

WHITE PAPER

The Business Value of Microsoft Software Assurance for Volume Licensing

Sponsored by: Microsoft

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IDC OPINION

Microsoft Software Assurance (SA) for Volume Licensing is a program that helps companies improve their return on their Microsoft investment by supporting best practices in software management as well as providing a range of services and technologies that help organizations to be more productive and efficient.

Many Microsoft customers with SA have been able to reduce and better predict the costs associated with the Microsoft products that they utilize, as well as improve the capabilities of their workforce. The analysis presented in this white paper represents an update to work that IDC conducted in 2009 on the business value of SA and reveals the following:

- ☒ By using SA benefits to help implement best practices within their IT organization, Microsoft customers can reduce their IT operations costs, increase user productivity, and receive payback on their investment in less than a year.
- ☒ SA training programs lowered costs for both IT staff and user training. When utilized, training vouchers and elearning programs can reduce IT staff software training by as much as 65–75%.
- ☒ IDC encourages current and potential SA customers to conduct a business analysis up front and every few years as SA benefits are changing rapidly along with the technology landscape.

IN THIS WHITE PAPER

This IDC White Paper, sponsored by Microsoft, describes the ways in which customers can recognize the business value of Microsoft Software Assurance (SA) for Volume Licensing. It includes an analysis of the user productivity improvements and organizational cost savings of customers with SA compared with those that do not have SA.

METHODOLOGY

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

partners and customers to understand key attributes and benefits of these offerings. While SA includes some of the basic features of maintenance and support, it also includes 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.

In addition, this white paper updates the paper that was published in 2009, entitled *Maximizing Your Microsoft Software Investment*. All the changes to the data in this paper compared with the previous paper are the result of replacing metrics used in 2009 and based in part on data from studies in 2010 on Microsoft Windows 7 and MDOP and interviews with SA users conducted in 2011.

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

Our product sets analyzed for this study were Microsoft Exchange for Server operating system (OS), Microsoft Windows XP and Windows 7 for desktop OS, and the Microsoft Office Suite.

In addition to numerous case studies conducted over the years, IDC conducted five in-depth interviews with SA customers in spring 2011 for this white paper. These customers were sourced by IDC.

SITUATION OVERVIEW

Amid a host of technology dynamics that are changing the face of the IT industry, a fundamental truth remains the same — businesses adopt software in order to drive productivity and enhance their ability to compete. Furthermore, while it is important that software help IT to be more productive, most organizations are not in the business of IT. It is even more critical that software help organizations become more productive in their core business.

The reality is that managing a diverse software infrastructure is a time-intensive activity. In addition, the past few years have been economically challenging, meaning that there may be fewer people to ensure that systems support a productive workforce even as the importance of worker productivity has increased. For customers that have purchased Microsoft software, SA can help address this dichotomy.

Software Assurance offers a range of benefits, including training and consulting services as well as access to the latest Microsoft software technology. These benefits are designed to help customers increase productivity across the organization, streamline software management, and improve the impact of their Microsoft investment on business value.

