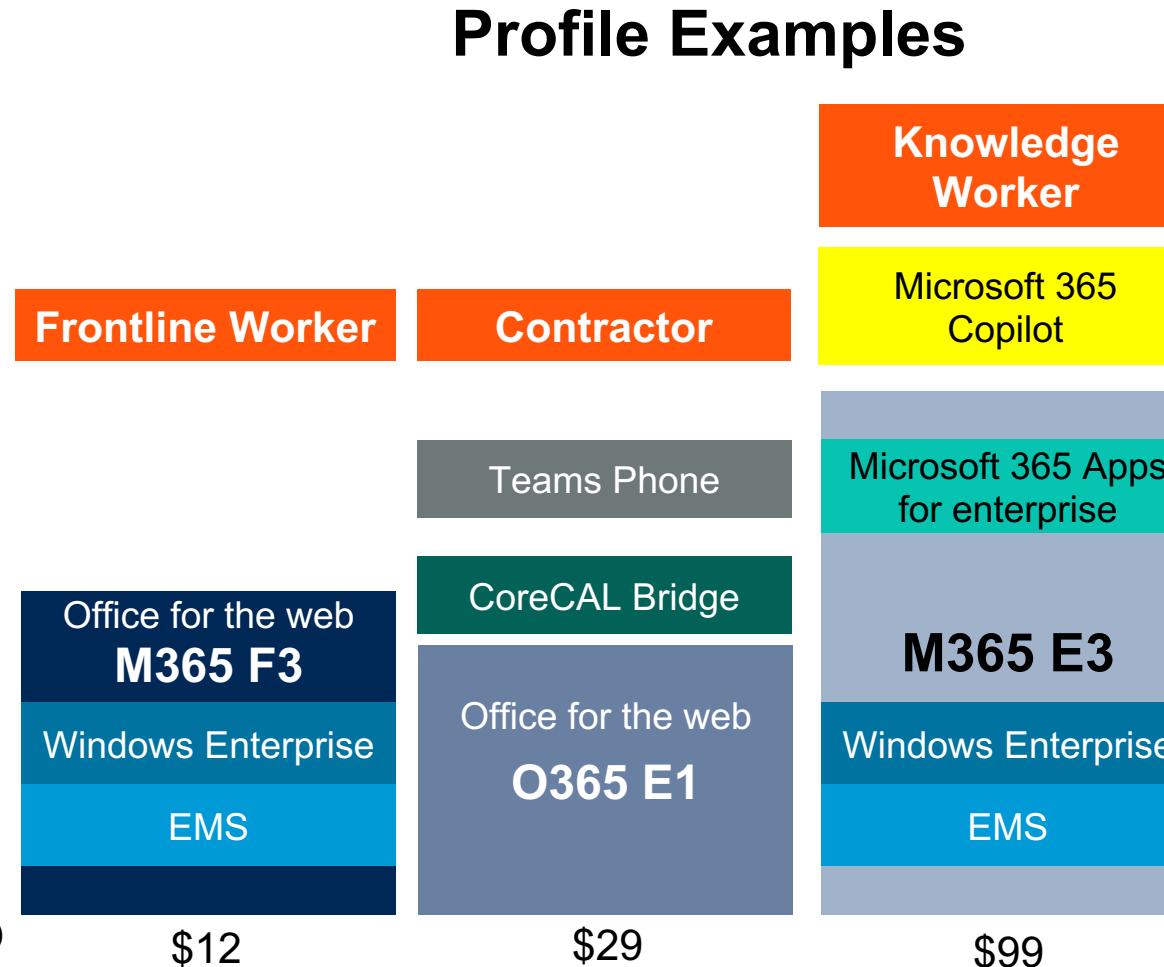
# Adding M365 Copilot to ME3 or ME5

## Estimated Sept. 2023 (AUD)

### Sample Decision Criteria:

- Microsoft 365 Apps for enterprise
- Hosted email/SharePoint
- Teams Phone
- Hybrid use rights
- Enterprise Mobility & Security Suite (EMS)/Intune
- Security services
- Power BI Pro
- Windows Enterprise

Profile cost per user per month (AUD retail)



