

## Microsoft Customers: Act Before 1 October and Save Money

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Enterprises wishing to buy upgrades to get to the latest version of Microsoft software products should do so by 30 September 2001, after which Microsoft's most widely used upgrade path won't be available.

## NEWS ANALYSIS

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### Event

Changes in licenses that Microsoft announced in May 2001 will go into effect on 1 October 2001. On that date, Version Upgrades, Product Upgrades, Competitive Upgrades and Language Upgrades will no longer be available. Microsoft extended the date for purchasing the Upgrade Advantage (UA) maintenance offering until 28 February 2002.

### Analysis

Enterprises requiring UA should terminate their Open Authorization or Select Agreements and enter into new v.5 agreements before 30 September 2001 to position themselves to buy UA with the longest future upgrade coverage period. For enterprises wishing to maintain upgrade protection, failure to do so will result in a significant cost penalty. Although nominally a two-year offering, UA actually runs concurrently with the Select or Open contract term. Enterprises with agreements signed in 2000, may purchase UA up to February 2002, but they will pay for two years and get coverage for only seven months (i.e., the remainder of the contract term). In addition, they will then have to sign a Select v.6 agreement earlier than they could have and enroll the licenses into Software Assurance. To get an extra year of Software Assurance, these enterprises will pay 29 percent of the license fee per year for desktop applications and 25 percent for server products. For example, for Microsoft Office Standard at current Select "B" estimated retail pricing (\$349), an enterprise with 5,000 desktops would pay a fee of more \$500,000. It could save that cost by simply terminating their contracts and re-entering new v.5 agreements before 30 September.

Enterprises whose Select v.4 or v.5 contracts expire between 1 October 2001 and 28 February 2002 run the risk that they could not repurchase UA at all. Even though Microsoft has extended the deadline for buying UA until 28 February 2002, enterprises can purchase UA *only* under a Select or Open v.5 or earlier agreement. Since Microsoft's new v.6 Open and Select licensing programs become available on 1 October 2001, it is questionable whether Microsoft would allow enterprises to facilitate UA purchases by renewing v.5 or older agreements past that date. When these enterprises next wanted to upgrade, they would likely have to repurchase the license to get the most current version, and then buy Software Assurance to stay current (at 25 percent to 29 percent of the license fee annually). Thus, Select level "B" customers would pay a relicense cost of \$349 for each copy of Microsoft Office Standard plus a maintenance cost of \$101.21 annually.

**Analytical Sources:** Alvin Park and Alexa Bona, Software Asset Management

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