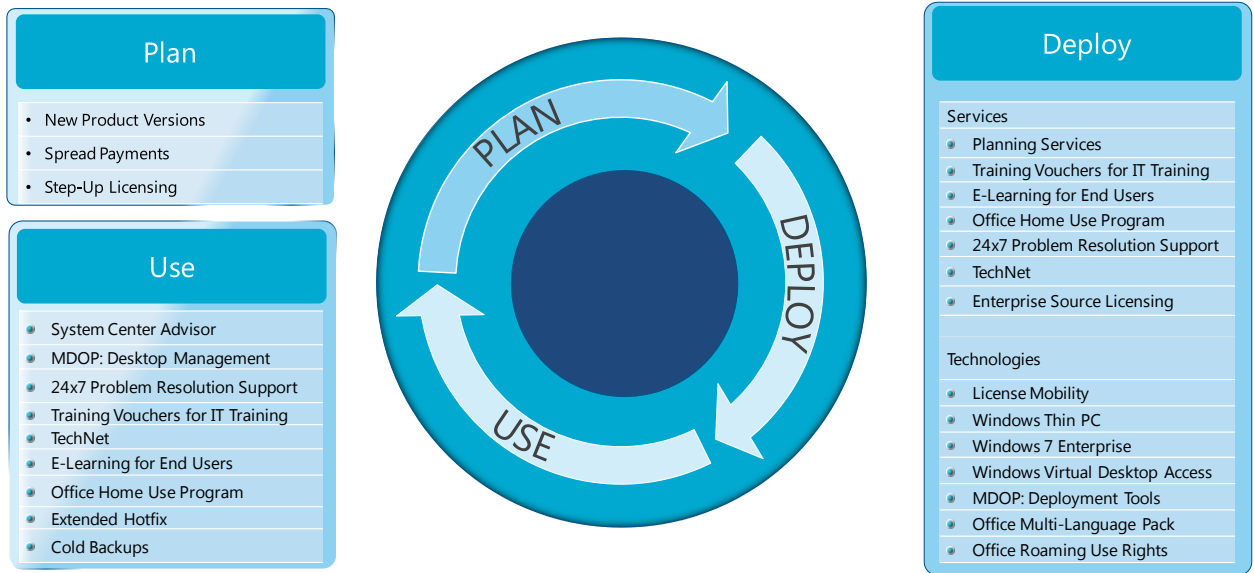
MICROSOFT SOFTWARE ASSURANCE

Software Assurance was introduced in 2001 as an element of Microsoft's Volume Licensing programs. Software Assurance's primary initial value proposition was as an update "insurance policy" — ensuring that customers would not face unexpected or unbudgeted costs to purchase Microsoft technology upgrades.

Now, after more than 10 years in the market, SA offers value beyond upgrades (see Figure 1). As one long-time SA customer put it, "Microsoft has improved the SA program so much. and there are a lot of features in there — it is different than what we had before."

FIGURE 1

Software Assurance Benefits Overview



Source: Microsoft, 2011

Key benefits of SA today include the following:

- New Version Rights
- Consulting Services
- End-User Training
- Exclusive Technology
- Technical Training and Resources
- Support

While the number of benefits has increased over the years, the price of acquiring SA has not. Typically, for Microsoft server products, SA costs around 25% of the license price for each year of coverage. For Microsoft desktop products, it costs around 29% of the license price. If you have an Enterprise Agreement and include multiple products, this price would be between 23% and 25% in most instances.

At the same time, upgrade rights are still an important part of the SA value proposition for customers today. One SA customer that IDC spoke with stated that SA is a cost-effective choice for any company that plans on doing frequent upgrades because you don't have to make a software license purchase in order to upgrade.

In addition, customers with SA don't need to go through the process of getting quotes and obtaining funding every time an upgrade comes up. According to one customer, "When the software comes out, we just start testing and moving into production. It's a much quicker deal because it's already covered under SA."

The benefits are there — the key is for Microsoft customers to take advantage of them and use SA benefits to help improve their return on their Microsoft software investment. As one customer put it, "Our goal [with SA] is to increase user productivity. This means getting users on the latest versions, helping them understand how to use the products better, and increasing utilization of the products."

THE BUSINESS VALUE OF SOFTWARE ASSURANCE

IDC conducted research in order to identify the aspects of SA that can bring the most measurable business benefit to organizations.

According to this research, Microsoft SA helps support software management best practices and contributes to increased productivity and decreased costs. By utilizing the tools provided through SA, companies can reduce their overall costs of managing applications desktop and server software.

IDC constructed a total cost of ownership (TCO) analysis based on a series of studies into IT best practices and conducted a comparison of companies that have SA programs and those that do not. IDC used the model to evaluate the impact of SA on the IT labor costs for managing desktops, application servers, and the Office productivity program. The analysis reveals the following key benefits of SA programs:

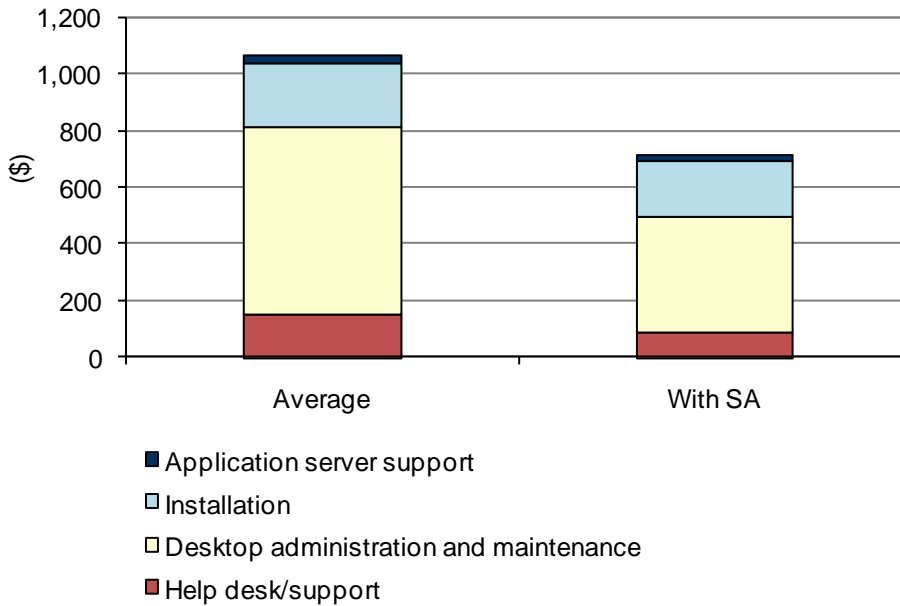
- ☒ Standardizing on a single version of desktop and server operating systems and Office reduced IT labor costs by 30–35%
- ☒ Management solutions such as MDOP reduced desktop downtime by 40% and help desk–related issues by 44%.
- ☒ Planning services support lowered the costs for program management for desktop deployment by 36%.

