

WHITE PAPER

Maximizing your Microsoft Software Investment

Sponsored by: Microsoft

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IDC OPINION

Microsoft Software Assurance (SA) for Volume Licensing is a vehicle through which Microsoft provides unique offerings and special enhancements to its customers. SA includes services as well as technologies and license rights designed to help customers extend the value of their software investment. Currently, more than 15 benefits are available to use across the organization.

With the help of SA, many Microsoft customers can reduce and better predict the costs of licensing the Microsoft products that they use, as well as improve the capabilities of their workforce. The analysis presented in this white paper reveals the following key benefits of SA:

- ☑ Standardizing on a single version of the desktop PC and server operating system and the 2007 Microsoft Office system via the New Version Rights benefit can help reduce IT labor costs by 30% to 35%.
- ☑ Training Vouchers and E-Learning benefits, when used, can help reduce IT staff software training by as much as 65% to 75%. Microsoft Home Use Rights can help reduce overall user training costs by 9%.
- ☑ Companies employing the full range of SA features across desktop PC, server, and productivity applications can save up to \$292 per user annually in IT operations costs and pay back the premium for SA in eight months.

IN THIS WHITE PAPER

This IDC White Paper, sponsored by Microsoft, describes the value of SA, which is available to customers through several Microsoft Volume Licensing agreements. This white paper is designed to help new and existing customers realize the full potential of purchasing SA as a long-term investment designed to help them get the most out of their Microsoft technology.

METHODOLOGY

The basis for this IDC White Paper is our ongoing research into the best practices of software maintenance and support programs, specifically those offered by leading software providers. This research includes interviews with software publishers and their

partners and customers to understand the key attributes and benefits of these offerings. Microsoft Software Assurance includes features of maintenance and support as well as a number of services and benefits that go beyond the traditional scope of these offerings. IDC took a holistic view of SA in its quantitative analysis of the offering.

Data driving the metrics for this white paper came from four studies focused on the following topics:

- ☒ Best practices associated with desktop PC management
- ☒ PC deployment
- ☒ Productivity applications deployment
- ☒ Infrastructure applications server deployment and management

In addition to numerous case studies conducted throughout the years, IDC conducted three in-depth interviews with Microsoft Software Assurance customers in spring 2009 specifically for this white paper.

SITUATION OVERVIEW

The economy is the biggest news of 2009, and "doing more with less" is the mantra of the time. While a down economy certainly impacts the purchase of new products, IDC has observed that the demand for service often remains the same or even increases as businesses try to stretch their initial IT investments.

In the case of Software Assurance, which many Microsoft software customers already have through their Volume Licensing agreements with Microsoft, there are many services as well as technologies and license rights designed to help customers extend the value of their software investment. In fact, more than 15 benefits are available to use across the organization. These benefits are designed to help customers realize cost savings, improved employee productivity, and impact on their overall return on their technology investment.

A key challenge with Software Assurance, however, is that it can be difficult for customers to take advantage of all the tools and benefits that are offered. When SA benefits are underused, customers are potentially leaving cost savings and opportunity for improved return on investment (ROI) on the table.

By calling out the aspects of Software Assurance that can bring the most measurable business benefit, this white paper is designed to help companies prioritize their adoption plans for SA to maximize the value of their investment in Microsoft software.

MICROSOFT SOFTWARE ASSURANCE

Microsoft Software Assurance was introduced in 2001 as an element of Microsoft's Volume Licensing programs. The primary initial value proposition of SA was as an update "insurance policy" — ensuring that customers would not face huge expenses to purchase new sets of licensed products should Microsoft's next generation offer functionality that was critical for a customer to acquire.

Throughout the years, the definition of SA has expanded and the offering has become a vehicle through which Microsoft provides unique offerings and special enhancements and incremental value to its customers. The key benefits include the following:

- ☒ Consulting services
- ☒ Training
- ☒ Exclusive technology
- ☒ Technical resources
- ☒ Support

Microsoft is hoping to help both current SA customers use the benefits they already have and potential customers understand the value that SA can help bring to their bottom line. Both segments include customers with definite upgrade plans as well as those that have no plans to upgrade in the foreseeable future.