# Cost Model Moving to Microsoft 365 E5 (AUD)

3

Compare M365 E5 at AUD78.30 to M365E3 at AUD 52.20 (current) with the add-on features:

Teams Phone	\$11.00
Audio Conferencing	FREE
Power BI Pro	\$13.70
Total	<b>\$76.90</b>
Microsoft Defender for Office 365 Plan 2 (formerly Office 365 Advanced Threat Protection) include Plan 1	\$7.00
Total	<b>\$83.90</b>

Microsoft Defender for Office 365 Plan 2 (previously Office 365 Advanced Threat Protection) include Plan 1	\$7.00
Microsoft Defender for Cloud Apps (previously Microsoft Cloud App Security)	\$4.90
Azure Active Directory Premium Plan 2 (step-up from Plan 1)	\$4.20
Total	<b>\$68.30</b>
Microsoft Defender for Endpoint	\$7.30
Total	<b>\$75.60</b>

E5 Security	\$16.50
E5 Compliance Purview	\$16.50
Total	<b>\$85.20</b>
Power BI Pro	\$13.70
Total	<b>\$98.90</b>

- Determine when you reach the breakeven threshold for purchasing into the M365 E5 Suite.
- Consider discounts for online and additional services and replacing competing products (contract expirations) and timing of migrations.

# Model a Move to Microsoft 365 E5 (AUD)

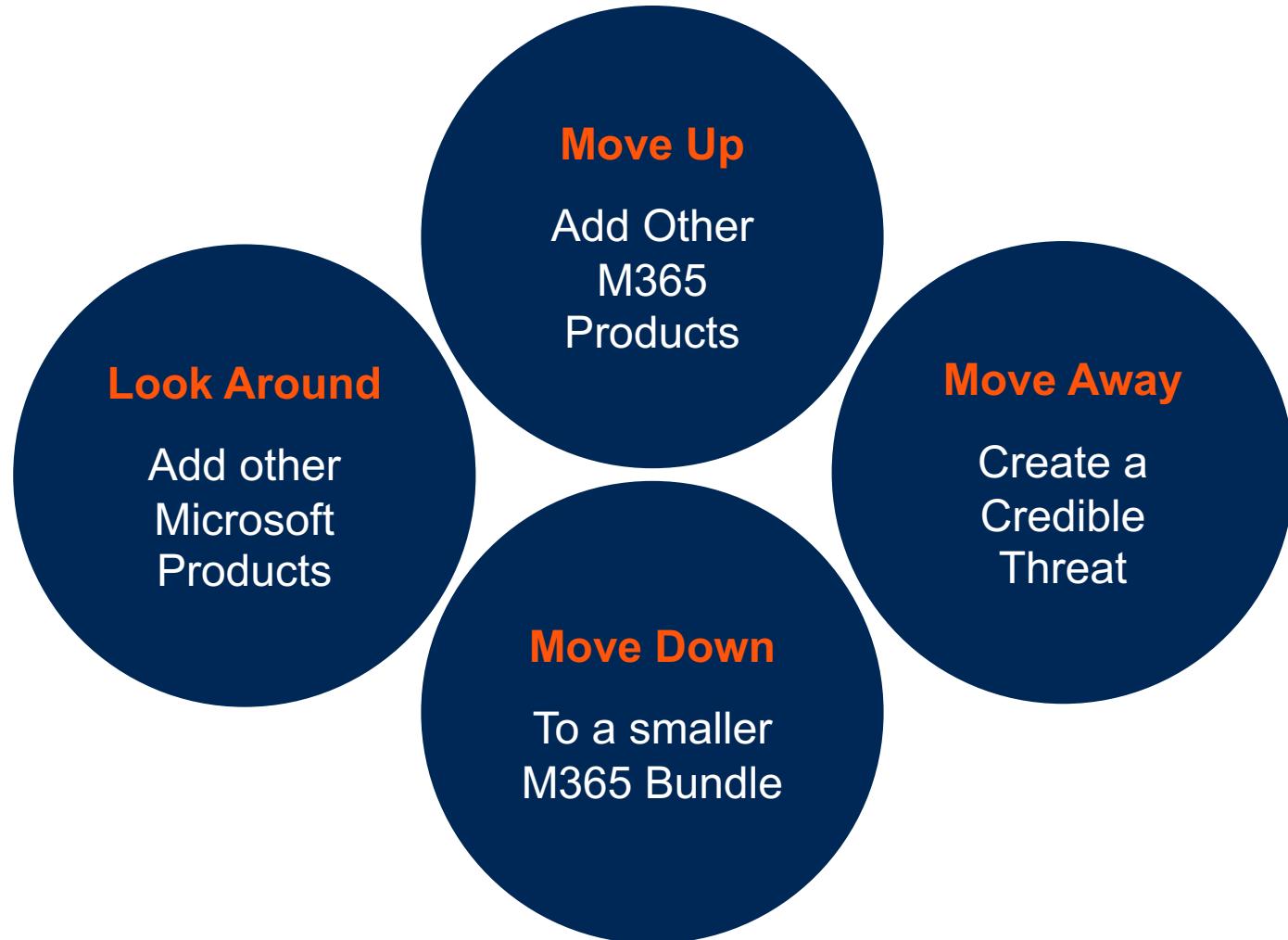
Compare M365 E5 at AUD 85 to M365E3 at AUD 57 (estimated September 2023) with the add-on features:

Teams Phone	\$12.00	Microsoft Defender for Office 365 Plan 2 (previously Office 365 Advanced Threat Protection) include Plan 1	\$7.60	E5 Security	\$18.00
Audio Conferencing	FREE	Microsoft Defender for Cloud Apps (previously Microsoft Cloud App Security)	\$5.30	E5 Compliance Purview	\$18.00
Power BI Pro	\$14.90	Azure Active Directory Premium Plan 2 (step-up from Plan 1)	\$4.60		
Total	\$83.90	Total	\$74.50	Total	\$93.00
Microsoft Defender for Office 365 Plan 2 (formerly Office 365 Advanced Threat Protection) include Plan 1	\$7.60	Microsoft Defender for Endpoint	\$8.00	Power BI Pro	\$14.90
Total	\$91.50	Total	\$82.50	Total	\$107.90

- Determine when you reach the breakeven threshold for purchasing the M365 E5 Suite.
- Consider discounts for online and additional services and replacing competing products (contract expirations) and timing of migrations.

# What If You Are Renewing Microsoft 365 E5?

3



Source: [Quick Answer: How Do I Increase Leverage With Microsoft If I Already License M365 E5? \(G00789313\)](#)

# Consider Frontline Worker Bundles (AUD)

**Prices are ERP in AUD  
(August 2023)**

		<b>Microsoft 365 F1 \$3.10 per user per month</b>	<b>Microsoft 365 F3 \$11 per user per month (formerly M365 F1)</b>	<b>Office 365 F3 \$5.50 per user per month (formerly O365 F1)</b>
<b>EMS</b>	Enterprise Mobility & Security (EMS) E3	•	•	
<b>Windows</b>	Windows 10 E3 per user <sup>1</sup>		•	
	Windows Virtual Desktop Rights		•	
	Teams	•	•	•
	SharePoint Online K1 <sup>2</sup> and Yammer	•	•	•
	Office for the web & Office Mobile Apps <sup>3</sup>	Read-only	•	•
	Forms <sup>4</sup>		•	•
	OneDrive Storage <sup>5</sup>	2 GB	2 GB	2 GB
	Exchange Online K1 <sup>6</sup>		2 GB	2 GB
<b>Office 365</b>	Planner	•	•	•
	Power Automate		2000 API requests/day	2000 API requests/day
	Power Apps		2000 API requests/day	2000 API requests/day
	Stream <sup>7</sup>	•	•	•

## License Eligibility

Uses a primary work device with a single screen smaller than 10.9"

or

Shares their primary work device with other qualifying Microsoft 365 or Office 365 Firstline Worker licensed users, during or across shifts.

