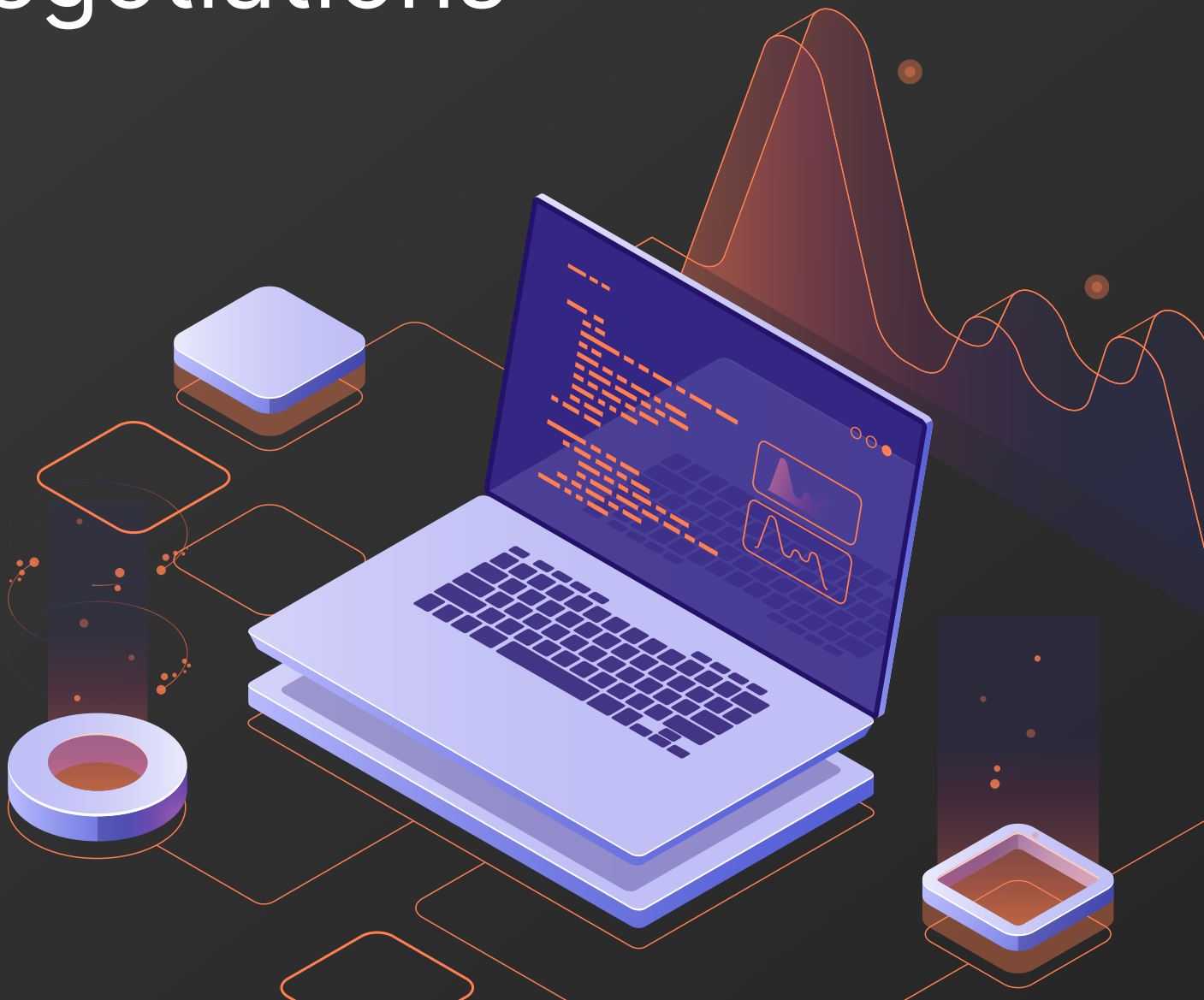


SAMexpert

# Microsoft Enterprise Agreement: basics, structure, renewal, negotiations



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Microsoft Enterprise Agreement is the most popular way to acquire licenses and cloud services from Microsoft.

If you are a procurement manager assigned to managing Microsoft as a vendor, and you would like to know, “What is it that I have to deal with? What is all this jargon: renewals, true-ups, commitments?” or if you are an ITAM manager in a similar situation, this guide is for you.

Let us start with the basics of an Enterprise Agreement, and we’ll keep the introduction as simple as possible. Then we’ll review the structure of the EA, followed by renewal and negotiation advice.

# What is an Enterprise Agreement?

Microsoft Enterprise Agreement is one of the ways for an organization to procure Microsoft licenses. Multiple ways are available, and the Enterprise Agreement is perhaps the most popular one.

## Can you sign an Enterprise Agreement?

There's a barrier to entry. If your organization is below 500 employees, you don't qualify for an Enterprise Agreement.

We expect Microsoft to raise the bar to about 2400 seats. What is going to replace Enterprise Agreements for smaller organizations? These days, perhaps, most would choose [Microsoft CSP](#). However, one should not forget that the Open Value Agreement is still available.



# Licenses and services available through a Microsoft EA

Enterprise Agreement provides the most comprehensive choice from the Microsoft price list of the following three categories of products and services:

- Cloud services, including Microsoft Office 365 and Azure.
- Traditional licenses,
- [Support and maintenance](#).

Other Microsoft agreements offer smaller subsets of products compared to EA. However, the opposite may be true as well. A few products and services aren't available in EA.

The best place to check product availability is on the [Microsoft Product Terms](#) website:

1.

Select Enterprise Agreement as the licensing program,

2.

In the left menu, select "Product Offerings" and the product you are looking for. If you select Windows Server, you'll see all the [Windows Server licences available in EA](#).



A composite image featuring two men in business suits shaking hands. Their bodies are semi-transparent, revealing a detailed city skyline at night. The background is a blurred, high-angle view of a city with lights from buildings and streets.

## What is the length of an Enterprise Agreement?

EA is a so-called “term” agreement. If you sign it today, it will last for three years. You may extend it for three more years, but it is usually a three-year-long agreement.

Extending EA rarely provides commercial benefits and may even have negative consequences. It is almost always better to renew and renegotiate.

# Three important commercial features of an Enterprise Agreement

There are three fundamental commercial features of an Enterprise Agreement. There are many more, but these are the foundational ones.

## 01 Annual payments instead of one upfront fee

When you sign an Enterprise Agreement, the total cost of the licenses ordered at the beginning (“at signing”) is split into three equal annual payments.

This rule does not apply to licenses and services ordered later and true-up orders. They require a full upfront fee.

## 02 Prices are fixed for the duration of the EA

When you order a product or service, its price is fixed until the end of the Enterprise Agreement. Microsoft usually increases prices at least once a year.

As long as you order licenses and services through your Enterprise Agreement, you’re protected from price increases.

**03**

## Discounts are based on the volume of licenses

Microsoft EA has so-called “programmatic” discounts. The more licenses you order, the more significant the discount will be.

There are predefined levels from A to D depending on the number of licensed users or devices:

Discount level	Number of users or client devices
A	500 to 2399
B	2400 to 5999
C	6000 to 14999
D	from 15000

Discounts on top of the predefined ones are discretionary. They can be, for example:

- Granted to a government as a part of a territory-wide deal,
- Negotiated individually by or on behalf of your organization.



# Three important licensing features of an Enterprise Agreement

Of course, Microsoft Enterprise Agreement also has specific licensing features, terms and conditions. In this article, we'd like to draw your attention to the following three.

01

## **“Platform commitment” - a compulsory obligation**

You must commit to specific products and volumes to sign an Enterprise Agreement. You must also commit to purchasing at least one product licensed “enterprise-wide”. The professional slang for it is “a platform product”.

You would usually commit to buying a set of licenses and services for every user or every computer, depending on the type of “platform product” you select. The most common example nowadays would be a Microsoft 365 plan for every user, which may include Office 365 applications, Windows 11 per user and Enterprise Mobility + Security (EMS).

Without some form of commitment, there can be no Enterprise Agreement. That's its core licensing condition, core principle. Enterprise Agreement is not a good fit for you if you are not ready to commit to a product or a service licensed “enterprise-wide”.

