

LICENCE TO PRINT MONEY

Microsoft is changing the way it charges for software at the end of July. Are you ready? By Fiona Harvey

What's happening?

You've received a little blue brochure recently, the colour of a serene summer sky. Inside, it laid out a future thundercloud for most FDs. Welcome to Microsoft's "Licence 6.0."

The main feature of the new terms is that most licences for using Microsoft products will expire after an agreed period unless they've been upgraded. Instead of owning a piece of software, your company will become a subscriber to a "service." The terms under which you can buy ordinary licences - that grant use in perpetuity - will also change. "This is the first step to the future of software delivery," says Sue Page, licensing manager at Microsoft. It all kicks off at the end of July.

How do the numbers stack up?

Microsoft reseller Softcat quotes a price of £325 for a perpetual licence to Microsoft Office Professional bought before July 31. That will rise to £600 afterwards. But the higher price includes "software assurance" [see below] that gives free upgrades for two years. A subscription to the software after July 31 for a company with between 10 and 500 PCs will cost £115 per person per year.

Windows XP Professional currently costs £110 per user for a perpetual licence. An Open Subscription licence to the operating system will cost £40 per user per year for companies with between 10 and 500 users. Bigger companies can get up to 20 per cent off that figure.

But it's almost impossible to give you hard numbers on the cost of the new scheme. The different Microsoft licences, with differing support and upgrade options, make that impossible. Many companies have sought to offset the new regime by simply negotiating competitive prices with their resellers before July 31.

Are we ready for the change?

A straw poll carried out by *Real Finance* among FDs found that most were either unaware of Microsoft's plans or confused about the implications of the changes.

A more detailed survey carried out by WStore, a software distributor, found that although 62 per cent of respondents were aware of the changes, 61 per cent wanted more information. The same survey discovered that 38 per cent of companies were planning to upgrade before the July 31 deadline. Nearly 70 per cent had no intention of ditching Microsoft products.

THE NEW LICENCES AT A GLANCE

Upgrade Advantage A "special deal" available until July 31. "If you have purchased Upgrade Advantage, you will be eligible to purchase Software Assurance [see below] when your covered period ends," says Microsoft. Fail to act by the end of the month and you'll have to buy new licences for all your products.

Software Assurance "If you purchase a new Licence and/or Software Assurance (L&SA) through the Open or Select volume licensing programmes [see below], you receive the right to run the current version of the product and any new versions released during the term of your agreement."

Open Subscription license For smaller firms wanting to standardise on Microsoft products. It's a one-time payment for orders of at least five licences. "An Open Licence agreement lasts two years," says Microsoft. "You are entitled to purchase additional licences under this agreement at the Open Licence discounted price."

Select licence "A perpetual volume licensing programme for organisations using 250 or more PCs and that have mixed product and purchasing needs." A perpetual licence, but the terms and discounts are confusing.

Enterprise agreement and Campus agreement A preferential deal aimed at heavy Microsoft users in big companies or education.

How can Microsoft defend this change?

Page says that the company's new terms will leave most of you "neutral." She admits that some of you will end up paying more, but counters that you'll receive better value for money. She also says that you will find the opportunity to sort out the labyrinthine complexity of your existing software licensing a relief.

Software licensing *is* something of a black art. The range of discounts offered for different numbers of users is muddled by the terms on which the discounts apply. For instance, many licences are issued on the basis of the number of "concurrent" users of the software. Does this mean the number of users on a system at a particu-

lar time? Or the number of people who have a right to use that system at any time? It's about time, Page suggests, that some common sense was brought to bear.

So can we benefit from the change?

You might find Microsoft's new idea attractive - if your company always upgrades to the latest version of every software package. It also means you can keep better track of your expenditure by paying for your subscriptions all at once on a certain date each year, rather than updating each package when it comes due. It's all part of Microsoft's .Net strategy. Software will be delivered as a service over the internet rather than installed on your own machines. In the long run, that flexibility might benefit all companies.

What is the downside?

Cost. Gartner Group's Jon Mein says that Microsoft is assuming that companies upgrade desktop software every two years. Wrong. Upgrading is expensive and disruptive and most of you prefer to do it only when necessary. "The typical customer upgrades closer to once every four years," he says. Gartner says that companies with a four-year upgrade cycle for Microsoft Office will pay 68 per cent to 107 per cent more under the new terms. The



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What are other FDs saying?

Most FDs we contacted were unaware of the imminent change. "I think companies' approach to licensing is haphazard at the best of times," says Peter Charles, a freelance FD who specialises in managing IT projects. "This lack of interest could be because companies feel there is nothing they can do about it."

"They're being very aggressive," says one FD who prefers to remain nameless. "My sense is that this is going to become a big issue. Microsoft has caused quite a lot of resentment." "It's ridiculous," says Richard Taylor, FD of LA Fitness. He'd like to keep using older - and more stable - versions of Microsoft products.

"We will undoubtedly be paying more," says David Mills, FD of Hogg Robinson's e-commerce division. "We are in the process of quantifying exactly how much more. The

changes will have a more drastic impact on companies that were inadequately licensed prior to the proposed changes."

But Mills says it is "very unlikely" that he would consider changing software suppliers. "There are significant hidden costs of making a wholesale change in desktop and back-office applications, such as training and recruitment in specific skills sets. We operate an integrated IT strategy that makes it uneconomic to consider either a complete change in strategy or a partial switch to an alternative supplier."

Do we have any other options?

People prefer to stick with what they know. Alternatives, such as Sun's StarOffice, a rival to MS Office, do exist. (StarOffice was recently approved for use within government bodies.) But it's fair to say that Microsoft's lock on the desktop application market makes its position, even with these new licences, pretty secure.

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www.tif.org

Corporate lobbyist on software issues

www.microsoft.com/uk/licensing/basics/changes.sfm

Microsoft's corporate gobbledegook...

www.bcentral.co.uk/technology/buy/legal/Licensing6.asp

...explained slightly better here