



# Pricing update for British pound

Frequently Asked Questions (FAQ) for customers

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## General messaging

**October 21<sup>st</sup> 2016.** — Microsoft is announcing British pound price changes to harmonise its prices for enterprise software and cloud services within the EU/EFTA region, effective January 1, 2017. Microsoft periodically assesses the impact of its local pricing of products and services to ensure there is reasonable alignment across the region and this change is an outcome of this assessment. For example, in April 2016 Microsoft made similar harmonisation adjustments to its pricing in the Norwegian krone and Swiss franc.

Starting January 1, 2017 British pound prices for on-premises enterprise software will increase by 13% to realign close to euro levels. Most enterprise cloud prices in British pound will increase by 22% to realign close to euro levels. Even after this adjustment, customers across the region buying in British pound will still find Microsoft cloud offerings highly competitive. For indirect sales where Microsoft products are sold through resellers, final prices and currency of sale will continue to be determined by resellers. In the EU/EFTA region, partners will continue to have access to prevailing prices in euro, Norwegian krone, Swiss franc, Swedish krona, and Danish krone, along with revised prices in British pound.

For business customers, these changes will not affect existing orders under annuity volume licensing agreements for products that are subject to price protection. However, prices for new product additions under such volume licensing agreements and purchases under new contracts will be as defined by the pricelist at the time of order. This pricing change will not apply to consumer software or consumer cloud services.

# Frequently Asked Questions (FAQ)

## General

### **Why is Microsoft adjusting prices in British pound now?**

Microsoft is announcing British pound price changes to harmonise its prices for enterprise software and cloud services within the EU/EFTA region, effective January 1, 2017. Planned changes to British Pound prices are similar to recent harmonisation adjustments to pricing in Norwegian krone and Swiss franc made in April 2016. Microsoft periodically assesses the impact of its local pricing of products and services to ensure there is reasonable alignment with the market and this change is an outcome of this assessment.

### **What are the changes to British pound pricing?**

Starting January 1, 2017 British pound prices for on-premises enterprise software will increase by 13% to realign close to euro levels. Most enterprise cloud prices in British pound will increase by 22% percent to realign close to euro levels. Even after this cloud price adjustment, customers across the region buying in British pound will still find Microsoft cloud offerings highly competitive. For indirect sales where Microsoft products are sold through resellers, final prices and currency of sale will continue to be determined by resellers. In the EU/EFTA region, partners will continue to have access to prevailing prices in euro, Norwegian krone, Swiss franc, Swedish krona, and Danish krone, along with revised prices in British pound.

### **Why not other currencies or geos?**

Many factors contribute to our ongoing assessment of pricing. Previous assessments in EU/EFTA region have adjusted pricing in Norwegian krone and Swiss franc, while maintaining pricing in other regional currencies. Our recent assessment of the marketplace and resulting analysis led to the selection of British pound for this set of changes.

### **How do you make the assessment?**

Periodically Microsoft assesses the impact of its pricing to ensure there is a reasonable alignment with the needs of its customers, partners, and the marketplace across the region, and may make changes in response to its assessment and feedback. Many factors contribute to our ongoing assessment of pricing such as local and regional market dynamics including competition, business models, local currency rates and local inflation.

### **How frequently do you plan to make these changes?**

Microsoft periodically assesses the impact of its pricing to ensure there is a reasonable alignment with the needs of its customers, partners, and the marketplace across the region, and may make changes in response to its assessment and feedback.

## **How frequently do you plan to adjust pricing in British pound or other EU/EFTA currencies?**

Microsoft will maintain relatively stable and predictable prices in British pound and other currencies. Periodically Microsoft assesses the impact of its pricing to ensure there is a reasonable alignment with the needs of its customers, partners, and the marketplace across the region, and may make changes in response to its assessment and feedback. Any future changes to pricing in British pound or other EU/EFTA currency will be assessed based on Microsoft's internal pricing strategy and processes in order to maintain relatively stable prices while ensuring close alignment in prices within the EU/EFTA region.