02

## Software Assurance (maintenance) is compulsory

Software Assurance is the name for maintenance fees in the Microsoft world. It is compulsory in the Enterprise Agreement. All the perpetual and subscription licenses you purchase via an Enterprise Agreement include Software Assurance fees.

If you need a license without Software Assurance, you must choose a different agreement such as MPSA, CSP or Open. Please be careful doing so. Remember that you must order committed products (“platform products” or “enterprise products”) via the Enterprise Agreement.

03

## You only pay once a year at a “True-Up”

For enterprise-wide products and services, you only need to count your users and devices at the end of an agreement year. And only then, if there's any growth, you must report it to Microsoft and order the difference.


So, if the number of users or devices grows during the year, you don't have to rush and buy new licenses immediately. You would typically wait until the Enterprise Agreement's anniversary and place a “true-up order”.

# Two types of Enterprise Agreements

There are two types of EA. Namely, an **Enterprise Agreement** (EA), which is for perpetual licenses plus maintenance, and an **Enterprise Subscription Agreement** (EAS or ESA), which is essentially for subscription licenses.

You may order online service subscriptions in either EA or EAS.

## What's the difference between EA and EAS?



**EA, the standard (non-subscription) agreement:** you pay for licenses and maintenance in three annual payments. At the end of the term:

1. You retain perpetual licenses - they are yours forever,
2. Your maintenance stops ("Software Assurance expires").

**EAS, the subscription agreement:** you pay a subscription fee every year. At the end of the term, you're left with nothing. If you want to retain the licenses, you have a "buyout" option.

You can, of course, renew the agreement for another three-year term. Please read this article further for the Microsoft EA renewal guidance.

# What's a Microsoft SCE (Server and Cloud Enrollment)?

The Server and Cloud Enrollment (SCE) is a special kind of Enrollment under the Microsoft Enterprise Agreement that allows you to standardize on one or more of the following server and cloud technologies from Microsoft:

- **Core Infrastructure Suite** of server operating systems and management software: Windows Server + System Center.
- **Application servers:** SQL Server (database), BizTalk Server, SharePoint Server.
- **Development platform:** Visual Studio Enterprise (this edition only).
- **Microsoft Azure** used to be one of the four core technologies to start a new SCE but not anymore. If you already have had Azure in a previous SCE, you may still have an option to renew it, but new Microsoft EA clients aren't able to sign an Azure-only SCE.

You receive additional discounts and benefits for an “installed base-wide” commitment to one of the SCE components above.

“Installed base-wide” commitment means you must license every instance of the chosen SCE components only with licenses purchased through the SCE.

**Warning:** *any non-SCE licenses for the committed SCE components, whether purchased before or during the term of the SCE, are still valid but may not be used during its term. Ensure you have a robust procurement process that validates all such orders before they are placed to avoid non-compliance and useless acquisitions. You may literally waste your money if a server license is purchased outside of an active SCE.*



## Cost savings benefits of the SCE

SCE offers pricing and benefits for server and cloud products, including discounts on new licenses and Software Assurance renewals:



If your purchasing volume is high enough, you may qualify for premium benefits, including unlimited problem resolution support.

## Subscription option in the SCE

A subscription option is available alongside perpetual licenses, giving you more flexibility when you retire workloads, consolidate, or migrate to the Cloud. That is unique to SCE and has proven helpful in the current dynamic environment across all industries.



## SCE helps you be more “Cloud-ready”

Microsoft pitches SCE as “cloud-ready” or “cloud-enabled”, so how much of it is true?

Software Assurance is compulsory for all Microsoft Enterprise Agreement licences. That includes both SCE and the “regular” Enterprise Enrollment. That means you get all the included cloud-enabled benefits of Software Assurance, like License Mobility through Software Assurance (soon to be replaced by Flexible Virtualization) and Azure Hybrid Benefits. Those rights let you BYOL (“Bring Your Own License”) – reuse the already-made investments in Microsoft licenses in various Cloud scenarios. Although it is not exclusive to SCE, it is a cloud-related benefit and a cost-management tool.

Availability of **subscription licenses** alongside perpetual ones provides maximum flexibility during Cloud and digital transformation. You may better plan your license and Cloud costs. Decide how many licenses you want to keep on-premises, how many you need to BYOL, and which ones to drop, consolidate and decommission. Then, plan your SCE license acquisitions and renewals accordingly. Need a license for a temporary workload? No problem, order a subscription and cancel it when it’s not needed anymore, all at discounted prices.

And, of course, SCE is a way to **procure Microsoft Azure** services via the Enterprise Agreement route.

# Is SCE a good option for your Cloud transformation?

It depends. For most of our clients, SCE provides additional cost-management and cloud-related benefits and discounts. And please bear in mind that we don't sell licenses. We advise on how to manage them properly.

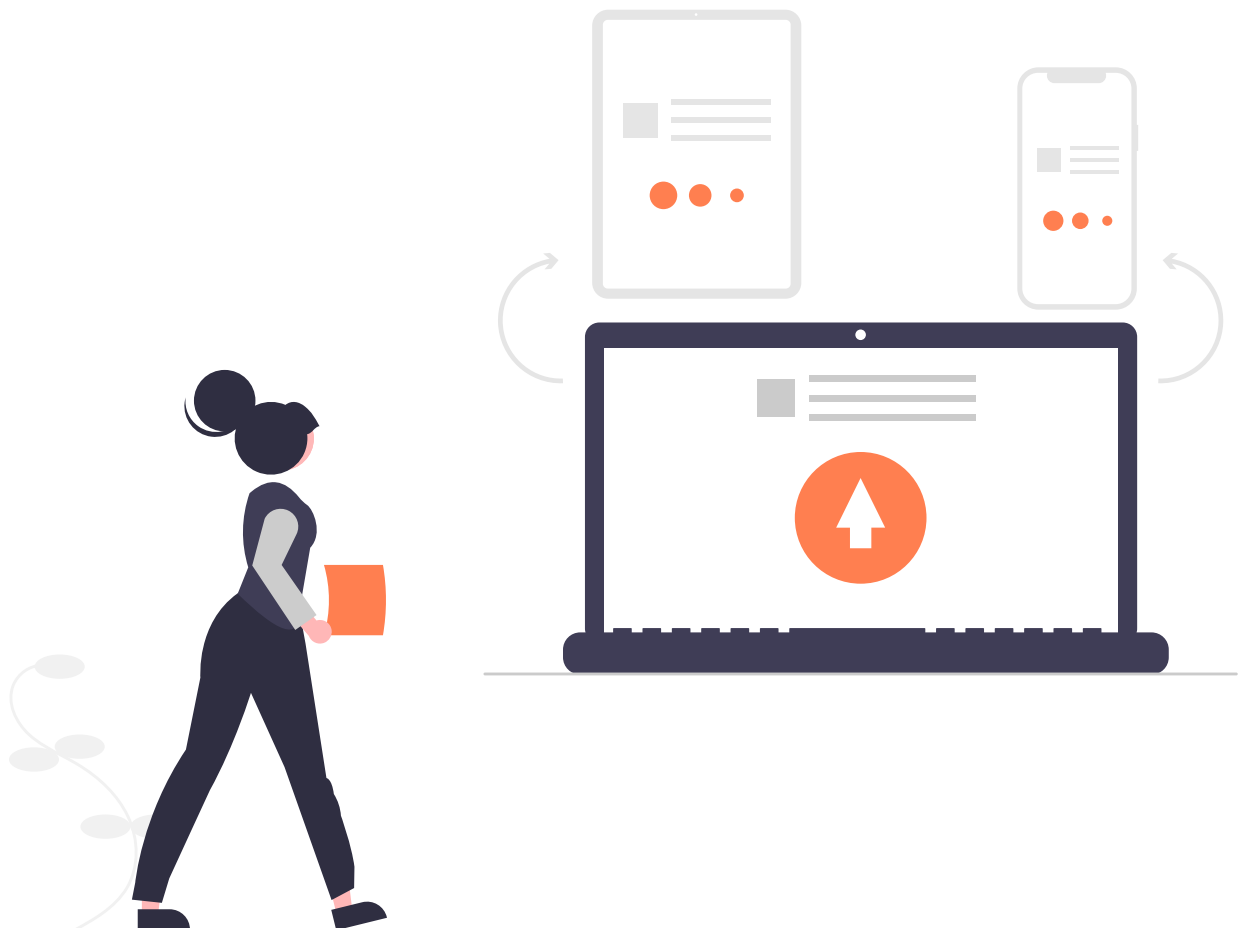
Like us, you can perform a meticulous analysis of:

- Existing licenses and other agreements. Signing an SCE may invalidate the investment in perpetual licenses and make server subscriptions via, for example, Microsoft CSP useless. You need to assess the impact, have a mitigation strategy, and use the result of the analysis in your negotiation with Microsoft.
- At least three years of your Cloud and digital transformation plans. Involve a Microsoft licensing expert at the assessment stage to accurately calculate the required licenses and benchmark costs of SCE versus, for example, Azure pay-as-you-go.