- ☒ Providing copies of software to users as part of the Home Use Program 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 the training vouchers and elearning programs reduced IT annual training costs for software by 45%.
- ☒ In addition to IT labor optimization, users benefited from software standardization and the Home Use Program, reducing their downtime and help desk issues and training time. In total, users lowered their nonproductive time by 39%.

Combined, these benefits lower the average annual per-user costs to manage desktops, servers delivering user applications, and Office by \$353. This means that the annual cost for IT labor for an average company goes from \$1,061 to \$708 per user (see Figure 2).

FIGURE 2

Annual IT Labor Costs per User



Source: IDC, 2011

Benefits Analysis

Software Management

Research conducted with 100 organizations showed that companies with SA were 3.5 times more likely to have software standardization as a best practice. Standardizing on one desktop OS reduced the time spent by IT in performing management tasks such as configuration, user administration, image management, installation, and upgrades and patching. Both desktop support and help desk staff faced far fewer issues relating to software compatibility and application performance. On average, standardizing on a single OS version reduced IT desktop support costs by 38%.

Standardizing on a single server OS has a similar effect, reducing the costs to manage the server environment by 21%. For the financial impact, we chose Microsoft Exchange Server as the model. Finally, in our three-tiered model, standardizing on a single version of Microsoft Office helped reduce the cost to manage Office by 16%.

In addition to the benefits described above, a customer that IDC spoke with called out Windows Virtual Desktop Access (VDA) Use Rights as a key contributor to improved software management because it provides users with access from a variety of devices to virtualized corporate desktop images hosted on centralized remote servers.

Deployment

Deploying new software across the entire organization, whether as part of a desktop or server upgrade or business application deployment, accounts for 20–25% of IT support staff time. SA programs that most directly affect deployment activities include the following:

- ☒ **Deployment Planning Services** are primarily used in the planning and project management stages of deploying new desktops across the entire organization, helping companies reduce the labor costs associated with those two deployment stages by over a third.
- ☒ **Home Use Program** encourages customers to trial new software with home users prior to deployment. These hard-to-support customers typically account for a disproportionate share of the help desk calls within 30–60 days of deploying new software. IDC's research found that SA users made 19% fewer help desk calls related to new software deployments because their users took advantage of home use rights.

Training

Software Assurance training programs lowered costs for both IT staff and user training. When utilized, technical classroom training and elearning benefits can reduce IT staff software training by as much as 65–75%. The Home Use Program can reduce overall user training costs by 9%. As one customer said, "Home use rights allow people to familiarize themselves with new software by learning at home."

Support

According to IDC research, 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. One customer talked about the time-saving qualities: "TechNet gives us access to support from Microsoft very quickly without having to wait in queues. We have certain 'reserve' numbers that we call that gives us accelerated help. We call them monthly and that amounts to a lot of time saved." Another reason that SA helps save support time and costs is that it is easier to support internal customers that are all on the same version of the software.

User Productivity

The SA benefits that lower the IT costs associated with compatibility issues, patching, help desk calls during deployment, and user training time have an equal impact on the time that users are unable to use the applications they need to do their jobs. Users in companies with SA benefited from software standardization and the Home Use Program, reducing their downtime, help desk issues, and training time (see Table 1). In total, users lowered their nonproductive time by 39%.

TABLE 1

Annual User Productivity Savings per User (\$)

	Average	With SA
Downtime	122.16	68.94
Help desk	7.42	4.14
Training	22.23	20.17

Source: IDC, 2011

Other Key Benefits

Another SA benefit that many customers find attractive is 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.

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. Time savings result from keeping users on the same version because IT does not need to keep track of disparate inventories, make incremental purchases, and do one-off deployment. This also makes troubleshooting easier and reduces downtime, according to one customer that IDC interviewed.

