



New Enterprise Service Agreement – new opportunity for revenue and competitive advantage

Developing SAM services for Microsoft EA customers for business gain

Executive Summary

With the Business Software Alliance (BSA) claiming that \$40 billion of software is in use illegally each year, there has never been a stronger call for customers, vendors and partners to all invest in Software Asset Management best practice.

In light of this, on August 1 2007, Microsoft is launching Enterprise Service Agreement 2.1, which supports the vendor's shift towards "Pay for Performance" and creates a new driver for partner differentiation based on the actual services provided. One key item among the changes in ESA 2.1 is a requirement for the Reseller to provide Software Asset Management (SAM) services, by either performing license reconciliation for each EA customer, or an ISO 19770-1 Gap Analysis.

By partnering with Centennial Software, Resellers can take advantage of our industry-leading asset discovery and software license management solutions and established partner infrastructure to not only meet the new requirements of ESA 2.1, but also differentiate your services from the competition, and drive significant revenue growth overall.

1. ESA 2.1 – A New Opportunity for Revenue Growth

Effective August 1 2007, Microsoft will be changing the fee structure available to Enterprise Software Advisors (ESAs) for fulfilling Enterprise Agreements for band C/D customers (6,000 PCs and above).

A key change to the scheme is the requirement for the partner to deliver Software Asset Management (SAM) services to the customer organization. In order to receive the full fee levels under the revised Enterprise Service Agreement 2.1, all partners will need to demonstrate the delivery of at least one of the following services:

Software License Reconciliation

Performance of a License Reconciliation Analysis of Microsoft licensed software for the customer, including

- Volume License Position
- Customer's current usage
- Proof of licensing on Full Package Product and OEM licenses
- Reconciliation exercise to establish customer's entitlement versus usage

ISO 19770-1 Gap Analysis

Performance of a Software Asset Management Assessment (CSA) based on ISO 19770-1 of customer processes, including an assessment of:

- Organizational Management processes for SAM
- Core SAM processes

1.1 Why the new version of ESA?

Microsoft, as the world's largest provider of software, rightly sees software as an asset, and has focused its considerable resources on educating the market on the benefits of Software Asset Management. Not only can customers streamline processes, reduce costs and enhance the reliability and security of their software estate, but also ensure that they are able to fulfill legal and contractual obligations to all software copyright owners.

As such, the introduction of SAM services into Enterprise Service Agreements makes perfect commercial sense, as it forces both partners and customer organizations to:

1. Analyze the effectiveness of current software management processes
2. Perform a full and regular audit of software use
3. Be more accurate when reporting current usage to the vendor
4. Represent better value and cost control to their customers and therefore offer a competitive edge.

While at first glance, these new partner responsibilities may seem somewhat daunting, it's important for LARs to realize that there are not only quick and painless ways to introduce these services, but also create new revenue streams as a result.

This document will explore how, by partnering with Centennial Software, LARs can create a significant market opportunity around extending their SAM services offering.

2. Turning a burden into an advantage

In the past twelve months, the industry has seen a significant increase in the level of importance CIOs are placing on both software license compliance and more generally, software asset management, as they realize the benefits of risk mitigation and cost avoidance a well defined set of SAM processes can deliver. However, many organizations lack either the internal resources or the core skills necessary to implement these processes.

While a specialist niche already exists around software 'compliance' services, savvy resellers and Enterprise Software Advisors have recognized a growing skill and resource gap. These Microsoft partners have begun offering SAM-focused services both as a way to increase revenue and customer satisfaction from the services themselves, but also to uncover new sources of revenue as they become a trusted source for the identification of new software (and, indeed, wider IT) needs across the organization.

Centennial Software, with our industry-leading IT asset management and software license management solutions, established channel sales and marketing programs and world class technical support is a key element in enabling these resellers to drive revenue growth.

2.1 Earn more ESA fees

For a myriad of reasons (complexity of Microsoft licensing schemes, lack of end user awareness on software license entitlements, poor internal procurement processes, etc.), it is reasonably safe to assume that a large number of customers are not currently in full compliance with their licensing obligations. By creating the demand to undertake a software inventory, Microsoft is actually giving partners an opportunity to justify the need for an accurate software true-up and, if appropriate, earn greater fees by provisioning more licenses.