But don't stop there. Unfortunately, we see many organizations planning well but then not executing accordingly. In the worst case, you may end up paying twice for the same licenses and cloud resources. You need a regular, robust process validating conformity of your IT practices and processes with the licensing and Cloud policies:

- Do you reserve instances and resources?
- Do you assign licences to Azure, AWS, GCP and smaller cloud providers in full accordance with their rules?
- Do you validate your Cloud billing for “double payments”?



# Is Microsoft Enterprise Agreement a good choice for you?

There are, of course, strings attached. An Enterprise Agreement may not be for you.

## Firstly, it's the “commitment”

If you commit to license every user in your organization and then it grows, you must true-up every year. If you merge with another company or acquire another business, you must figure out how to license everyone in the integrated company.

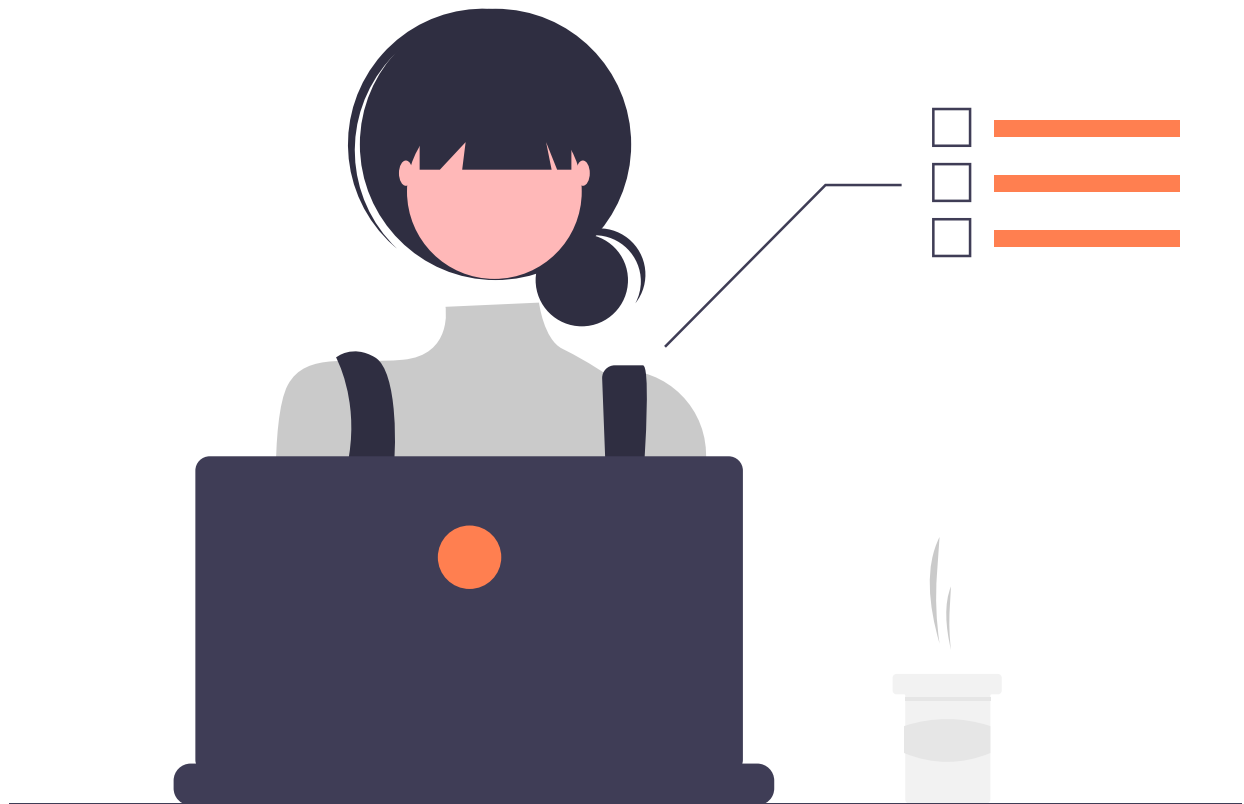
If your number of users decreases, there are minimal ways to reduce subscription license quantities. And there is absolutely no way to reduce your perpetual license quantities. In that regard, a platform commitment may not be for you. And if your organization's workforce shrinks significantly, you may end up with lots of “shelfware”.

## The **other** string attached here is Software Assurance

Software Assurance is compulsory. You can't buy a license without Software Assurance in an Enterprise Agreement.

But there's an easy solution to that. You can buy a license outside of an Enterprise Agreement if it is not one of the "Enterprise products" you committed to buying "enterprise-wide".

We still find that a well-structured, well-planned, and negotiated EA is the best option, the foundation for [Microsoft licensing](#) in organizations with 500 users or more.



# Contractual Structure of the Enterprise Agreement

Microsoft's contractual paperwork can be a maze of complexity and ambiguity, leading to misinterpretation of your contractual rights and obligations.

There is a document hierarchy, "*document precedence*". Note, for example, that the core Microsoft compliance audit terms are defined in MBSA. The licensing agreements under the umbrella of the MBSA may extend, clarify, or override them.

Let's have a look at the EA *document stack*.





# Microsoft Business and Service Agreement (MBSA)

Microsoft Business and Services Agreement contains general contractual terms and acts as the umbrella agreement for all Microsoft contracts, except for the Microsoft Customer Agreement in Microsoft CSP.

**Terms and conditions included in the MBSA include, among others:**

## 1. General Definitions

- Affiliate
- Customer
- Customer Data
- Online Services/Online Services Terms
- Pre-Existing Work
- Product/Product Terms
- Professional Services
- SLA
- Services Deliverables
- Software
- Statement of Services
- Supplemental Agreements
- Use Rights

## 2. Use, ownership, rights, and restrictions

## 3. Confidentiality

## 4. Privacy and compliance with laws

## 5. Warranties

## 6. Defence of third-party claims

## 7. Limitation of liability

## 8. Verifying compliance

## 9. Term and Termination

## 10. Miscellaneous

- Applicable law
- Dispute Resolution
- Assignment
- Severability.
- Waiver
- Survival
- Taxes

## 11. Country-specific provisions

### Enterprise Agreement

The MBSA we covered above stipulates general terms and conditions of doing business with Microsoft. The Enterprise Agreement document contains terms and conditions *specific* to the Enterprise Agreement program.

The combined terms of the Microsoft Enterprise Agreement, therefore, consist of:

- The terms stipulated in the Enterprise Agreement itself,
- The terms of the MBSA,
- Product Terms – *nowadays, it's a web portal updated regularly,*
- Online Services Terms – *now a part of the above portal,*
- Enrollments under the Enterprise Agreement, including all the documents supplementing the enrollments.

## Terms and Conditions included in the Enterprise Agreement:

### 1. Definitions

- Customer
- Enrolled Affiliate
- Enrollment
- Enterprise
- License
- Microsoft
- Software
- Software Assurance
- Use Right

### 2. License of Products

- License Grant
- Duration of Licenses
- Applicable Use Rights
- Downgrade rights
- New Version Rights under
- Software Assurance
- License Confirmation
- Acquisitions, divestitures, and mergers

### 3. Making copies of Products and re-imaging rights

### 4. Transferring and assigning Licenses

### 5. Term and Termination

### 6. Miscellaneous

- Notices
- Management and reporting
- Order of precedence
- Applicable currency
- Taxes

# Microsoft Enterprise Agreement Enrollments

Signing only an Enterprise Agreement is not enough to acquire licenses. A Microsoft Enterprise Agreement is only complete and valid when there is at least one kind of Enrollment under it.

