

Smart Guide

Ultimate Guide to Microsoft 365

Your complete playbook to manage and optimize licensing and subscriptions across
Microsoft Cloud Services

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Introduction

Office 365 and Microsoft 365 form a large part of Microsoft's revenue, and it is continuing to grow. This means it is also likely to be a growing part of your software spend as new features, licenses, and add-ons are made available by Microsoft. Although you may have been working with Microsoft 365 for several years at this point, there are still a variety of methods you can use to first reduce your Microsoft 365 spend and then to help keep it under control as your organization changes and grows.

As organizations continue to adopt SaaS and cloud, fuelled by the ongoing shift to hybrid and flexible working, there is an increased risk of software over-spend. However, that also means there is an increased opportunity for ITAM professionals to demonstrate their skills to the business. In this guide, we'll look at some of the techniques available to manage Microsoft 365 spend across license acquisition, user lifecycle, and contract management. We will also consider recent announcements from Microsoft that may impact your pricing and also future licensing options.

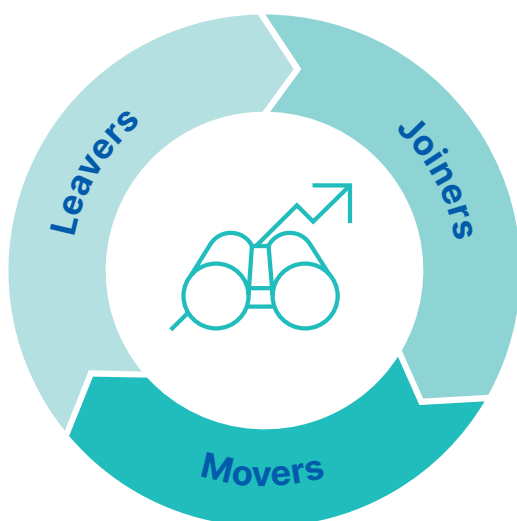


Building a Subscription Overview

Preventing over-licensing

Being over-licensed is a frequent problem with Microsoft 365 and identifying any over-licensing within your organization is a great place to start when optimizing your Microsoft 365 spend.

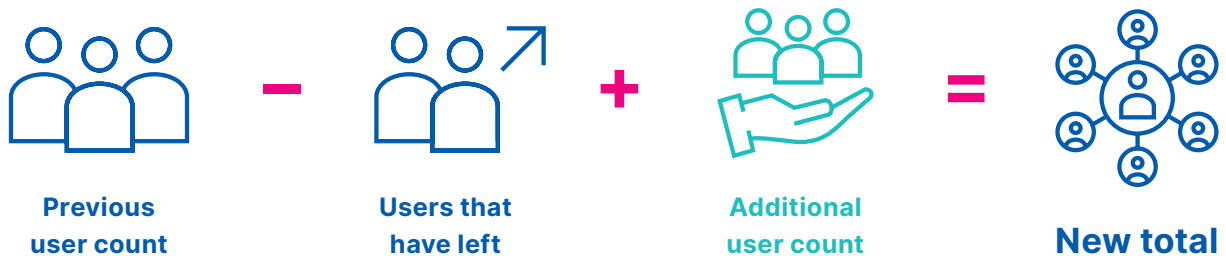
Having too many licenses often happens when basing an agreement renewal on older user counts – particularly after a large upheaval such as COVID-19 or an organizational restructuring. Too many times, an Enterprise Agreement is renewed using the following process:



However, that can lead to an artificially high license count as it fails to reflect users who have left the business during the life of the previous agreement. Simply tracking additional users coming into the business is not enough, you also need to track those leaving to get an accurate headcount.

"Joiners, Movers, Leavers" (JML) process

This has long been a key SAM process and JML is as important as ever with the growth of SaaS software like Microsoft 365. Make sure, as users join, move around within, and leave the company that these changes are tracked and updated consistently in a central HR or CMDB system. Having this in place will help to give you a clear view of your user count and also their product and feature requirements within the Microsoft 365 suite .



Tip

Be sure to get the latest staffing figures from HR (Human Resources) when planning your renewal.

Duplicate licensing

As the variety of available licenses – both individual and contained within bundles and suites – continues to grow, finding yourself licensed for the same product in two (or more) different places is becoming increasingly common. For example, the recently announced Microsoft Defender for Endpoint Plan 1 will be added to Office 365 E3 and will also be available as a standalone SKU. An organization who does not fully understand what is included with their existing licenses may acquire this new license for certain users who are already eligible via their E3 subscriptions.

This can also occur where an organization holds multiple contracts with Microsoft, i.e. an Enterprise Agreement (EA), a Microsoft Customer Agreement (MCA), and a Microsoft Products & Services Agreement (MPSA). If a user is aligned to multiple agreements, this increases the chances of them being assigned the same license multiple times – particularly for software such as Visual Studio.