While the number of tools and benefits offered as part of Software Assurance has grown since 2004, the price of acquiring SA has not increased. Typically, for Microsoft server products, SA costs around 25% of the license price for each year of coverage. For Microsoft desktop PC-licensed products, it costs around 29% of the license price for each year of coverage. In some instances, this price can be lower for customers that place all desktop PC systems under Volume Licensing coverage and for customers that include multiple products in their Microsoft Volume Licensing agreement.

THE BUSINESS VALUE OF SOFTWARE ASSURANCE

According to IDC's research, companies that use the tools provided by Microsoft Software Assurance can get more out of their Microsoft software investment. This includes cost savings on the services and tools they need to gradually support the software, train their workforce, and plan their long-term software strategy.

"Buying your Microsoft software without SA is like buying a car without wheels." IT Director, United States-based wholesale plant supplier

IDC constructed a total cost of ownership (TCO) analysis based on a series of studies into IT best practices and compared organizations that had Software Assurance with those that did not. IDC used the model to evaluate the impact of Software Assurance on the IT labor costs for managing desktop PCs, application servers, and the Microsoft Office system productivity program. The analysis reveals the following key benefits of SA:

- ☒ Standardizing on a single version of the desktop PC and server operating system and Microsoft Office via the New Version Rights benefit reduces IT labor costs by 30% to 35%.

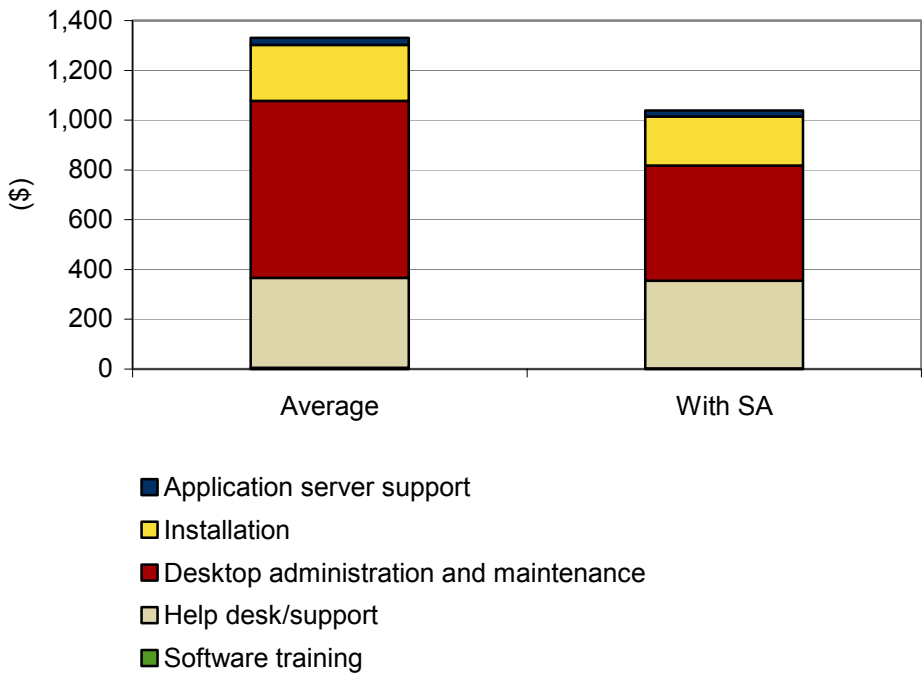
- ☒ Packaged Services support lowered the costs for program management for desktop PC deployment by 36%.
- ☒ Providing copies of software to users as part of the Microsoft Home Use Program (HUP) in advance of new software deployments reduced the service desk calls associated with the deployment by 19%.
- ☒ Home use also lowered user training costs by 9%.
- ☒ Using Training Vouchers and E-Learning benefits reduced IT annual training costs for software by 69%.
- ☒ In addition to IT labor optimization, the users benefited from software standardization and the Home Use Program, reducing their downtime, help desk issues, and training time. In total, users lowered their nonproductive time by 29%.

