

5 Mistakes to Avoid When Renewing a MS Enterprise Agreement

Description

It's no secret that Microsoft is a hotbed of change right now. As the company transitions from a traditional software provider to a device and services company, the impacts can be felt in virtually every aspect of its business, including the Enterprise Agreement (EA) renewal process. Those customers that anticipate a run-of-the-mill EA renewal in the coming year will find that things are changing. New business strategies are guiding the vendor's behavior at the negotiation table, and that opens the door for new risks and opportunities.

Here are 5 mistakes customers should avoid making during the Microsoft EA negotiation:

1. **Waiting until the last minute to renew :** In the past, Microsoft customers have gained negotiation leverage by waiting until the very end of their EA term to renew, especially if this timing coincided with Microsoft's quarter or fiscal year-end. This is no longer the case – especially for fiscal year (June), calendar year- and quarter-end purchases and renewals, when volume chokes the system. There are a limited number of legal and licensing desk resources available to process these deals, and the domino effect of “spillover” beyond these dates can have a negative impact on fiscal performance. As such, Microsoft is going to great lengths to get customers to renew well before end-of-term, including offering better pricing and discounts or allowing clients to adjust contract dates. Customers need to know how they can leverage deal timing to get more favorable concessions and greater flexibility.
2. **Over-focusing on pricing and under-focusing on license programs and terms:** Having visibility into what constitutes a fair price for Microsoft's offerings is the first step in reducing EA costs. But it's only part of the battle. To effectively lower costs, customers have to understand how their unique business requirements align with standardized terms (especially for cloud offerings), the dozens of licensing permutations for on-premise products, and the licensing options available to them for supporting intersecting factors such as virtualization and multi-device users. With more options available across Microsoft's traditional software and cloud business, it's important for customers to understand which licensing and subscription programs best support their technology, business and cost management requirements.
3. **Believing that Microsoft EA negotiations are a one-time event:** Most companies view the Microsoft EA renewal as a single event. They deploy their brightest IT and sourcing resources to handle the EA, but once it's signed, these resources are effectively “off the case.” This is a mistake. Before the ink is dry on a renewal, Microsoft's account team is working on the next one. Informally referred to as “T-minus 36” (a 3-year countdown until customer renews again), Microsoft follows a cyclical and successful methodology for positioning each customer to expand their Microsoft estate and spend at the next renewal event. Customers need to match this process intensity by strategically managing and optimizing their EA costs over the term.
4. **Minimizing the importance of true-ups :** As mentioned earlier, the Microsoft EA negotiation is a process comprising multiple steps, each representing an opportunity to overspend or save. Rigor, deep licensing expertise and experience are required at each step – including true-ups. Often, customers minimize the importance of the true-up event when they should be applying the same bench strength as they do when they renew their EA or make new Microsoft purchases.

5. **Not being audit-ready** : Customers that haven't recently been through an audit should expect to undergo one in the next 12 months. The best way to handle an audit is to prepare for one, and not to rely solely on Microsoft's Software Asset Management (SAM) tools. Enterprises should utilize their own methods to validate compliance, to determine license counts, and scrutinize whether certain users truly require all products – before they are contacted by Microsoft's SAM teams. In most cases, this will drive another round of negotiations that will require skillful interpretation of licensing programs, terms and conditions

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