## Currently, there are two types of Enrollments:

- Microsoft Enterprise Enrollment (variation: Enterprise Subscription Enrollment),
- Server and Cloud Enrollment – *already covered above in this article.*

Historically, there have been other types of Enrollments. Since those types expired more than three years ago, we won't be covering them here.

## Microsoft Enterprise Enrollment (Indirect and Direct)

The Microsoft Enterprise Enrollment is the most common type of Enrollment in the Enterprise Agreement program. You would typically acquire enterprise-wide licenses like Microsoft 365, Microsoft Windows, Microsoft Office, and [Client Access Licenses](#) through an Enterprise Enrollment.

The *Microsoft Enterprise Enrollment (Indirect and Direct)* document outlines the lowest level terms and conditions specific to Enterprise Agreement management and governance.

Please bear in mind that it is a part of the entire Enterprise Agreement document stack, and the general terms and conditions are comprised of:

- The specific terms and conditions outlined in the Enrollment,
- The terms of the Enterprise Agreement,
- The terms of the Microsoft Business and Services Agreement,
- The Product Selection Form,
- Product Terms – nowadays, it's a web portal updated regularly,
- Online Services Terms – now a part of the above portal,
- Supplemental Contact Information,
- Previous Agreement/Enrollment form and other forms that may be required,
- The Online Services Supplemental Terms and Conditions, for versions before 2009,
- Any order submitted under the Enrollment.

Rarely in addition to the above list, you may also have bespoke addendums and amendments to the Enrollment (“CTM”) that contain negotiated terms and conditions specific to your EA.

## Terms and Conditions included in the Enterprise Agreement:

### 1. Preface

- Effective Date
- Term
- Prior Enrollment(s)

### 2. Definitions

- Additional Product
- Enterprise Online Service
- Enterprise Product
- Expiration Date
- Industry Device
- Managed Device
- Qualified Device
- Qualified User
- Reseller
- Reserved License
- Software
- Use Rights

### 3. Order Requirements

- Minimum order requirements
- Additional Products
- Use Rights for Enterprise Products
- Country of usage
- Resellers
- Adding Products
- True-Up Requirements
- Step-up Licenses

### 4. Clerical error

### 5. Verifying compliance

### 6. Pricing

- Price levels
- Setting prices



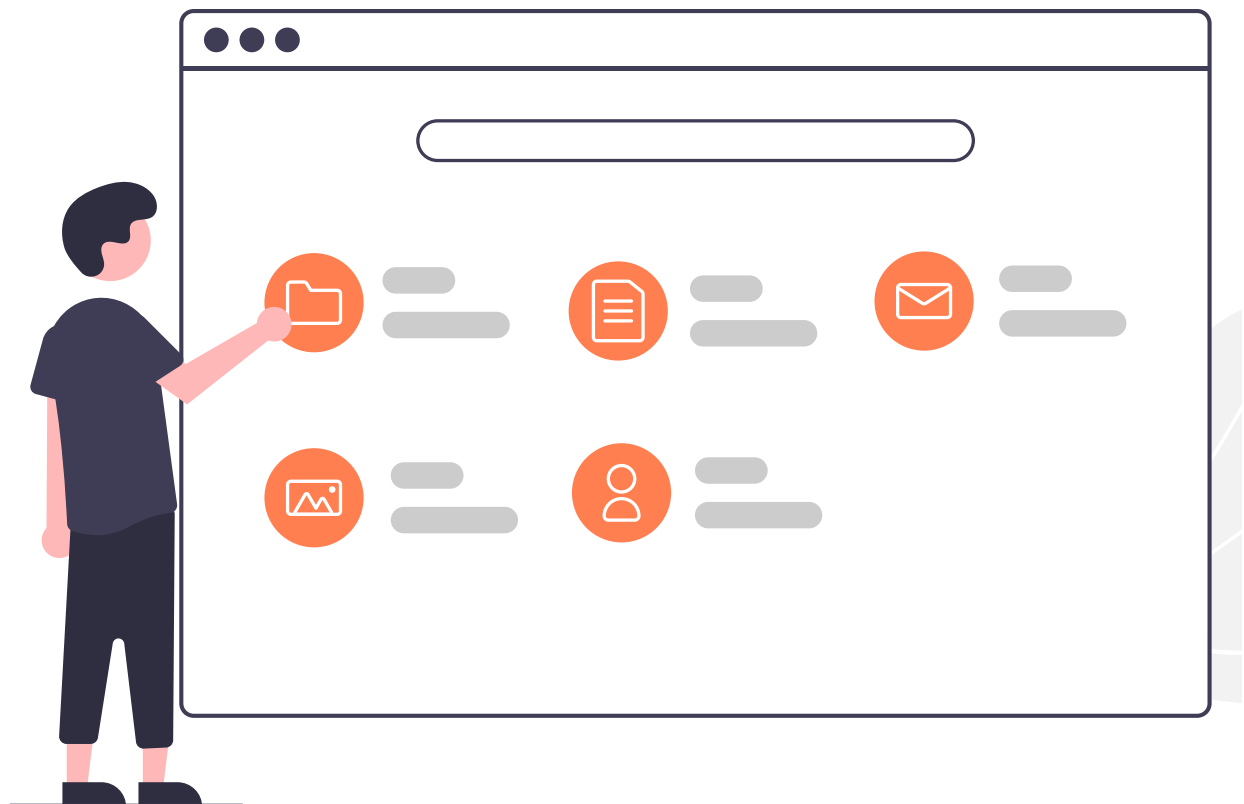
## 7. Payment Terms

- End of Enrollment term and termination
- General
- Renewal option
- Not to renew
- Extended Term
- Cancellation during the extended term
- Termination of cause
- Early termination

## 8. Enrollment Details

## 9. Contact information

## 10. Financing election



## Product Selection Form

The Microsoft Product Selection Form contains the Enrolled Affiliate's (your) product selection, quantities, and price levels.

It does not include your specific pricing information. That will be in a separate document – CPS, which stands for:

- Channel Price sheet (for “indirect” countries) or
- Customer Price Sheet (for “direct” countries).

## Signature Form

The Signature form is an essential piece of the contractual maze of your Microsoft documentation. It consolidates all the contract document names and numbers/codes in one place. This document is crucial for future compliance and governance purposes. You are responsible for validating the accuracy of the data included or not included in the signature form.

It usually includes the following:

- MBA/MBSA number,
- Agreement number,
- Signature form number,

- Contract Documents and reference numbers/codes,
- Customer details, signature, and signature date,
- Microsoft details, signature, and signature date,
- Agreement Effective Date (it may be different from the signature date).

## **Customer/Channel Price Sheet (CPS)**

The Customer Price Sheet (for direct billing countries) or the Channel Price Sheet (For indirect billing countries) includes all your initially ordered products, quantities, pricing, and payment terms.

Importantly, it doesn't only have the initial order pricing but also fixes prices for Years 1, 2, and 3 True-up. It's a crucial document for cost planning.

On the other hand, we see too many clients only keeping their CPS instead of the complete EA document package. CPS is critical, but it's not the entire Enterprise Agreement.

### **The structure of the CPS is as follows:**

- Customer details,
- Microsoft details,
- Reseller details,
- Purchase order number and date,
- Quote Summary (annual payments),

- Section 1 – License and Software Assurance deal information, detailed per year,
- Section 2 – Monthly Subscriptions deal information, detailed online services per month and year,
- Future Pricing (True-up),
- Product Notes,
- Terms and Conditions.

## Amendments (case by case)

The Microsoft contract amendment is a change, correction, clarification, or deletion to the Enterprise Agreement, MBSA or any other contracts in your volume licenses pack.

Microsoft never changes the original MBSA, EA or Enrollment templates. If you negotiate a correction or a custom term, they will be included in an amendment.