Combined, these benefits lower the average annual costs to manage desktops, servers delivering user applications, and Office by \$292. This means that the annual cost for IT labor for an average company goes from \$1,330 to \$1,039 per user (see Figure 1).

Beyond this analysis, customers may see further significant benefits from deploying the Enterprise version of Windows and the Microsoft Desktop Optimization Toolkit. These technology-based components of Software Assurance are beyond the scope of this white paper.

FIGURE 1

Average Annual Labor Costs per User



Source: IDC, 2009

Summary of Key Benefits

Microsoft Software Assurance for Volume Licensing offers value to customers throughout the software life cycle. Through initial planning, deployment, and use, an SA benefit is available to help reduce costs and boost productivity.

For companies that plan on taking advantage of product upgrades during the term of their Volume Licensing contract with Microsoft, Software Assurance can have many cost advantages compared with licensing upgrades on the fly. For many customers, the ability to stay current on the latest Microsoft technology, and to better predict and manage the costs to do so, is one of the main drivers behind the decision to purchase SA. As one customer observed, it is easy to get behind on technology if your company fails to properly budget.

Software Management

Research conducted with 100 organizations showed that companies that had Software Assurance were 3.5 times more likely to have software standardization as a best practice. Standardizing on one desktop PC operating system reduced the time spent by IT in performing management tasks such as configuration, user administration, image management, installation, and upgrades and patching. Both desktop PC support and help desk staff faced far fewer issues relating to software compatibility and application performance. On average, standardizing on a single operating system version reduced IT desktop PC support costs by 35%.

Standardizing on a single server operating system has a similar effect, reducing the costs to manage the server environment by 15%. For the financial impact, we chose Microsoft Exchange Server as the model. In our three-tiered model, standardizing on a single version of Microsoft Office 2007 helped reduce the cost to manage Microsoft Office by 16%.

Spread Out Payments

One feature of Software Assurance that many customers find attractive is that it provides the opportunity to spread out and defer costs related to the future upgrades as well as better predict and control these costs. SA also helps increase the predictability of the company's software costs; because customers have already paid for the upgrades, they know exactly what their spending will be in the next few years.

In addition, in most cases, it is easier to make the case to purchase Software Assurance once, up front, rather than having to ask for additional funds each time a new upgrade becomes available. This reduces the "thrash factor" associated with upgrading: Instead of making thousands of decisions once a year for four years, the customer makes one decision once.

Staying current and keeping version compatibility within the customer organization also has its benefits. With SA, customers can have a consistent budget year to year and assign an accurate cost per desktop PC. Productivity gains can result when everyone is on the same version of the same application because having one standard image saves time by not having to keep track of disparate inventories, make incremental purchases, and do one-off deployment.

Training

Software Assurance includes two types of training benefits that can help companies save money: Training Vouchers and E-Learning. Training Vouchers are typically beneficial to technical staff and provide expert classroom courses on a broad range of topics, while users of the Microsoft software have access to Web-based E-Learning training. Many Microsoft customers have found that the SA training benefit is all that they need, eliminating the need to purchase separate training.

Training Vouchers and E-Learning programs, when used, can reduce IT staff software training by as much as 65% to 75%. Home Use Rights can reduce overall user training costs by 9%.

Unused training days can be applied toward the Microsoft Software Assurance Packaged Services benefit, which offers predefined service engagements with certified consultants.

Packaged Services

The Microsoft Software Assurance Packaged Services benefit consists of services engagements with certified consultants who help customers plan and prepare for the successful deployment of new software. Packaged Services are available in engagements of 1, 3, 5, 10, and 15 days. The engagement length is based on the number of licenses covered by Software Assurance. Customers that have used these services say that they are helpful in developing plans for ensuring that deployment is efficient and consistent across the organization.

Support

The support benefits associated with Software Assurance can be big cost savers for customers, especially those that also have a Premier Support Contract with Microsoft. While the Premier Support Contract is typically used by a select group of people within the organization, SA offers access to incremental support that customers can use to extend support access to additional people across more regions and applications. SA also lets Premier customers convert SA incident awards to Premier problem resolution and offers extended 24 x 7 problem resolution for faster turnaround.