## **Why is the pricing adjustment for cloud services larger than on-premises software?**

Microsoft is realigning British pound prices for both enterprise on-premises software and cloud services close to euro levels. Many factors contribute to our ongoing assessment of pricing for both on-premises and cloud, however some such as competition, cloud business models and its costs, currency rates, etc. influence cloud pricing differently. Further for this change, a 10% increase to euro cloud prices in August-2015 when British pound cloud pricing was left unchanged contributed to the higher adjustment. Even after this cloud price adjustment, customers across the region buying in British pound will still find Microsoft cloud offerings highly competitive.

## **Is the price increase as a result of Brexit?**

Microsoft decision to adjust pricing in British pound is not a result of UK's decision to leave the EU. However sustained currency changes have led to misalignment of British pound pricing in the region.

Microsoft is announcing British pound price changes to harmonise its prices for enterprise software and cloud services close to euro levels within the EU/EFTA region. Planned changes to British pound prices are similar to recent harmonisation adjustments to pricing in Norwegian krone and Swiss franc made in April 2016. In all cases, sustained currency changes resulted in misalignment of Microsoft's pricing in the EU/EFTA region. This change to British pound pricing, effective January 1, 2017 is an outcome of Microsoft's periodic assessment of the impact of its local pricing of products and services to ensure there is reasonable alignment across region.

## **Which Volume Licensing programs will be impacted?**

Revised British pound prices will be applicable to new and renewing contracts for enterprise software and cloud services available through volume licensing programs. For all indirect licensing agreements, resellers continue to determine final price and currency of sale. Price will adjust as noted above for enterprise software and cloud service sold through an Enterprise Agreement (Commercial, Government, Campus, and Enrollment for Education Solutions), the Open License Agreement and Open Value Agreement (Commercial, Government, and Education Solutions), a Microsoft Products and Services Agreement (Commercial, Government and Academic), Select/Select Plus Agreement (Commercial, Government and Academic), ISV Royalty and Distribution Agreement, and Service Provider License Agreement (SPLA), Cloud Solution Provider (CSP), Syndication, and Microsoft Subscription Program (Commercial, Government, Not for Profit and Academic).

## **How will FPP/retail, OEM and other indirect sales schemes be impacted?**

Prices of consumer and FPP software, and Microsoft software pre-installed on PCs (OEM) remain unchanged. UK partners and customers can continue to purchase at current prices. For indirect sales, resellers will continue to determine the final pricing for end users.

## **How are prices going to be changed for government/public sector customers?**

We have taken a unified approach to price adjustment which will be equal for all categories of volume licensing customers, including commercial, government/public sector and academic customers.

For academic licensing, see additional FAQ below on UK Academic MoU pricing.

## **How are any promotional offers being designed to offset this increased prices?**

Promotions are aligned to the business and market needs. Promotions are not used to offset price increases. However, we are making an early announcement of this change to give customers who wish to the opportunity to procure and fulfill their business needs at the current price.

## Pricing and Licensing

### **When will the new British pound price list be available and effective?**

New British pound prices will be effective January 1, 2017. A preview will be available one month in advance on December 1, 2016 (preview only).

### **How does this change impact existing Volume Licensing contracts?**

- ▶ **Mid-term Enterprise Agreement (EA), Enterprise Subscription Agreement (EAS) and Server and Cloud Enrollment (SCE):** Existing EA, EAS and SCE contracts have price protection on previously ordered products and will not experience a price change during the term of their agreement. Any new product additions will be priced at current pricelist price.
- ▶ **Renewing and New EA/EAS:** Renewals and new agreements will be priced at then current pricelist price.
- ▶ **Mid-term Open Value (OV) Agreement company-wide & Open Value Subscription Agreement company-wide:** Existing OV and OVS company-wide contracts have price protection on previously ordered products and will not experience a price change during the term of their agreement. Any new products will be priced at the current pricelist price.
- ▶ **Mid-term Open Value (OV) Agreement non-company-wide:** For OV non-company-wide purchases there is no price protection and new orders will be priced at current pricelist price.
- ▶ **Renewing and New OV/OVS Agreement:** Renewals and new agreements will be priced at then current pricelist price.

