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Microsoft scrambles to simplify its licensing

The effort to streamline licensing is incomplete

By Juan Carlos Perez
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IDG News Service - Microsoft is pledging dramatic improvements to its notoriously complex enterprise licensing, but experts are skeptical about the potential impact of the plan.

Microsoft's licensing policies and procedures are devilishly convoluted, a situation that has worsened in recent years with the popularity of virtualization, cloud computing, mobile devices and the consumerization of IT.

By fracturing the conventional software hosting, access and delivery structures, these four trends have muddied the waters of software use rights for most vendors and their customers. Microsoft in particular has been very affected, due to its huge and varied roster of products, coupled with a licensing scheme that lacks uniformity and consistency.

Recognizing that confusing licensing is bad for its business, for its partners and for its customers, Microsoft last November announced in a blog post that help was on the way.

"We are taking careful, deliberate steps to introduce a next-generation approach to commercial licensing with a new, more flexible and simplified purchasing experience across all solutions," wrote Richard Smith, general manager of Microsoft's global licensing and pricing division.

At the center of the effort is the new Microsoft Products and Services Agreement (MPSA), which the company describes as the "next generation" and "end-to-end transformation" of Volume Licensing, the long-standing program designed to let businesses buy products and services in bulk and get discounts and benefits not available to retail customers.

However, some experts aren't convinced that the MPSA will generate ground-shaking changes. "I don't believe that this is a 'transformation' as Richard describes it," said Duncan Jones, a Forrester Research analyst. "It is a good simplification, but not a huge change."

What is the MPSA?

The MPSA, launched in limited scope in December after a pilot program, has three main components: a revamped contractual structure, a reworked buying

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platform and new licensing-management systems and tools. It's designed to give customers a streamlined licensing process for buying products and services, more purchasing flexibility and simplified asset administration.

Microsoft said it will use the MPSA as the "foundation" for the future of its Volume Licensing program, which currently has six plan options: three for organizations with up to 250 computers and three for organizations with more than 250 computers.

For the time being, the MPSA will co-exist with the Volume Licensing plans, but it will eventually replace at least one of them: Select Plus, which is for midsize and large organizations that want to license software in bulk for one or more specific business units -- as opposed to their entire user base -- while getting volume discounts as a single organization.

According to Microsoft, the MPSA offers a broad range of benefits over Select Plus, such as the fact that the contract is almost 30 pages shorter while at the same time being broader in scope in a number of ways, thus encompassing more account types and scenarios.

A key advantage is that it can be used to consolidate in a single contract the purchases of both traditional on-premises software and cloud-hosted products, and later even professional services. In Select Plus, that requires the signing of three separate contracts: the "foundation" Select Plus agreement, the Business and Services Agreement and the Online Services Agreement. The MPSA consolidates "all applicable terms and conditions" from those three contracts.

"Mixing and matching cloud and on-premises products in the same agreement, and allowing customers to migrate back and forth, is something every software company needs to work on from a licensing perspective," IDC analyst Amy Konary said.

However, it's not clear how the MPSA will impact the other two Volume Licensing plans for larger organizations: Enterprise Agreement (EA) and Enterprise Subscription Agreement (ESA). Both are for companies that want to license Microsoft products in bulk across their entire organization, not in some select business units.

Microsoft declined to be interviewed for this article. A company spokeswoman said via email that the MPSA is "suitable for mid-sized businesses with at least 250 employees or devices" and that the company is "working closely" with Enterprise Agreement customers "to understand their evolving needs," and "will continue to enhance the EA over time."

Questions about Microsoft's "next generation" of Volume Licensing

So a number of things about the MPSA and about Microsoft's grand plan to simplify licensing aren't yet clear. For starters, the MPSA is still in limited availability and it isn't fully implemented. Ironically, this transitional period could add to Microsoft licensing complexity and confusion.