Another support-related benefit is TechNet Benefits through Software Assurance, which gives a customer's IT staff access to newsgroups, provides a few technical support incidents per year, and offers full use rights for license evaluation purposes.

Payback

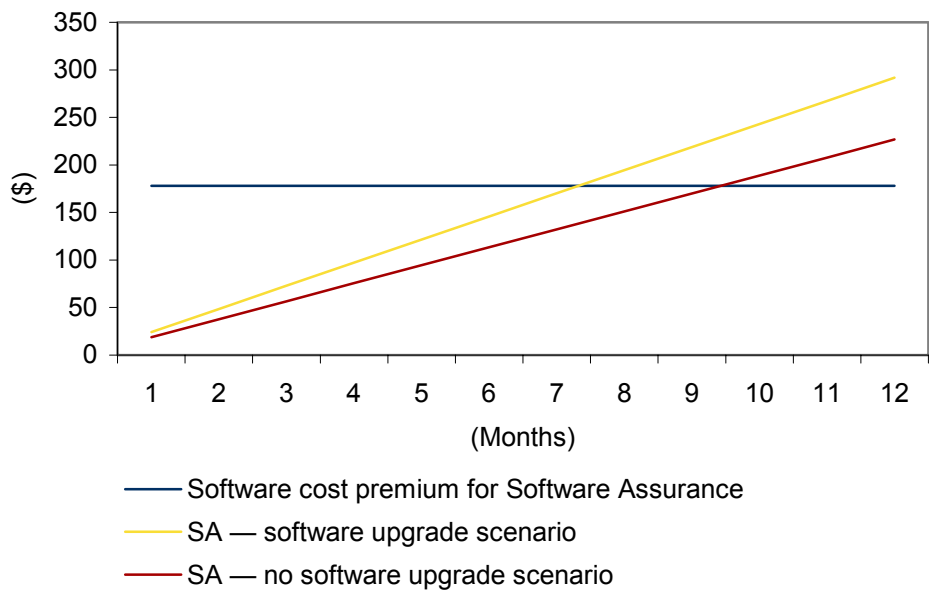
Companies choosing Software Assurance programs for their desktop PC operating system, Exchange Server messaging system, and Microsoft Office software will pay a license premium up front of nearly \$180 per user. This premium is offset by the reduction of their IT costs generated by using the key programs within Software Assurance to implement best practices within their IT organization. The payback period is that point where the IT operations cost savings is equal to the license premium. There are two scenarios affecting payback (see Figure 2). The first scenario

includes companies that are upgrading their software within the first year of the Software Assurance contract period. These companies could realize the full range of benefits addressed in this white paper and reduce their IT operations costs per user by \$292 annually. This model would mean that they would essentially break even in eight months.

In the second scenario, companies are not upgrading and so would not see the benefits associated with software deployments (i.e., Packaged Services and home user learning benefits). They would still see \$227 in IT cost reduction and break even in 10 months.

FIGURE 2

Software Assurance Break-Even Analysis



Source: IDC, 2009

INDUSTRY OUTLOOK

Since the launch of Software Assurance in 2001, Microsoft has led an industrywide shift in the way that maintenance and support programs have evolved to address a more inclusive set of customer needs. Increasingly, customers without SA find themselves on the outside, without access to some of the most attractive services, technologies, and rights that accompany Volume Licensing contracts with SA.

As the software industry matures and services to support the software evolve, IDC is seeing a range of new efforts to brand maintenance in a different way, but in general is seeing a convergence around two terms: subscription and support:

- ☒ **Subscription.** Subscription includes the baseline updates and patches typically provided via traditional maintenance, with the addition of all upgrades to the product. In a sense, subscription offers an upgrade insurance policy.
- ☒ **Support.** Support includes more than just the baseline technical support typically provided via traditional maintenance. The actual level of support provided varies by vendor, but IDC has seen vendors increase the number of support hours or incidences and extend coverage beyond technical support to functional support. Usually additional services, such as a dedicated support representative, can be layered on top of this base level (for an additional fee).