**Pro Tip:** your amendment number must be mentioned on the signature form for the amendment to be valid.

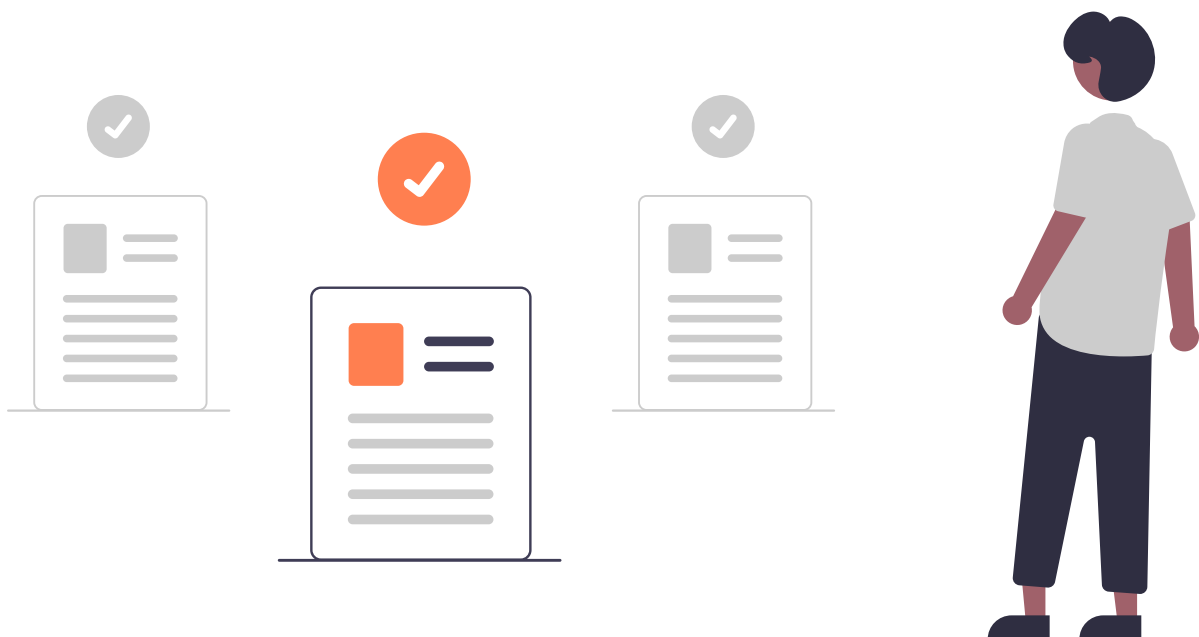
# Microsoft Product Terms and Online Services Terms

Your Microsoft Agreement does not include specific product-related use terms. It only has a reference to the Product Terms website located here:

<https://www.microsoft.com/licensing/terms/>

Recently, Microsoft joined Online Services Terms with the Product Terms, so there is no separate Microsoft Online Services Terms document or website.

You will be presented with the current-day Product Terms when you open the website. However, the terms that apply to your EA are those that were in effect when your Enterprise Agreement started (Agreement Effective Date). There is one exception, however. If you decide to upgrade any product to a newer version released after you signed the Enterprise Agreement, the applicable terms for that product will be from the date the installed version was released.



To see or download the terms that apply to your Enterprise Agreement, do the following:

1. Ensure you understand which terms apply to new product versions,
2. Check the “Effective” date of your Enterprise Agreement,
3. Go to the Microsoft Product Terms website,
4. Select the “Enterprise Agreement” program in the licensing program drop-down selector,
5. Select your Agreement Effective Date (or the nearest preceding date) in the date selector,
6. If you need to download the terms, use the Print button on the same menu and save the result as a PDF.

In rare cases, you may want to download archived versions of Product Terms or Online Services Terms. Follow the relevant Product Terms Archive and Online Services Terms links from the Product Terms website.

**Pro Tip:** Download your specific Product Terms per the Agreement Effective Date on your Signature Form.

# What is an MLS (Microsoft Licensing Statement), and why is it important?

MLS is a report that shows your volume license entitlements for each Microsoft product. The data is generated from calculations that apply upgrades and Software Assurance licenses to full licenses acquired through the following Volume Licensing programs: Enterprise, Select, Select Plus, Open Value, and Open License programs.

## Critical MLS limitations

The MLS does not include all licensing information required to calculate an accurate entitlement report:

- The MLS does not include licenses from OEM purchases, ISV, SPLA, CSP and MPSA. Microsoft may include an MPSA tab on your MLS, but Microsoft will not add the licenses from the MPSA tab to the License Summary tab. You must perform MPSA calculations manually.
- You need to provide Microsoft with a list of all your entities. You also should verify that all your entities (“affiliates”) have been included in the report. Sometimes, Microsoft fails to include all affiliated companies in your organization in the initial MLS. Also, check for the entities that may be added to the MLS by mistake.

- Transferred licences (to and from your organization) will not be included in or excluded from the MLS.



## Navigating the Microsoft Licensing Statement (MLS) tab by tab

- **Organization Summary** lists your subsidiaries, acquisitions, and other business entities. All Microsoft volume software purchased by these entities should be listed in the MLS.
- **License Summary** shows the quantities of licenses you purchased by product and version and the entitlements gained through upgrades and Software Assurance. Remember that it does not include OEM purchases, ISV, SPLA, CSP and MPSA.



- **Transaction Summary** summarizes how many Volume Licenses your organization has purchased for each product version. Remember that it does not include OEM purchases, ISV, SPLA, CSP and MPSA.
- **License Agreements** tab lists all the agreements you signed, with the name of the business entity that signed the agreement, agreement number, stop and start dates, and the entity's location.
- **Transaction Data** has raw data showing each license purchase. It includes the entity that purchased the license, the agreement it was purchased through, the number of licenses purchased, the type of license — License and SA, SA alone, Standard (license-only purchases), subscriptions, etc.— the reseller through whom it was purchased, and the country of use. Again, remember that it does not include OEM purchases, ISV, SPLA, CSP and MPSA.
- **FAQ and Glossary** tab explains terms used in the MLS.
- **Pivot Data** contains data used in the License Summary.
- The optional **MPSA** tab includes all transactions made via MPSA agreements. Please remember that they won't be included in the License Summary.

## Pro MLS tips

Experienced Microsoft Licensing consultants do not take the License Summary tab data at face value. License entitlement calculations from transaction data are so complex that even Microsoft's internal licensing database used to produce the MLS often fails to provide correct summaries.

- In most cases, quantities for products like Windows Server, SQL Server and so on require manual verification due to ever-changing licensing metrics, grants, and upgrades.
- Unresolved quantities (upgrades that the MLS engine failed to apply automatically) always require manual resolution.
- Transferred licences to and from your organization will not be included in the MLS, and you must add or deduct them manually.

Always verify the summary against Transaction Data and license transfers or risk dealing with incorrect data.

# Other types of Microsoft Agreements

## Microsoft Product and Services Agreement (MPSA)

The Microsoft Products and Services Agreement (MPSA) is a transactional licensing agreement for organizations with 250 or more users or devices. MPSA works best if you want to license Microsoft on-premises software, cloud services, or both as needed with no organization-wide commitment under a single, non-expiring agreement. Software Assurance is optional.

## Microsoft Open Value and Microsoft Open Value Subscription

The OV and OVS agreements are for organizations with 5 to 499 users or devices that want to license Microsoft cloud services and on-premises software.

Open Value non-organization-wide is a transactional agreement. Software Assurance is included and mandatory.

Open Value organization-wide and Open Value Subscription are commitment-based agreements where you agree to license certain products for your entire organization. Software Assurance is included and mandatory.

## Microsoft Customer Agreement (MCA)

MCA is the agreement that underpins the [Microsoft CSP program](#). Cloud Solution Provider program provides a way to license the cloud services you need in combination with the value-added services offered by your systems integrator, hosting partner, or reseller partner, with support, all through a single point of contact.

MCA is a transactional licensing agreement for organizations with one or more users/devices seeking to:

- acquire cloud services through self-service purchases or
- outsource the management of their cloud services to a partner in the Cloud Solution Provider program.

A limited subset of on-premises software licenses without Software Assurance is also available.

## Microsoft Online Subscription Agreement

MOSA is a transactional licensing agreement for organizations with one or more users or devices that want to subscribe to, activate, provision, and maintain cloud services directly via the web through the Microsoft Online Subscription Program. On-premises software and Software Assurance are not available through the MOSA.