Eliminating unassigned licenses

Unfortunately, following the above steps and guidance will not necessarily guarantee risk avoidance for wasted spend. For example, you may find that your organization has purchased licenses which have not been allocated to users. There are two primary reasons for this occurring:

Acquiring the wrong licenses

In this scenario, the licenses have not been assigned to users at all as they are the incorrect type. For example – the users require Microsoft Office desktop apps (included with Office 365 E3) but Office 365 E1 licenses have been purchased instead, meaning the user only has access to the Office and mobile Apps.

Tip

On an ongoing basis, review what was purchased and compare it to what has been assigned in order to identify gaps.

Here, not only are you paying for an unused E1 license, but you may also be paying for a separate E3 or standalone Microsoft 365 Apps for Enterprise license – thereby adding further costs to the business.

Lack of internal communication or processes

Here's a fun fact: users who are unaware that a license has been purchased for them are unlikely to make use of it! Make sure there is an internal process to inform users, and their managers, that a license has been acquired for them and also that they are told how to access and use the software. Furthermore, we recommend to implement a process to review adoption within 3 months of the license purchase to help address any problems that may arise. A tripartite programme between ITAM, Procurement, and HR is likely to yield the best results.

Optimization Opportunities

Make sure you don't have inactive users



This is a key element of Microsoft 365 license management and is something that needs to be done regularly. With regular change to an organization's user base, it is easy for even a perfect position to slip so a one-time check will not be enough; this check should be performed on a quarterly basis.

There are two types of inactive users:

- Those who no longer exist
- Those who are no longer using the software

The former can be identified by comparing HR data against an inventory of user accounts. The latter is a more complex scenario which requires examining the usage data of employees. This can be done using the Microsoft 365 usage report which is available via the Microsoft 365 portal and also via API.

Rightsizing user licenses

Aligning licenses with actual needs is a highly effective way to reduce overall spend. Therefore, review your license volume regularly to avoid unnecessary costs in the future.

This typically occurs where one variety of license (such as Office 365 E3 or Microsoft 365 E5) is licensed across the entire user base but, in fact, the users' roles differ so much that many do not require all the components within the suite.

Common scenarios include:

- Licensing users with Office 365 E3 who don't require the desktop installations of Office
- Licensing users with Microsoft 365 E5 but not all require the advanced security features or security features, Power BI Pro, or additional Teams Phone functionalities
- Licensing users with Microsoft 365 E3/E5 even if they are only using non-Windows devices and do not have remote access either

Microsoft 365 F SKUs

What are they?

The "F" stands for Frontline, meaning those workers who don't spend their time at a desk using Microsoft Office all day every day but still need access to a variety of Microsoft applications to get their job done.

This can be workers such as:

- Delivery drivers
- Nurses
- Warehouse staff
- Retail staff
- Construction workers

In all of these cases – and others – organizations find themselves paying significant amounts of money for software that is not being utilized.

In order to right-size accurately, you need two things:

- The ability to accurately map your users' Microsoft requirements
- A good understanding of the components of the various Microsoft 365 plans

With this you can create different profiles within your user base, enabling you to assign different licenses to them and reducing wasted spend on your next Enterprise Agreement (EA) renewal.

Another strategy is being able to identify opportunities to license with the Microsoft "F SKUs" within your user base.

And the F SKUs are intended to give them access to the products they need most in their roles. They offer a way to potentially reduce your Microsoft 365 bill by ensuring certain users are not over licensed with an Enterprise suite license such as E3 or E5.

What's different?

The F SKU line-up is currently:

- Office 365 F3
- Microsoft 365 F1
- Microsoft 365 F3
- Microsoft 365 F5 (Add-Ons)

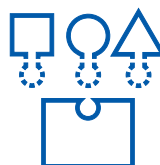
Feature	Office 365 F3	Microsoft 365 F1	Microsoft 365 F3
Office web & mobile	Y	Y	Y
Exchange Online	Y (Limited)	N	Y (Limited)
Teams	Y	Y	Y
OneDrive f Business	Y (Limited)	Y (Limited)	Y (Limited)
Windows 10	N	N	Y (Limited)
Azure AD P1	N	Y	Y
Azure Info Protection	N	Y	Y

Table 1: F SKU feature comparison

Microsoft 365 F5

There are three Microsoft 365 F5 SKUs:

- Microsoft 365 F5 Security
- Microsoft 365 F5 Compliance
- Microsoft 365 F5 Security & Compliance



All of which are available only as “add-ons” to Microsoft 365 F1 & F3 and add a range of security and compliance capabilities found within Microsoft 365 E5. For organizations looking to standardise on Microsoft security products, this represents a more cost-effective option for F SKU workers.

Licensing rules

Other optimization opportunities

There are some other common areas where you may find savings to be made, these include:

- Most shared mailboxes will not require a separate license – if you are currently acquiring licenses in this scenario, it could be an area of over-spend within your organization. However, if the shared mailboxes grow larger than 50GB and/or you require certain archiving and audit functions, licenses are required for individual Exchange Online mailboxes.
- Check your service accounts – these are created to run and administer specific services (like Internet Information Services (IIS)) within Windows environments and, in many cases, do not require licenses.
- Check if you still have licenses assigned to users that have left the organization – perhaps in the mistaken belief this is required in order to retain the user’s data.