In December, Microsoft launched the MPSA for medium-size companies in the U.S., Germany, Canada and the U.K. In a follow-up blog post in March, Microsoft's Smith reported that early adopters "are finding value in consolidating multiple agreements into one MPSA" and that Microsoft would be expanding the availability of the new agreement to six new countries: France, Poland, the Netherlands, Denmark, Italy and Switzerland.

With Microsoft taking a gradual approach for its rollout, it's not clear when the MPSA will be fully implemented and widely available.

"Microsoft's Next Generation Volume Licensing initiative is a journey with a phased approach. As such, we will continue to share news as we reach

various milestones," the Microsoft spokeswoman said via email.

It's not a sure thing that the current initiative will succeed. Over the years Microsoft has frequently adjusted its licensing policies and procedures, attempting always to make them easier to understand, but that goal remains a moving, elusive target.

Enterprise customers find Microsoft licensing vexing

"Microsoft's licensing model is far too complicated and onerous," said Mark Johnson, a longtime enterprise IT chief who is president of CIO advisory firm Xtrii. "People typically don't buy what they don't understand."

David Annis, CIO and vice president of IT at a marketing promotion management company in Arizona, concurs. "I'm not sure how much more complicated Microsoft can make their licensing model," he said.

In a previous job as senior VP of IT and VP of software development at Universal Technical Institute between 2007 and 2011, Annis was involved with the school's Microsoft Volume Licensing agreement for its about 2,200 users and found it "very confusing."

"Some licenses were covered under it and others weren't," he said. "It was confusing to know what you needed to buy and what was covered by the maintenance agreement."

Things got so complicated that he decided to hire a financial accountant to keep track of all Microsoft IT licensing and purchasing, so that the company could do accurate and proper budgeting and future forecasting for Microsoft software.

His current employer is pretty much standardized on Microsoft at the desktop, server and application development levels. Because the company has about 60 end users, Annis doesn't see the benefit of signing up for Volume Licensing, so he licenses the products individually.

This perspective further highlights for Annis how fragmented and inconsistent the licensing terms are among different Microsoft products. "It would be very helpful if they simplified the entire process," said Annis, who has been with his current employer since December 2011.

Xtrii's Johnson has faced similar difficulties and frustrations with Microsoft licensing during his 25 years in enterprise IT, holding CIO, CTO and other high-level executive positions. "I've seen Microsoft licensing in different scenarios and from different perspectives," he said. "It is rare to find someone other than a Microsoft Licensing Specialist who can read a Microsoft Enterprise Agreement, clearly understand it and tell you what it really means."

That includes Microsoft account managers, said Johnson. Account managers often defer these explanations to Microsoft licensing specialists "who speak their own lingo that only Microsoft people can understand"

During his tenure as CIO of an energy company in Austin, Texas, between October 2012 and December of last year, Johnson seriously contemplated upgrading a set of Microsoft on-premises servers, including SharePoint, Lync and Exchange, and moving about 1,200 users to the newer, cloud-hosted versions in Office 365.

But after three months of research, proposals and evaluations involving Microsoft and some reseller partners, Johnson and his team didn't feel they were presented with a clear and favorable licensing and technology plan that would have let his company achieve the goals of the upgrade. They decided to not move ahead.

"We wanted to streamline our IT operations, improve performance and lower our costs, and unfortunately Microsoft and their assigned Microsoft partners weren't clear on how their offering would achieve that goal. So we did not move forward with Office 365, and instead decided to fine-tune what we had," he said.

Microsoft has to make its licensing truly simple and straightforward, "without asterisks," in the way Google licenses its Apps suite, Johnson said.

His advice to CIOs is to not tolerate complexity. "Don't sign the licensing agreement if you don't thoroughly understand it and aren't convinced that it is the best solution."

Get help from experienced, unbiased consultants, listen to advice from peers and start the process early if you're facing the renewal of an existing agreement, he said. "If you're under the gun in terms of time, you're at a disadvantage."

Why is Microsoft licensing so complex?

There are a number of reasons why understanding Microsoft licensing is difficult.