- ▶ **Microsoft Products and Services Agreement (MPSA) On-premises sales:** MPSA and Select/Select Plus on-premises sales have no price protection and are subject to current pricing for incremental purchases.
- ▶ **MPSA Cloud sales:** MPSA online services benefit from price protection until subscription renewal. At renewal, pricing resets to then current pricelist price.
- ▶ **Open License Agreement:** For purchases under Open, there is no price protection and new orders will be priced at then current pricelist price.
- ▶ **Service Provider License Agreement (SPLA) and ISV Royalty and Distribution Agreement:** Ordered products have no price protection and are subject to revised pricing for incremental purchases and future billings effective January 1, 2017.
- ▶ **Cloud Solution Program (CSP) and Syndication:** Existing subscriptions receive price protection during their term which is normally twelve months from the start of paid subscription. Additional CSP seats to an existing subscription after January 1, 2017 will be at the previous billing price which remains in place for the remaining twelve-month term purchased before January 1, 2017. Renewals will be subject to the then current prices as determined by the channel partner.
- ▶ **Microsoft Online Subscription Program (MOSP) with annual commitment and monthly billing:** Existing MOSP customers with an annual commitment receive price protection during their term. Adding seats to an existing subscription after January 1, 2017 will be at the previous billing price which remains in place for the remaining twelve-month term purchased before January 1, 2017. Renewals will be subject to the then current prices.
- ▶ **Microsoft Online Subscription Program (MOSP) with pay-as-you-go and monthly billing:** Customers under the 'pay-as-you-go' model enjoy the benefits of no minimum purchase requirements or future commitments with Microsoft and have flexible pricing. For these customers prices will increase effective January 1, 2017.
- ▶ **Customers under trial:** Prices are determined at the time of paid sign-up.
- ▶ **Promotions:** Customers enjoying previously ordered promotion pricing are protected on previously ordered services, and will not experience a price change during the term of the agreement. Orders for new services will be priced at the then current promotion pricelist price.
- ▶ **Azure customers:** See Azure specific FAQs below.

### **Are prices going to be changed for UK government/public sector customers?**

Yes. We have taken a unified approach for price adjustment which will be equal for all category of volume licensing customers, including commercial, government/public sector, charities/not-for-profit and academic customers. For government purchase under volume licensing agreements such as EA, MPSA, CSP, MOSA, etc., changes will be as described in the above FAQ "*How does this change impact existing Volume Licensing contracts?*". For indirect sales where Microsoft products are sold through resellers, final prices will continue to be determined by resellers.

### **Are prices going to be changed for UK Academic MoU/Education Cloud Transition Agreement customers?**

Yes. Revised pricing will be as per the Memorandum of Understanding (MoU)/**Education Cloud Transition Agreement** agreed with the Department of Education and Crown Commercial Services, which cover all UK education institutions.

- ▶ **Campus/Enrollment for Education Solutions (EES):** As defined within the MoU, special discount percentages will be applied to revised pricing effective January 1, 2017. Existing Campus/EES contracts have price protection on previously ordered products and will not experience a price change during the term of their agreement. Any new product additions will be priced at current pricelist price. Renewing and new campus/EES will be priced at then current pricelist price.
- ▶ **School Agreement:** As defined within the MoU, special discount percentages will be applied to revised pricing effective January 1, 2017. Existing School Agreement contracts have price protection on previously ordered products and will not experience a price change during the term of their agreement. Any new product additions will be priced at current pricelist price. Renewing and new School Agreements will be priced at then current pricelist price.
- ▶ **Open Value Subscription Academic – Education Solutions (OVS-ES):** As defined within the MoU, special discount percentages will be applied to revised pricing effective January 1, 2017. Existing OVS-ES contracts have price protection on previously ordered products and will not experience a price change during the term of their agreement. Any new product additions will be priced at current pricelist price. Renewing and new OVS-ES Agreements will be priced at then current pricelist price.
- ▶ **Academic Select Plus and Academic Open:** Per the MoU, new orders starting January 1, 2017 will be subject to revised pricing.

#### **Are prices going to be changed for UK Charities/Not-for-profit customers?**

Yes. We have taken a unified approach for price adjustment which will be equal for all category of volume licensing customers, including commercial, government/public sector, charities/not-for-profit and academic customers. Qualifying UK charity organizations will continue to benefit from Microsoft's software donation program. Not-for-profits customers can take advantage of Microsoft's special pricing offers.