# Microsoft SPLA Agreement

Microsoft SPLA (Services Provider License Agreement) is a licensing program for service providers and independent software vendors. It allows them to license Microsoft software for hosting and delivering their applications.

As an end client, you won't have SPLA entitlement in the traditional sense. Instead, you'll pay a monthly consumption fee to the services provider.



# Enterprise Agreement renewal

Microsoft EA renewal is available for subscription and non-subscription agreements.

## Why would you renew an Enterprise Agreement?

If you have a subscription agreement, it's obvious. If you want to continue using the products, you must re-subscribe. Simple. But why would you want to renew a non-subscription one if, at the end of it, you're left with non-expiring licenses?

Well, here's the catch. And it's big. When you sign an Enterprise Agreement for the first time and buy perpetual licenses with Software Assurance, Software Assurance (maintenance) provides you additional licensing rights and features. And if you're a large organization, we give you a 99% probability that you will use those Microsoft licensing features that you get only with SA.

Yes, you will retain perpetual licenses at the end of the Enterprise Agreement's three-year term. Those licenses belong to your organization. But if you do not renew your Software Assurance, you will lose the rights that only come with Software Assurance. And for 99% of modern organizations, those benefits are vital. For example, all your virtual machines may become non-compliant.

How do you keep SA-only rights and benefits? You may renew your Enterprise Agreement. There are other ways to renew Software Assurance but renewing your EA is often the most logical.

When you renew Software assurance, you don't buy new licenses. You only agree to pay for Software Assurance for the next three years.

**Here's a simplified example:**

1. After signing the initial EA, you pay for perpetual licenses and maintenance in three annual instalments in the first three years.
2. Then when you renew your EA for the next three years, you'll pay for maintenance to continue using the licensing benefits of Software Assurance.



## EA renewal is effectively a new agreement

You're not extending your existing contract. It's a new agreement.

- There'll be a **new price list**. You're no longer protected from price rises; you start from scratch, from the price list at the renewal date.
- Perhaps, there'll be a **new language** of the Enterprise Agreement if Microsoft decides to update the wording.
- There'll be **new product packages**.
- There'll be **new Product Terms**.

## Enterprise Agreement renewal is a negotiation opportunity

It's an opportunity to negotiate new terms. If you had anything bespoke in your previous term, you're not guaranteed that Microsoft will carry over the discount and your specific exceptions to the new term. It will be an entirely new agreement.

That is why we recommend starting preparations at least a year before the renewal. Because it's a significant event, it's not wise to approach it unprepared.



# The six-phase EA renewal process

By using a well-defined negotiation-proven methodology, you can achieve your digital transformation and business results without losing focus on your budget and financial goals.

## Phase 1

### Foundation – understanding your environment

- Deployment assessment,
- Gathering licensing assets,
- ELP (Effective License Position).

## Phase 2

### Future demand and requirements

- Internal workshops to assess and plan:
  - Future demands,
  - Cloud and digital transformation roadmap,
  - Microsoft 365 Profiling, Persona planning,
- Estimated initial Bill of Materials (BOM).



## Optimization

- Optimization of the current estate based on phase 1 results aligned with the future demand (phase 2 results),
- Final (Year 3) True Up.



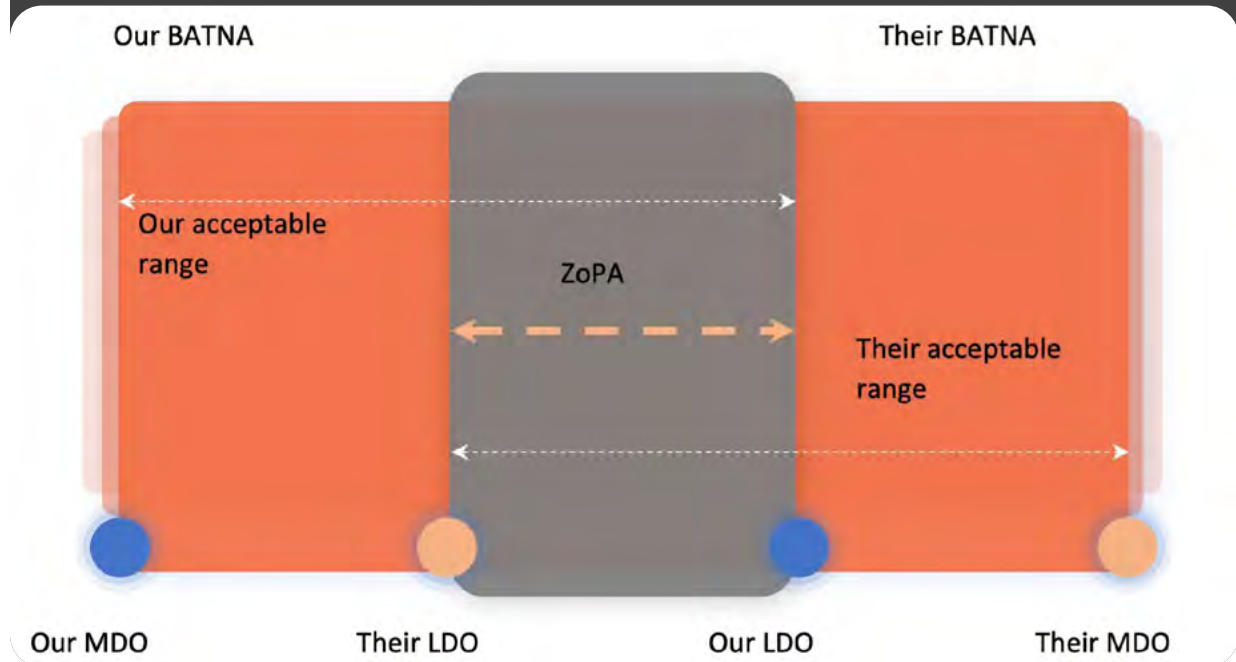
## Pre-Negotiation planning

This phase is required as the final step in your negotiation strategy preparation. It's more than just your Microsoft-specific requirements. It's a holistic approach to negotiating with a vendor that is better prepared, in most cases better trained, and has more resources at its fingertips than you.

If you don't put in the effort, you are bound to come out on the losing side. And you won't even know it.

**Pro Tip:** put yourself in Microsoft's shoes.

**Figure 4.1 Know your Zone Of Possible Agreement with Microsoft before negotiating:**



- ZOPA – Zone of Possible Agreement
- BATNA – Best Alternative to a Negotiated Agreement
- WATNA – Worst Alternative to a Negotiated Agreement
- MDO – Most Desirable Outcome
- LDO – Least Desirable Outcome

**Figure 4.2 Plan in detail what you want to achieve:**

Preparation step/aspect	You	Microsoft
Objectives (MDO/LDO)		
Interests		
BATNA		
WATNA		
Red lines		
Priorities		
The "why" behind our asks		
The detailed step-by-step course of action		
Power leverages		
Game plan		
Team preparation		



## Negotiations

You should expect the negotiation phase to be a multi-layered process that will go on for weeks and even months in complex negotiations. Preparing for each round of negotiations is vital as if it was the first round.

**Pro Tip:** Address every phone call, email, or instant message with Microsoft as a round of negotiations, prepare accordingly and summarize the content for both parties' future reference.



## Contract execution

Once the contract is signed, that's when the real work starts. Make sure you keep complete records of all documents and communicate what was achieved and the hidden benefits of the agreement to all stakeholders. Ensure your organization has a straightforward rollout and utilization plan for the contract period.