IDC expects the types of benefits discussed in this white paper to be available to an increased number of companies as vendors continue to develop their maintenance and support offerings. Other trends impacting the software maintenance market include a push toward uniformity, with vendors looking across their product portfolio and striving to provide customers with consistency of terms and experience. With some vendors, there are differences by product line and Volume Licensing agreement type for almost all aspects of maintenance. It can be very confusing for customers. The hope is that by rationalizing programs and simplifying the process for customers, it will be easier to promote awareness of benefits and more customers will take advantage of them.

CHALLENGES/OPPORTUNITIES

Microsoft clearly recognizes the value of building relationships with its customers and is reinventing the definition of "maintenance" with its Software Assurance offering. With SA, Microsoft has produced a vehicle through which it can deliver technology, services, and licensing rights to its Volume Licensing customers. IDC believes that Microsoft is on the right path with SA, but more needs to be done to help customers become more aware of the various SA benefits, how these benefits can address their specific challenges, and how to use these benefits.

Although Software Assurance is more than an upgrade insurance program, many customers do see a benefit in this aspect of SA, the value of which hinges on the timely release of compelling software upgrades.

In addition, as stated earlier in this paper, it can be challenging for customers to take advantage of all the tools and benefits that are offered due to a number of factors, including awareness; therefore, SA goes underused. To successfully raise awareness of SA with customers, and boost the value proposition of SA with customers, Microsoft must address some important issues:

- ☒ **Software Assurance benefits awareness.** Although the components of SA may be explained to the individual who is signing the Volume Licensing agreement with Microsoft, they are not always communicated to the individuals who would actually use these benefits. As the message is passed throughout the organization, sometimes part of it is lost in translation. Microsoft is challenged with getting the SA message out directly to various individuals throughout the organization so that benefits can be used and value can be recognized.

- ☒ **Software Assurance benefits administration.** While Microsoft has been offering SA within its Volume Licensing programs for five years now, the concept of an SA-like offering is still new to most organizations. Many organizations do not have an individual who is tasked with ensuring SA benefits are rolled out to the fullest extent — and if they do, that person may have other priorities that make focusing on all aspects of SA a challenge. In addition, because the benefits of SA cross so many different functional areas — support, training, deployment, planning — any one individual will need to coordinate with multiple groups to roll out the benefits. This can add time and complexity to the process of benefits consumption.

CONCLUSION

IDC believes that Microsoft has made good faith efforts to dramatically boost the value of Software Assurance, a good step on Microsoft's part to retain a high level of trust among customers. In addition, according to IDC's research, companies that use the tools provided by Microsoft Software Assurance can get more out of their Microsoft software investment. However, realizing benefits from SA is a two-way street: Microsoft is responsible for keeping SA relevant with respect to its customers' needs, and customers are responsible for taking advantage of the benefits that are offered.

Essential Guidance

Software Assurance customers should take steps to fully use the services and products for which they have already paid, prioritized to meet current conditions and outlook. There are many reasons this might be challenging for customers — they are not aware of the benefits, they do not have a structure in place to consume the benefits — but given the compelling savings that we uncovered in our analysis, companies cannot afford to leave these challenges unaddressed. IDC offers the following recommendations to customers:

- ☒ **Educate yourselves.** There is ample information on different elements of Software Assurance on Microsoft's Web site as well as in partner-provided literature. The problem is not lack of information but rather getting the information into the correct hands.
- ☒ **Get the word out.** There are stakeholders throughout the organization. Use the employee portal or newsletter to disseminate information on Software Assurance. Bring together a cross-functional team from key departments and educate the team members. Once you have spread the word to SA beneficiaries, the next step is consuming the benefits.
- ☒ **Assign an administrator.** A designated go-to person is needed for all things Software Assurance. This individual should be responsible for championing the benefits of SA within his or her organization and ensuring that the company takes advantage of these benefits.

To paraphrase a customer quoted earlier in this paper, a car without wheels cannot go very far. Software Assurance is designed to help you get the most out of your software investment. Leaving off the wheels just does not make any sense.

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