#### **Does this change include Dynamics products and cloud services sold under volume licensing?**

Yes. Changes apply to Dynamics product available through volume licensing programs such as Open, EA etc.

Azure

#### **How does this British pound price change relate to October 1, 2016 changes to Azure?**

Starting October 1, 2016 Microsoft improved the transparency and simplicity of Azure pricing to ensure customers get the best possible prices regardless of where they buy – on Azure.com or in volume licensing programs. Microsoft lowered some Azure pricing and introduced new offers to ensure Azure pricing is competitive and transparent. Effective January 1, 2017 customers purchasing in British pound will continue to enjoy these benefits at levels similar to customers purchasing Azure in euro. Even after this cloud price adjustment, customers across the region buying in British pound will still find Microsoft cloud offerings highly competitive.

## How will British pound price changes impact existing Azure customers in volume licensing?

Effective January 1, 2017 customers purchasing Azure in British pound will see pricing at levels similar to customers purchasing Azure in euro through Azure.com and in volume licensing agreements. Below are how changes impact existing Azure customers.

- ▶ **Pay-As-You-Go Subscriptions on Azure.com:** Customers under the 'pay-as-you-go' model enjoy the benefits of no minimum purchase requirements or future commitments with Microsoft and have flexible pricing. For these customers prices will increase effective January 1, 2017. Customers purchasing Azure in British pound will see pricing at levels similar to customers purchasing Azure in euro in Azure.com.
- ▶ **Prepaid Subscriptions on Azure.com (retired for new customer sign-up as of October 1, 2016):** For previously offered subscriptions, prepaid amount, discount and terms remain unchanged. Consumption rates will increase effective January 1, 2017 to the new pricing in British Pound, which will be at levels similar to Azure pricing in euro on Azure.com.
- ▶ **Azure in Cloud Solution Program (CSP):** In CSP, end-customer pricing for Azure services is determined by the channel partner. Microsoft pricing to CSP partner is under the 'pay-as-you-go' model with the benefit of no minimum purchase requirements or future commitments with Microsoft and flexible pricing with no price lock. For CSP partners, British pound prices will increase effective January 1 2017 to Azure pricing euro levels.
- ▶ **Azure purchased via Open:** Consumption rates will increase effective January 1, 2017 to the new pricing in British Pound, which will be at levels similar to Azure in euro on Azure.com.
- ▶ **Azure in Mid-term Enterprise Agreement (EA), EA Subscription (EAS), Microsoft Products and Services Agreement (MPSA) and Server and Cloud Enrollment (SCE):** Customers or partners who purchased Azure within an EA, EAS, MPSA or SCE agreement have price protection on currently offered Azure services and will receive the lower of their baseline price or the new market price. Customer or partner's baseline price is the price at the beginning of their Azure agreement or the price a new Azure service was made generally available. If the new market price is higher than customer's baseline prices, customers may see an increase up to but not above their baseline prices. New Azure services will be priced at the then current pricelist price.

## How will British pound price changes impact New/renewing Azure EA customers?

Starting October 1, 2016 Microsoft improved the transparency and simplicity of Azure pricing to ensure customers get the best possible prices regardless of where they buy – on Azure.com or in volume licensing programs such as Enterprise Agreement (EA), Server and Cloud Enrollment (SCE), etc. To accomplish this, the Azure EA discount waterfall (A/B/C/D), SCE 5% discount, the MPSA 9% discount were retired effective October 1, 2016. Microsoft lowered some Azure pricing and introduced new offers to ensure Azure pricing is competitive.

At renewal, Azure EA customers purchasing in British pound will continue to have competitive and best possible pricing. Azure customers purchasing in EA enjoy additional benefits unique to the EA program such as price protection during term, differentiated support and offers for EA customers. In some renewing cases, the removal of the EA discount waterfall and SCE discount, together with British pound price increase may result in a price increase. The cumulative impact of these pricing changes will depend on which services the customer is using and how much of is being consumed. For renewing EA customers, the prices customers are paying today in their EA, and what they will pay going forward at renewal is likely close to when they signed their current EA. Azure has had significant price decreases on Dv2, D and A series compute over the past 2 years and additional price decreases on other services as well.