# Phase 4

1 Foundation (12 to 24 Months)	2 Assessment (9 to 12 Months)	3 Forecast Demand (6 Months)	4 Negotiation (3 to 6 Months)	5 Execute Contract (Renewal)
<ul style="list-style-type: none"><li>Engage key stakeholders</li><li>Control the narrative</li><li>Clarify and close information gaps</li><li>Identify switching costs</li><li><b>Gartner inquiry to plan, discuss license changes</b></li></ul>	<ul style="list-style-type: none"><li>Future requirements</li><li>Review technology roadmaps</li><li>Evaluate alternatives</li><li>Server consolidation /IaaS migration efforts</li><li>Review server licensing models changes</li><li><b>Gartner — technical planning inquiry</b></li></ul>	<ul style="list-style-type: none"><li>Reconcile licensing</li><li>Determine product mix</li><li>Establish timing for renewal</li><li>Request an as-is proposal for budgetary purposes</li><li><b>Gartner inquiry — review licensing and proposal</b></li></ul>	<ul style="list-style-type: none"><li>Engage Microsoft</li><li>Request preliminary options</li><li>Review proposals internally</li><li><b>Proposal review with Gartner</b></li><li>Negotiate pricing and T&amp;Cs</li></ul>	<ul style="list-style-type: none"><li>Request final CPS</li><li><b>CPS review with Gartner</b></li><li>Execute contract</li><li>Drive awareness across organization</li><li>Hand off to SAM/VM</li></ul>

# Look at Agreement Options to Reduce Costs or Improve Leverage

- Enterprise Agreement (EA) or Enterprise Subscription Agreement (EAS)
- Server Cloud Enrollment (SCE)
- Move to Cloud Solution Provider (CSP) — for Level A/B customers
- Requirements for flexibility:
  - CSP month-to-month for a subset of products
  - PAYG options (e.g., Power Apps)
- Microsoft Azure Consumption Commitment (MACC)

# Create Negotiation Leverage — Call-Out



Competition



Timing



Strategic  
Products



Deal Size  
and Mix

Source:

# Leverage Microsoft's Strategic Priorities



Modern Workplace	Business Applications	Azure	GenAI
------------------	-----------------------	-------	-------

- |  |   |   |  |
|--|---|---|--|
| <ul style="list-style-type: none"><li>• Microsoft 365 E5</li><li>• E5 Security and Compliance Bundles</li><li>• Phone Services</li><li>• Teams Premium</li><li>• Copilot</li></ul> | <ul style="list-style-type: none"><li>• Dynamics 365</li><li>• LinkedIn</li><li>• Power Platform</li><li>• Viva</li></ul> | <ul style="list-style-type: none"><li>• Applications and Infrastructure</li><li>• Data Analytics and AI</li></ul> | <ul style="list-style-type: none"><li>• Copilot</li><li>• Azure OpenAI</li></ul> |
|--|---|---|--|

**Buying shelfware could save you money!**

# Assess Microsoft Copilot



- **Pricing announced July 2023: USD 30 pupm**, with the following pre-requisites:
  - M365 E3 or E5
  - Azure Active Directory
  - Semantic Index for CO
- Integration in multiple products (Word, Excel, etc.)

## Recommendations

- Start with a small number of licenses across a very wide range of use cases
- Avoid long-term commitment until after POC
- Review product use rights, terms and compliance rules thoroughly
- Address trust, risk and security issues

# Power Platform Licensing Complexity



Power BI Business analytics	Power Apps Application development	Power Automate Process automation	Power Virtual Agents Intelligent virtual agents	Power Pages Business websites
<ul style="list-style-type: none"><li>• Pro – included in O365/M365 E5 - (per user)</li><li>• Premium (per user or capacity)</li></ul>	<ul style="list-style-type: none"><li>• Per app</li><li>• Per user</li><li>• PAYG per app</li></ul>	<ul style="list-style-type: none"><li>• Premium (new)</li><li>• Per user plans (inc. with attended RPA option)</li><li>• Per flow</li><li>• Azure PAYG</li></ul>	<ul style="list-style-type: none"><li>• Per 2,000 session blocks (per tenant)</li><li>• Session add-on (1,000 sessions)</li><li>• Promo</li></ul>	<ul style="list-style-type: none"><li>• Authenticated users (100 user blocks)</li><li>• Anonymous users (500 user blocks)</li></ul>

**Beware: Differing Use Rights, multiple metrics, committed vs. PAYG options, limits/allowances**

Source: [Downloads PDF] Microsoft Power Apps and Power Automate Licensing Guide, Microsoft.