In addition as customers become aware of the changes in ESA 2.1, it is also likely that they will become more selective about the LARs that they work with, favoring those with a professional approach to SAM that goes beyond a simplistic approach to software auditing.

2.2 Create new revenue streams

By definition, Software Asset Management is not restricted to a single vendor. The underlying principles, processes and technology should be applied to all software in use on the corporate network.

As such, there is a significant opportunity for LARs to build revenue opportunities aside from increased ESA fees. The introduction of ESA 2.1 gives LARs an additional incentive to invest in developing wider-reaching SAM consultancy which can open up whole new lines of revenue ranging from simple multi-vendor true-ups and licensing consultancy to full-scope SAM engagements which look at the complete lifecycle of software management.

Some innovative Enterprise Software Advisors may even decide to re-structure how they offer ESAs, potentially offering Microsoft software as a reduced rate safe in the knowledge that they will earn considerably more in terms of SAM consultancy and associated services.

Other LARs are evaluating the opportunity to offer customers a managed service around IT Asset and/or SAM. As well as earning addition revenues through the provision of this service, increasing numbers of partners are recognizing the opportunity to become a trusted advisor to the customer, not only ensuring compliance but also advising on the need for new software and how to help the organization best meet its business goals.

3. Partnering with Centennial Software

Centennial Software can help LARs and Enterprise Software Advisors realize significant revenues from scenarios such as those above. As the recognized market-leader of IT asset discovery solutions, Centennial already provides the backbone of a large number of LARs' and specialists' SAM offerings through a number of our technology solutions – either standalone, or in combination with one another.

3.1 Centennial Discovery is the recognized leading IT asset audit and discovery solution designed to enable IT governance and help multiple IT stakeholders within an organization more effectively plan, manage and report on various IT requirements. It provides IT managers with a complete picture of all hardware and software assets deployed across an entire network, allowing organizations to better control IT costs, manage software compliance, and increase network efficiencies.

For more information on Centennial Discovery, visit: www.centennial-software.com/products/discovery

3.2 Centennial Discovery.MSP is based on Centennial's award-winning IT audit and discovery solution, and provides a simple way for Managed Service Providers (MSPs) to deliver web-based visibility of the entire IT infrastructure across multiple customers. Discovery.MSP has been designed to meet the unique needs of MSP's, from the ability to easily create, modify and delete customers via a web-based administration console to robust reporting that enable MSP's to offer superior service to their customers.

For more information on Discovery.MSP, visit: <http://www.centennial-software.com/products/msp/>

3.3 Centennial License Manager will be released in late summer 2007, and will enable customers and service providers to complete the SAM circle by quickly capturing and automatically reconciling software usage against entitlement. The net result is 100 percent visibility into the organization's actual software licensing position and thus the ability to prove compliance to any software vendor or independent watchdog

4. Creating a competitive advantage

As a worldwide requirement from Microsoft, every LAR is now tasked with developing and offering some form of SAM service. However, the new scheme also opens the door for innovative partners to create a competitive advantage by extending the services on offer to both retain current customers and attract new ESA prospects.

4.1 Achieving 'trusted advisor' status – the Managed Services model

It is a commonly-held claim that LARs are trusted advisors to their customers. However, this can sometimes be difficult to achieve in areas such as SAM, where there is a natural suspicion as to whether one supplier can be both auditor and license provider.

For these situations, Centennial has the perfect answer – Discovery.MSP. This is essentially a hosted version of the award-winning Centennial Discovery solution which enables both the LAR and the customer to achieve 100 percent visibility of all software (and also hardware) on the network.

For the LAR, this visibility is critical to delivering effective SAM services, knowing exactly which applications are installed across the network, how many of each type are actively in use and where any application are installed but have never actually been used.

Armed with this information, together with an understanding of the customer's purchased licenses (volume and/or retail), the LAR is much-better placed to accurately advise the end-user on the best way to meet IT and business priorities without over-spending on unnecessary licenses.

A unique benefit of Discovery.MSP is that all the information that enables the LAR offer a better service is also immediately available to the customer through a secure web interface. This complete transparency is critical to giving customers the confidence that they can trust a single service provider to both advise them on software management and sell them any necessary licenses.