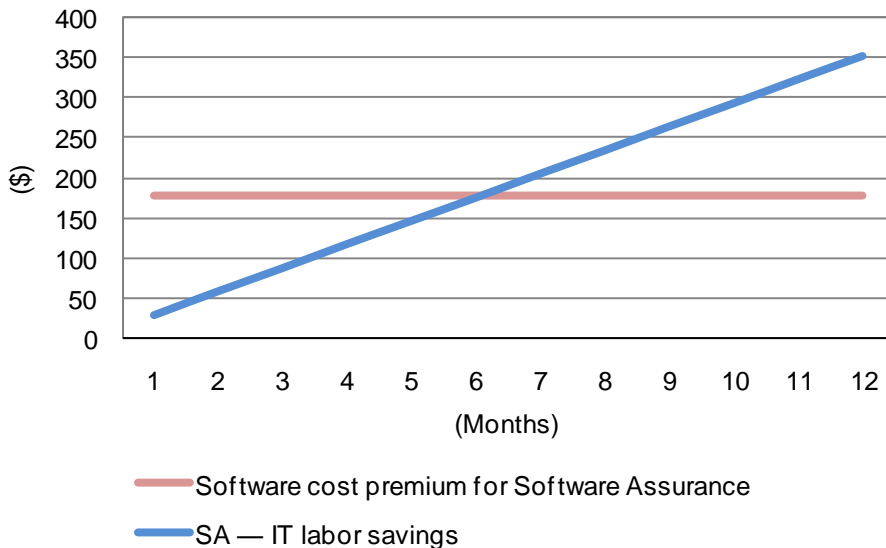
Payback

"We calculated the break-even point and it was within the first year." — Global Provider of IT Infrastructure Solutions

According to IDC's analysis, companies choosing SA for their desktop OS, Exchange Server OS, and Office software will pay a license premium up front of nearly \$180 per user. By using SA benefits to help implement best practices within their IT organization, they can reduce their IT operations costs per user by \$353 annually. This model would mean that they would essentially break even in seven months (see Figure 3).

FIGURE 3

Software Assurance Break-Even Analysis



Source: IDC, 2011

CHALLENGES/OPPORTUNITIES

Although SA is more than an upgrade insurance program, many customers do see benefits in this aspect of SA, the value of which hinges on the timely release of compelling software upgrades and subsequent customer adoption. A myriad of factors can influence this timing, which can lead to frustration and reduced business value if releases are not available when customers expect them.

Customers that get SA benefits through the Enterprise Agreement (EA) make up the majority of Volume Licensing customers with SA. While the volume threshold in order to qualify for an EA is low by industry standards (250 desktops), it does mean that adoption of SA is higher in midsize and large organizations than in smaller organizations. SA can be purchased by customers via transactional volume programs, although this makes up a small percentage of SA customers today.

In addition, as stated earlier in this paper, it can be challenging for customers to take advantage of all the SA benefits due to a number of factors, including awareness and utilization. As an example, one customer said that while SA helps it save money on training, and training is offered to all users, only about 40% actually partake of it.

CONCLUSION

IDC believes that Microsoft continues to make good faith efforts to boost the value of SA, a good step on Microsoft's part to retain this level of trust with customers. In addition, according to IDC's research, companies that utilize the tools provided by SA can get more out of their Microsoft software investment. However, realizing SA benefits is a two-way street — Microsoft is responsible for making SA relevant, and the customer is responsible for taking advantage of the benefits that are offered.

In the future, cloud-related SA benefits may also contribute to business value as customers realize their cloud adoption plans, as well as rights that allow customers to take advantage of the various benefits of virtualization. As an example, Microsoft License Mobility through Software Assurance reduces barriers for customers that wish to move their licensed Microsoft software to a cloud services environment. Customers will be able to deploy their existing licenses to the cloud without having to make any additional purchases while continuing to retain their SA benefits.

In addition, Planning Services are evolving as customers are beginning to consider moving workloads to the cloud. With these enhancements, SA may deliver even more value by helping customers plan for their migrations and manage their on-premises and hybrid environments.

Essential Guidance

Getting the Most out of Microsoft Software Assurance for Volume Licensing

Customers with SA should take steps to fully utilize the services and products they have already paid for, prioritized to meet current conditions and outlook. There are many reasons why this might be challenging for customers — they aren't aware of the benefits, they don't have a structure in place to consume the benefits — but given the compelling savings that we uncovered in our analysis, companies can't afford not to overcome these challenges. IDC recommends the following in order to get the most business value out of SA:

- ☒ **Educate yourselves.** There is ample information on different elements of SA on Microsoft's Web site as well as in partner-provided literature. Lack of information is not a problem at all; the problem tends to be getting that information into the right hands.
- ☒ **Get the word out.** There are stakeholders throughout the organization. Use the employee portal or newsletter to disseminate information on SA. Bring together a cross-functional team from key departments and educate them. Once you've gotten the word out to SA beneficiaries, the next step is consuming the benefits.
- ☒ **Assign an administrator.** There should be a designated go-to person for all things SA. This individual should be responsible for championing the benefits of SA within the organization and with making sure that the company takes advantage of them.

Finally, recognize that individual results will vary. This may be due to timing, customer size, organizational adoption of SA, or technology plans. IDC encourages current and potential SA customers to conduct a business analysis up front and every few years as SA benefits are changing rapidly along with the technology landscape.

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