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# Azure: Strategic Priorities Drive Incentives



SAP, Microsoft Windows, SQL Server, Oracle,  
VMware and Data Workload Migrations



Migration Velocity and Growth Rates — Focus on IaaS  
adoption speed, replatforming competitive workloads



The use of publicity and increasing marketplace adoption



Industry Clouds: healthcare, finance, manufacturing and retail

# Negotiated Discounts Ranges Based on Annual Commitment



Level of Committed Spend (Annually, USD)	Azure
Less Than \$250,000	Not Likely
\$250,000 to \$500,000	Up to 4%
\$500,000 to \$1M	4% to 7%
\$1M to \$5M	5% to 10%
\$5M to \$30M	10% to 20%
\$30M and Above	Custom

Don't expect discounts to double for doubling commit, e.g.,

5 million a year = 11%

10 million a year = 12%

Very large deals are customized, and discounting will vary based on term, size and scope of commitment:

30-50M USD 18% to 23%

50-150M USD 21% to 24%

More than 150M USD 22% to 25%

All discount ranges will vary subject to negotiation, terms and scope  
There are discount ceilings!

# Create Negotiation Leverage — Call-Out



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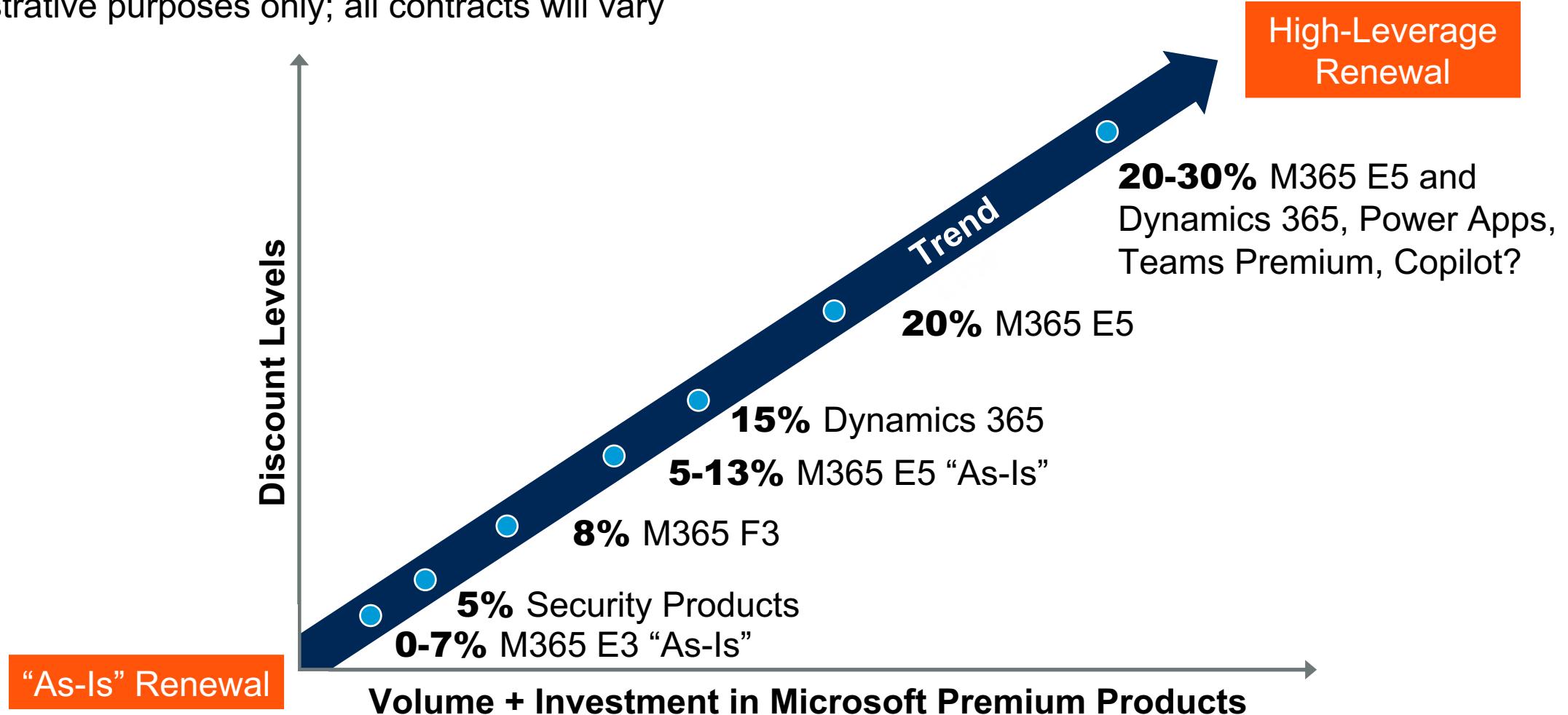