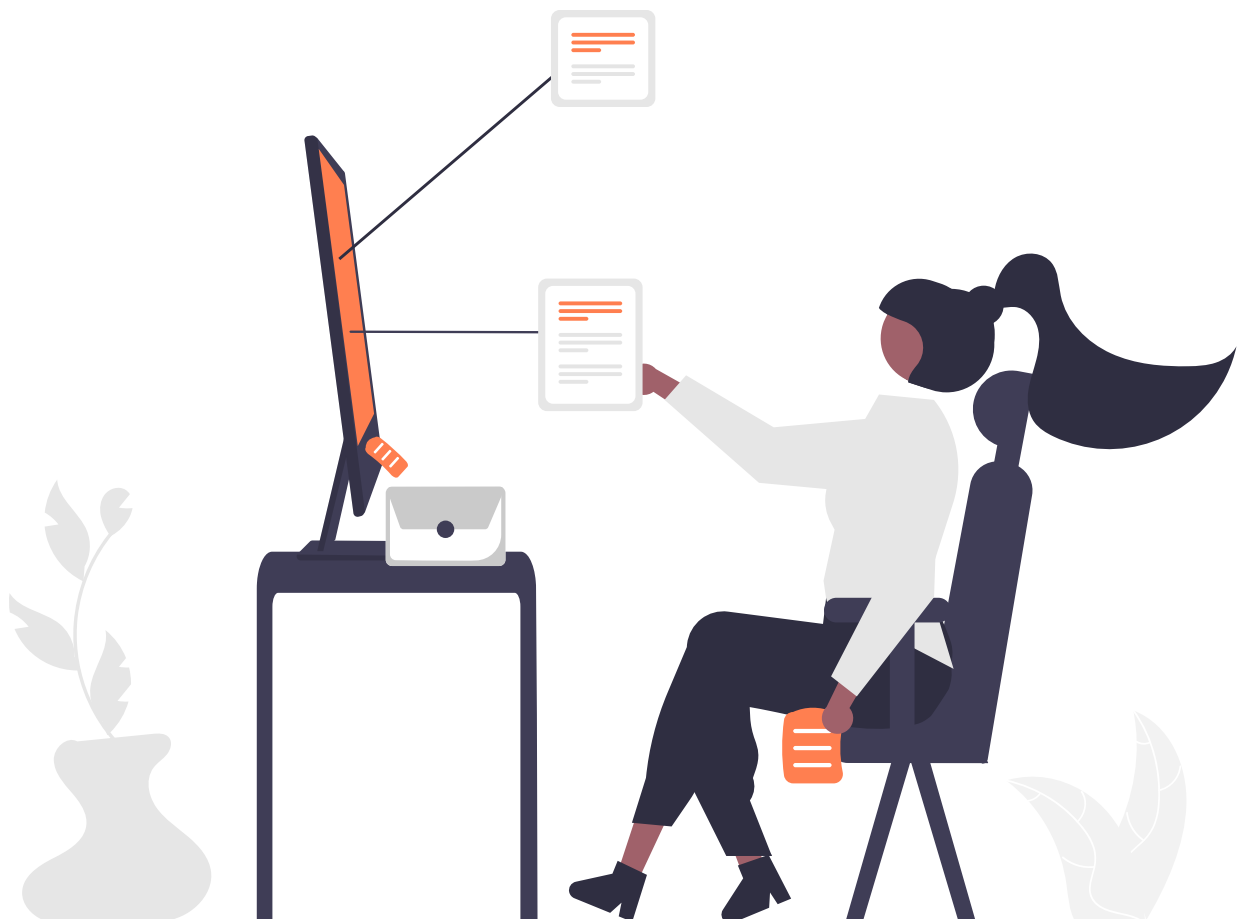
### Contract documentation checklist:

- MBSA
- Enterprise Agreement
- Enterprise Enrollment
- Amendments
- Product Terms – applicable version per effective date
- Product Selection Form
- Product Signature Form
- CPS (Channel/Customer Price Sheet)
- Emails from Microsoft
- Internal approvals

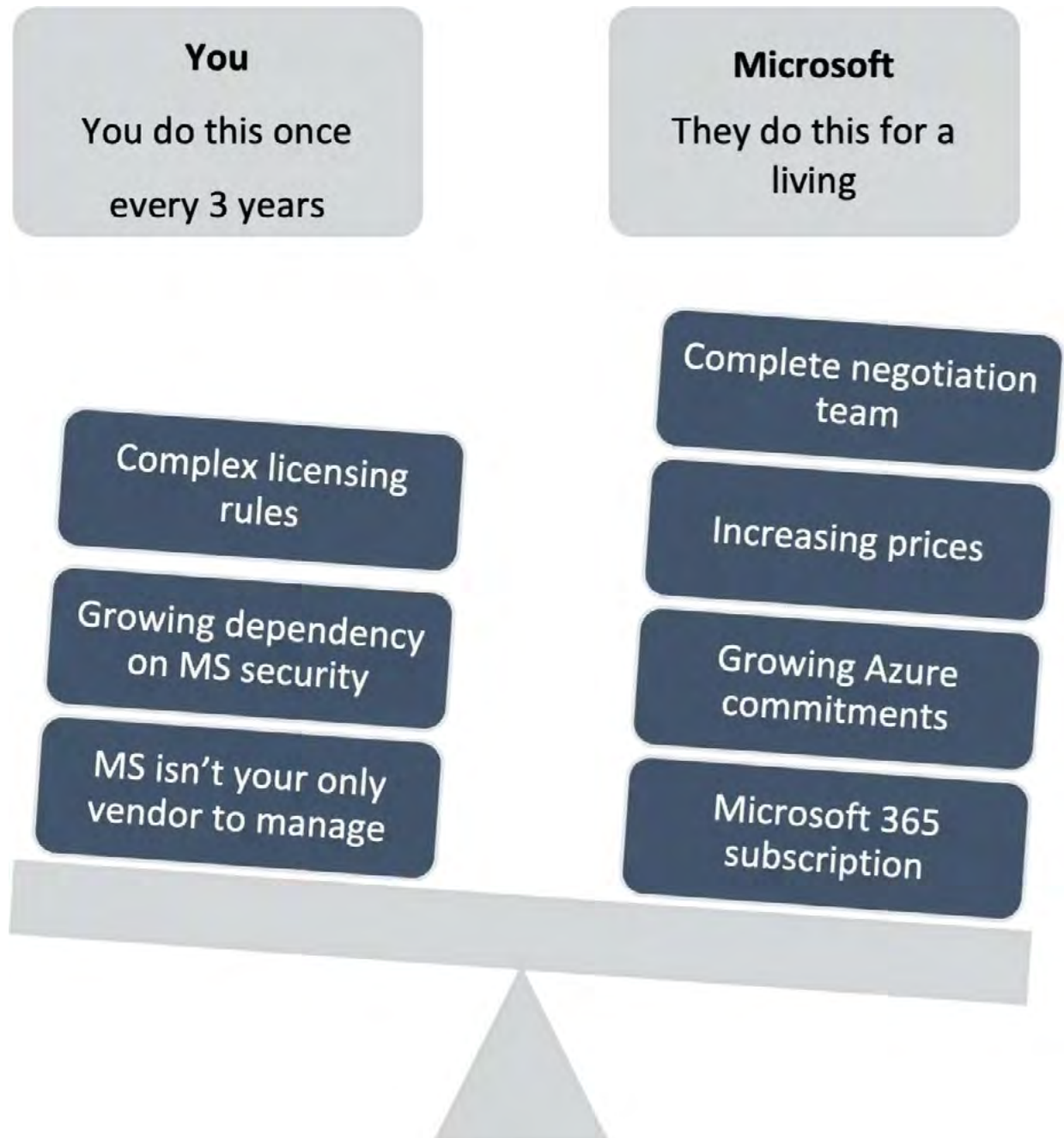
# How to Negotiate a Microsoft Enterprise Agreement

Every negotiation starts with a good plan. Just as Microsoft sets an end-to-end 12-month renewal plan in motion, you need to do the same. Starting 12 months in advance might seem like a long time, but it isn't. You need to align so many moving parts that it's barely enough.

Negotiations are not won by a single strategy or one magic tactic. They are won by choosing the right “tool” at the right time and avoiding mistakes others have already made and not to be repeated.



## Why are the odds stacked in Microsoft's favour?



## Your T-12 planning schedule

T-12	T-8	T-6	T-3
Budget and team alignment	Data analysis	Financial analysis and negotiations	Negotiations

## Microsoft's corporate culture impacts negotiations

Regardless of the country you're in, remember: Microsoft is an American corporation with American business culture.

## Twelve Negotiation mistakes to avoid

01

### **Getting a late start and waiting until the last minute to renew.**

Your planning must start a minimum of 8 months before your EA renewal. Ideally, you should give it 12 months. If you start late, look for intelligent shortcuts that will still allow you to focus on what's most vital for you in the future.