Finally, the information provided by Discovery.MSP enables the customer and the LAR to work together to not only ensure that the best volume license agreements are negotiated, but also that the customer is not over-paying on support and maintenance contracts and that any future purchases are fully justified against established needs.

4.2 The next logical step – License Management

Although not a specific requirement of ESA 2.1, a key part of any SAM engagement is the reconciliation of software usage against actual license entitlement (i.e. not just volume licensing agreements, but all retail and OEM software as well).

Historically, the process of matching software found against licenses has been a tedious, manual and highly-specialized task, with most existing software solutions lacking the capability to significantly improve operations in this area.

In September 2007, Centennial Software will significantly ease the task of license reconciliation with the introduction of Centennial License Manager. By combining License Manager with either Centennial Discovery or Centennial Discovery.MSP LARs and Enterprise Software Advisors will be able to provide a true SAM solution from the leading, independent IT Asset Management provider.

4.3 Beyond SAM – the wider market opportunity for managed services

Although this paper deals primarily with the auditing and recognition of software assets, one of the additional benefits of working with Centennial Discovery is the ability to find, audit and track all hardware assets connected to the network, from PCs and servers through to network printers, managed switches and other IP-addressable devices.

As such, this presents the LAR or service provider with an opportunity to extend SAM services into a more comprehensive ITAM or ITIL offerings, which helps customer organizations achieve and maintain full visibility of the network – all without the associated administrative overhead of managing the service themselves.

While having a complete and dynamically-updated view of the network is considered simply good practice by many organizations, this information can provide added value to both the customer and the service provider when it comes to planning and executing IT initiatives such as:

- Application roll-outs
- OS migrations
- Hardware refreshes
- Network mergers and de-mergers

Regardless of whether you want to just track the many thousands of software installations on the customer network, or build a comprehensive ITAM offering based on Discovery.MSP, the Centennial Discovery technology is key to creating a professional service with the maximum opportunities for profit.

5. Summary – building on ESA 2.1

With the launch of ESA 2.1 on August 1 2007, Microsoft has simultaneously increased their demands on the LAR community and provided an excellent opportunity for these same partners to create new and exciting revenue streams.

While the new requirements might not be entirely welcome at first glance, the more forward-thinking LARs are already taking steps to ensure they continue to earn their full fees without dramatically increasing their own cost base. At the same time, these Microsoft partners are also busy implementing SAM-based programs which will enable them to deliver new services and thus increase both their revenues and their value to the end user.

For many of these LARs across the globe, Centennial Software is already the software audit and management partner of choice. Our track record in delivering award-winning (and, above all, usable) technology is second-to-none.

Working with Centennial Software, not only will you be able to still meet Microsoft's ESA 2.1 contractual obligations ahead of the August 1 deadline, but you will be able to bring new SAM and ITAM-based services to market in record time and make a significant impact on your bottom line.

5.1 About Centennial Software

Centennial Software creates solutions that enable customers to improve their IT governance efforts, through the management of IT assets, risks and costs. Founded in 1997, Centennial Software is today a multinational vendor with over 5,000 customer organizations and more than five million seats deployed.

As a 100 percent indirect sales organization, Centennial has built a network of OEM and VAR partners in 42 countries globally, making Centennial Discovery one of the most widely-adopted dedicated Discovery solutions in the world. Centennial's partner program is designed to help LARs hit the ground running, either bringing a new SAM offering to market in record time, or significantly enhancing an existing service to create substantial new opportunities.

And thanks to Centennial's experience working with world-class OEM partners, we know all about helping partners create solutions and service offerings in their brand image. Whether you want to find out more about leveraging Centennial's established brand equity or embed our award-winning technology in your own offerings, you can learn more about partnership opportunities with Centennial at:

<http://www.centennial-software.com/par/>

5.2 Next steps

To speak to Centennial Software about how we can help you capitalize on the SAM opportunity beyond ESA 2.1, contact our channel specialists in your local office:

USA	-	Jon Hernandez	1 503 906 4347
UK	-	Martin Callinan	01793 836200
International	-	Tony Probert	+44 1793 836200
Central Europe	-	Kevin Gersch	+44 1793 836200
APAC	-	Howard Waterson	+61 (2) 8002 4050