Deal Size  
and Mix



# Discount Ranges in Negotiations Vary Based on Size, Scope and Lock-In

For illustrative purposes only; all contracts will vary



Source: 3 Steps to Strategic Negotiation With Microsoft (G00775117)

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# Evaluate Discounts and Promos Long Term

- Microsoft may provide deep discounts for large strategic purchases (e.g., Power Apps)
- The SALE will expire, and you'll likely revert to list price at renewal
- Value and business case needs assessing at list price levels



# Phase 5

1 <b>Foundation</b> (12 to 24 Months)	2 <b>Assessment</b> (9 to 12 Months)	3 <b>Forecast Demand</b> (6 Months)	4 <b>Negotiation</b> (3 to 6 Months)	5 <b>Execute Contract</b> (Renewal)
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# 5 Final Key Terms to Check

5

Desirable Term	Difficulty
Not to exceed (NTE) — renewal cap	Difficult to achieve
Discounting	Ramped discounts most common
Length of contract term (EA)	Three years typical; Five years for large M365 E5 deals or larger customers
Reducibility	Programmatic right (may be removed if deeper discounts)
Future pricing for true-ups during term	Needs to be checked and negotiated

# Stay Aware of Changes

- Summary of Changes in [Product Terms](#)
- Licensing Guides (e.g., [downloads PDF]  
[Dynamics 365 Planning Guide](#), [Power Platform Licensing Guide](#))
- Promos and Transitional Pricing
- [Event Summaries](#) (Inspire/Ignite)
- Reseller and Account Teams
- Gartner Research and Inquiry
- Software Asset Management

# Summary for Success

- Start early
- Create leverage
- Look at options — e.g., product mix, licensing types, contract vehicles, vendor choice
- Research Microsoft's strategy and any alignment with your roadmap
- Timing



# Recommended Gartner Research

- [Tool: Checklist for Microsoft's Major License and Pricing Changes to Assist With EA Renewal Preparation](#)  
Ben Jepson, Yoann Bianic and Others
- [3 Steps to Strategic Negotiation With Microsoft](#)  
Ben Jepson, Yoann Bianic and Dolores Ianni
- [Vendor Rating: Microsoft](#)  
Thomas Bittman, Jason Wong, Neil MacDonald and Others
- [Choose the Right Microsoft Contracting Vehicles to Balance Cost and Complexity](#)  
Adam DeJoy, Michael Silver and Simone Cleminson
- [Quick Answer: How Do I Increase Leverage With Microsoft If I Already License M365 E5?](#)  
Michael Silver and Aadil Nanji

Access to Gartner research is subject to entitlement. For information, please contact your Gartner representative.

# Recommended Gartner Research

- [Profile Your Microsoft 365 Users to Avoid Excessive Cost](#)  
Adam DeJoy and Ben Jepson
- [Top 10 Gotchas When Negotiating Microsoft Dynamics 365 and Power Platform Licenses](#)  
Ben Jepson, Dolores Ianni and Jo Liversidge
- [Salesforce vs. Microsoft Dynamics 365: Negotiate 3 Key Contract Terms Prior to Final Selection](#)  
Jo Liversidge and Aadil Nanji
- [Quick Answer: How Can I Address Generative AI Risk in IT Contracts?](#)  
Melanie Alexander and Jo Liversidge
- [Time Microsoft 365 Copilot and Other Product Adoption to Maximize Leverage](#)  
Michael Silver and Adam Preset

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