Microsoft Cloud Services: Global Price Increase 2023

Microsoft has introduced a global price increase of up to 15%, effective April 1, 2023, to align its pricing for cloud services, such as Microsoft 365, Dynamics 365, and Azure, with the U.S. dollar (USD) globally.

The pricing alignments will result in the following price changes per region:

- British Pound (GBP) +9%
- Euro (EUR), Danish Krone (DKK) and Norwegian Krone (NOK) +11%
- Swedish Krone (SEK) +15%

Current list prices for Microsoft 365 products in U.S. dollar

Product	Current price
Microsoft 365 Business Basic	\$6
Microsoft 365 Business Premium	\$22
Office 365 E1	\$10
Office 365 E3	\$23
Office 365 E5	\$38
Microsoft 365 E3	\$36

ITAM: The business cost saving strategy

This change from Microsoft represents a fantastic opportunity to review your Microsoft spend and strategy. Take a look at what you're buying and compare that to what you're using. If the gap is too big, identify what changes can be made and when, depending on your contract and internal business drivers.

Start to define your negotiation strategy – can you work with Microsoft to get a deeper discount to (partially) offset these price increases? Be wary however, of what you might have to commit to in order to get a larger discount percentage... it's likely they will be pushing higher level licenses such as M365 E5. Make sure you only purchase what makes sense for your business and your budget.

Work with your procurement stakeholders to identify potential contract changes that can be implemented to help lessen the impact of the price increases. In general, if you happen to have a renewal date before an announced price increase, can you negotiate an

agreement longer than the standard three years – thus protecting you from the price increase for even longer?

Alternatively, if your renewal date is due shortly after an announced price increase – evaluate if an early commit makes sense. This involves bringing your renewal date forwards in order to lock-in the current lower Microsoft 365 pricing. While it may save you money in the long-term, it will have an immediate impact on budgets and cashflow so may not always be the right answer. However, it is a wonderful opportunity for ITAM to demonstrate to the business how business decisions and budgets can be impacted by ITAM considerations.

In the vast majority of scenarios, accurate and comprehensive data is key. Knowing what you have, where it is, and how it's being used, underpins informed decision making and a SAM tool – when properly used alongside the right people and processes – can help you make the best decisions as quickly as possible.

Windows 365

A new member of the 365 family has arrived – alongside Office 365, Microsoft 365, and Dynamics 365 – there is now Windows 365. This latest offering enables you to stream an entire PC – including the Operating System, apps, and settings – from the cloud to any device. This means Windows 10 and 11 will be easily available on any device – including MacOS and Linux.

Windows 365 licensing

There are two editions of Windows 365 available – Business and Enterprise.

Windows 365 Business

Windows 365 Business is capped at 300 (three hundred) users and is a standalone SKU with no license pre-requisite requirements.

Windows 365 Enterprise

Windows 365 Enterprise has no user limit but does have the following license pre-requisites:

Users with Windows Pro endpoints:

- Windows 10 Enterprise E3 + EMS E3

Users with non-Windows Pro endpoints:

- Windows VDA E3 + EMS E3

Alternatively, both scenarios can be covered by users already being licensed with:

- Microsoft 365 F3/E3/E5/Business Premium

Be careful – Windows 365 is not included with these licenses. Users must have the above licenses as a base and then Windows 365 licenses can be acquired in addition. Windows 365 Enterprise pricing ranges from \$28 to \$158 per user/month – meaning Windows 365 has the potential to significantly increase your Microsoft spend.

Full pricing is available here:

<https://www.microsoft.com/en-us/windows-365/all-pricing>



Conclusion

Keeping your Microsoft 365 licensing estate optimised and cost-effective is something that all ITAM professionals need to do. Having a set of processes and checkpoints on a quarterly and annual basis will help ensure a smoother and more streamlined process as you approach each Microsoft agreement renewal and anniversary True-up.

Given the significant changes that are occurring within customer organizations and Microsoft's licensing and product offerings, regular reviews can help ensure that spending is optimized to the maximum possible extent:

- Identify where you may be buying too many licenses and also where the licenses you do need are “over-sized” for the users’ requirements
- Consider how the timing of your agreement renewals can have an impact on your spending, particularly with regard to announced price increases from Microsoft
- Profile the users across your organization to determine if different licenses – such as the F SKUs – can be used to reduce spend for certain job roles

Furthermore, as part of a holistic ITAM approach, a carefully selected SAM tool can help increase efficiency and accuracy by reducing the manual work involved in managing and maintaining your Microsoft 365 licensing estate. By automating parts of the process, a tool can enable you to find more savings more quickly as well as giving you more time to plan ahead – something which is always valuable given the fast-paced changes of Microsoft licensing!

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