For starters, the company has a lot of products for businesses, including operating systems for smartphones, tablets, PCs and servers; productivity, CRM (customer relationship management) and collaboration applications and servers; databases, systems management tools and application development suites.

On top of all of these software products, Microsoft is growing its line of hardware devices for businesses, starting with the Surface tablets, continuing with the Nokia smartphones it's in the process of acquiring, and adding to it in the future with new devices it plans to build.

"The footprint of Microsoft products tends to extend throughout the enterprise, so the scale adds to the complexity," IDC's Konary said.

To make matters worse, licensing isn't uniform across that enormous arsenal of products, so just because a CIO or IT manager figured out how one product is sold and how and by whom it can be used doesn't mean that they can extrapolate that knowledge to a similar product. In fact, it's common even for editions of the same product to be licensed differently, as happened with SQL Server, whose 2008 edition was licensed by server processor and whose 2012 edition is licensed by the number of cores in each server processor.

"One of the big problems they've had in the past is that different product groups have worked in isolation without coordinating with each other," Forrester's Jones said. "They need more consistency in the licensing policies across products."

Throw in a bit of virtualization, add a tad of cloud computing -- which creates hybrid environments -- and mix in smartphones and tablets owned by employees, and suddenly figuring out Microsoft licensing can become a nightmare.

"Where Microsoft is really struggling is with the definition of 'device,'" Jones said. Not too many years ago, this was straightforward, because end-user devices were primarily desktop and laptop PCs, and each one had its own instance of Windows.

But with the mobile boom and its resulting BYOD (bring-your-own-device) trend, as well as with the popularity of virtualized desktops, things got confusing.

Then there is Microsoft's apparent preference to err on the side of giving customers flexibility by providing many licensing options and product bundle variations, and risking creating confusion, as opposed to siding with more of a one-size-fits-all approach, which is simpler but can be frustrating in its rigidity.

"Flexibility and simplicity are diametrically opposed forces in the software industry," Konary said. "Vendors are always trying to balance them."

Take the Office 365 family of cloud-hosted and subscription-based productivity and collaboration applications and servers. The Office 365 suite for businesses, government agencies, schools and nonprofits encompasses more than 20 different editions, with different prices and component configurations.

And there's the lineup of the traditional on-premises equivalents of those products, which increasingly people are mixing and matching with Office 365, creating "hybrid" deployments of locally installed and Microsoft-hosted software, and the corresponding trail of licensing rules and terms, with their variations, requirements, exceptions and caveats.

Office 365 competes against Google Apps, which in terms of licensing and bundling options is the polar opposite -- a study in simplicity and clarity.

It's not a coincidence that there are many independent professionals, boutique firms and teams within larger partner and reseller companies that specialize in helping businesses understand their Microsoft licensing needs and options so that they don't overpay for and under-use the products they buy.

"Involving the experts is a good investment," Jones said.

Jones isn't convinced that the MPSA will remediate enough of these issues to truly transform Microsoft licensing and make it drastically simpler.

"There will still be the complexity of different product teams inventing their own ways to handle common problems and using similar terms to mean different things from each other," he said. "And they'll still be propping up obsolete concepts such as 'qualifying device' with complex rules trying vainly to cover every conceivable situation."

Juan Carlos Perez covers enterprise communication/collaboration suites, operating systems, browsers and general technology breaking news for The IDG News Service. *Follow Juan on Twitter at* @JuanCPerezIDG.

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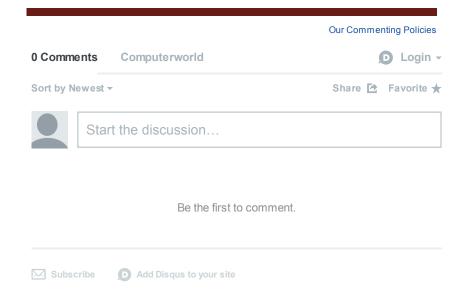
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