02

**Failure to rationalize and optimize discounts.** Microsoft does not provide discounts based on size and who shouts the loudest. It's a combination of presenting accurate and sustainable rationale to support your "wants" and understanding how Microsoft works.



03

**Over-focusing on pricing and under-focusing on terms**

**and conditions.** Pricing is important, but that's not the only negotiation component. Keep in mind that Microsoft negotiates contractual terms if the business "ask" is rationalized and well-presented. Even a tiny change in the liability clause can save you millions.

04

**Sending Microsoft raw deployment data.** Never share raw installation data with Microsoft or any other vendor. Once the data is out there, you lose any potential advantage you might have had. Microsoft understands licensing much better than you do. They will use this information to gain the upper hand in the negotiations. Sharing is great, but the question is, what do you share?

05

**Microsoft making you believe that the EA negotiations are a one-time event.** Microsoft's account executives are trained to make you focus your attention on the short-term benefits of negotiations and what you can achieve here and now. But what happens in three years when your contract is up for renewal again? Are you protected? Will you be paying more? What about shelfware; will you still need to carry it forward to your next contract?

06

**Relying on your reseller (LAR/LSP) or account rep to optimize your licensing and subscriptions.** LARs and LSPs are not on your side. Sorry, but they are just not. Who pays them rebates and provides bonuses and incentives to meet aggressive sales goals? It isn't you.

07

**Value gap — products you don't need at a “small” additional cost.** Don't agree to take software that will sit on your shelf for years to come. Even a few thousand dollars worths of software are not worth paying for if you are not using it.

08

**Sneaky product push tactics.** Microsoft may push products like Power BI and security products at a 30%-50% discount into EA – it won't be discounted next time. You may deploy MS products rapidly with the “incentives” from Microsoft or your partner's expense, thus increasing the installed base.

09

**Verbal commitments and promises – get everything in writing.** Although this tactic is going away, we still see promises made by Account Executives that are not supported in the formal contract. Make sure that every verbal or written promise is in the final contract. If it's not in the agreement, it doesn't exist.

10

**Being intimidated by deadlines.** If you start negotiating late, you may find yourself “threatened” by your Account Executive. They may say that your proposal won’t be honoured in the next quarter or fiscal year or that your 365 services will be jeopardized. If you’re in this situation, it’s your fault. *Don’t start late.* But if you do, don’t be intimidated. Your AE needs your business. Their bonus depends on it.

11

**Letting Microsoft go directly over your head.** Microsoft is famous for negotiating very high up in the organization. They usually have a good relationship with executives that know nothing about licensing and the complex tactics Microsoft uses. It is your responsibility to brief your executive team on this tactic and provide them with enough information to mitigate it.

12

**Letting Microsoft take the lead.** A key component of succeeding in any negotiation is to take the lead and set the pace of the negotiations early on in the process. If you don’t do that, Microsoft will create a situation where they will determine your future profiles and general terms that are locked into a specific offer. Don’t let this happen. Lead from the beginning with a simple requirement document that will be the reference for all discussions.

## Renewal Discounting

Be careful of Microsoft reducing your discounts by double-digit figures for EA renewals on the same bill of materials.

Link your Unified Support discount to your EA and negotiate in parallel.



## Declining Discounts

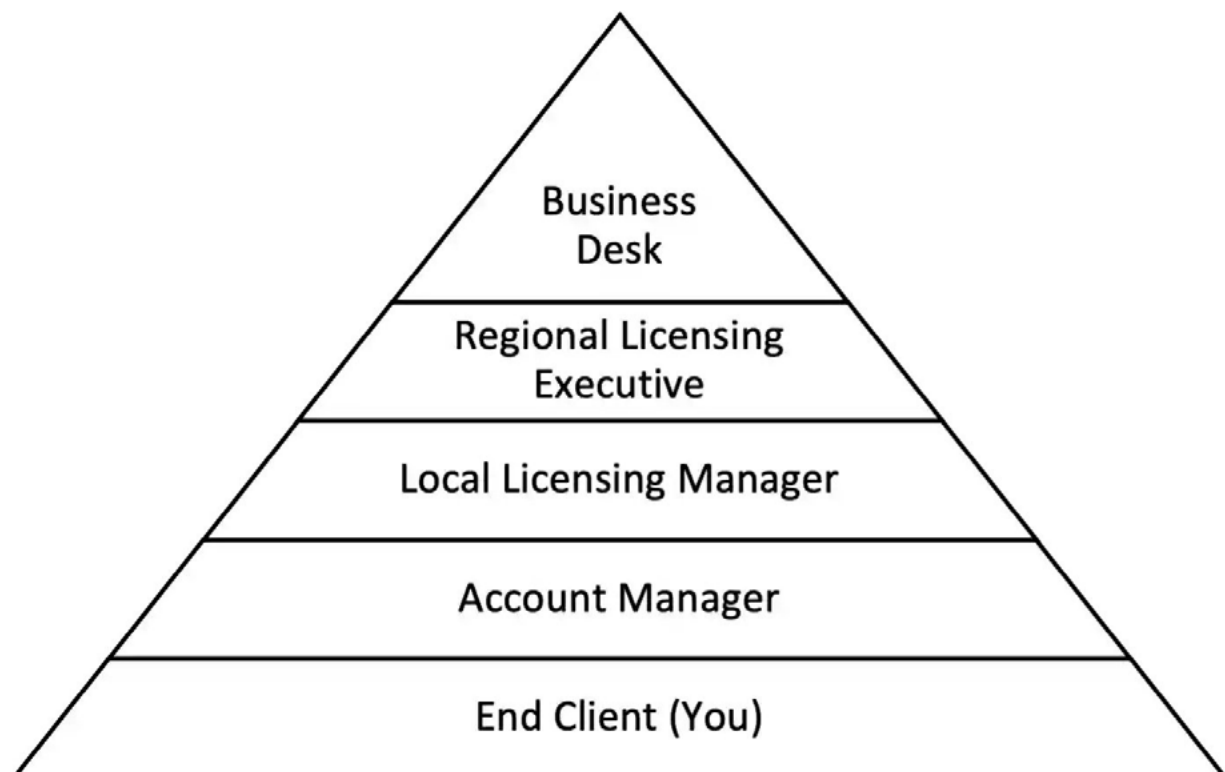
It is a dangerous EA-specific tactic. Microsoft may propose a significant first-year discount that will be gradually declining in the following years. It is especially prevalent in more-than-three-years Enterprise Agreements with large multinational corporations.

Microsoft's end goal is for you to have the lowest possible discount as the basis for the renewal. In addition, if you calculate the savings at the end of the term, there's a reasonable chance that you could have done better with a fixed discount.

## What's driving Microsoft's Account Managers

- Pressure to stick to standard pricing, terms and licensing practices,
- Pressure to move customers to subscription-based offerings,
- Signing you up on multi-year Azure Pay-as-you-Go commitments,
- Pressure on sales reps and channel partners to forecast revenues accurately,
- Pressure to manage contractual and licensing resources against the quarterly and annual pipeline,
- Pressure to reduce quarterly revenue disparity.

## Microsoft's sales and negotiation structure



# What is Microsoft Business Desk?

The Microsoft business desk acts as the command-and-control centre for all large deals in Microsoft globally. You can compare it to a military CCC (Command and Control Centre), the central hub where all battlefield data is fed into a central system. Decisions are taken, and priorities are set based on experience, similar deals, and preset criteria.

Knowing that the ultimate decision authority lies with the business desk is critical for understanding how to deal with Microsoft. Huge deals of \$200M+ managed by an EVP or higher are exceptions to that rule. But even those decisions need to get vetted through the business desk before final approval is given.

You cannot deal directly with the business desk. You must work indirectly through your account team to influence the business desk. The account team works with the local Licensing Manager, who liaises with a Licensing Executive that reports directly to the business desk. And the better you help your account team prepare and articulate your unique business case, the better the chance of indirectly influencing the business desk decision makers.



# Talk to a Microsoft licensing expert

We are an independent consulting business that sells no licenses or Cloud services. That is on purpose, so our advice is unbiased.

If you'd like to learn more, don't hesitate to contact us [here](#), and we'll get to you as soon as possible.

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