

# Licensing Windows 7

## *Proactive Steps that Organizations Should Consider when Evaluating Upgrade Options*

*By determining which version of Windows 7 they want to standardize on and making tactical purchases of upgrade rights, companies planning upgrades to Windows 7 can reduce upgrade costs*

Companies planning upgrades to Windows 7 can take steps immediately to reduce the total cost of upgrading. Major factors that influence the upgrade path they take include which edition of Windows 7 they want, whether they want to standardize on a single OS edition, and whether they have Software Assurance (SA) upgrade rights on their current client PCs. Their volume licensing plan and the number of desktops in their organization also influence their choices.

### **More Upgrades Likely**

Relatively few corporate customers adopted Windows Vista as their standard desktop, primarily because most of the computers they already owned did not meet Vista's high hardware requirements. Instead, Vista found its way into the corporate world as older computers were replaced with newer machines designed for the OS. Even then, many organizations downgraded OEM Vista images to Windows XP, an older OS that required no retraining for staff, and on which all or most of their applications ran without further modification. Research from Forrester, for example, found that at the end of 2008, two years after Vista shipped, more than 70% of business computers were still running XP, indicating lower Vista adoption than might be expected given typical PC replacement cycles of four to five years. At that rate, after two years 40% to 50% of business PCs would normally be replaced with a new machine running the latest OS.

Windows 7 is likely to prove more popular. Notably, its hardware requirements are no higher than Vista's, enabling organizations to consider the OS for every PC in their organization. By 2011, for example, when Microsoft is likely to ship Windows 7's first service pack, an important milestone

that often prompts wider corporate adoption, most pre-Vista hardware will have been retired.

OS upgrades involve more than paying for the licenses—planning the deployment to minimize disruption, and retraining users can cost more, for example—but in some cases it can be substantial. In some cases it could be less costly to replace hardware, even if it is capable of running Windows 7, than to pay for a software upgrade.

### **Choosing a Target OS**

Many factors go into determining the best option for a given customer, but one of the main choices is the edition of Windows 7 they want to use. They need not choose a single edition—editions can coexist within an organization—but the upgrade path they follow depends on the OS they want.

Windows 7 will come in the following three business editions:

**Windows 7 Professional** is the primary business OS, with the main manageability features, such as Active Directory and Group Policy, that enterprises require. It will be available through the widest range of channels—on new computers, as a full or upgrade version sold through retail channels, or via upgrades sold in volume licensing programs. (Full desktop OSs are not available through volume licensing programs.)

**Windows 7 Ultimate** adds BitLocker drive encryption, advanced networking and search features, and the multilingual interface, which can reduce OS maintenance costs for multinational organizations. It will not be available through volume licensing, but will come installed on new computers and be sold as a full or upgrade product through retail sources.

**Windows 7 Enterprise** has the same features as Ultimate but is available only through volume licensing, and only if the customer has purchased Software Assurance (SA) upgrade and maintenance rights on the OS. Enterprise is a

better choice than Ultimate for customers who want to re-image new computers with a standard corporate image, including Office and custom applications. Retail and OEM products require individual activation with unique keys, but volume editions of Windows can be activated over the customer's network with automated activation key technologies.

In addition to giving customers access to Windows 7 Enterprise, SA gives customers the right to purchase some additional products, such as the Desktop Optimization Pack management and virtualization suite and the Vista Enterprise Centralized Desktop (VECD), which permits installation of desktop OSs in virtual machines on servers, to provide centralized desktop and application management. However, SA can be purchased only at the time the original license is purchased or, for new computers, within 90 days of the purchase.

### Mixed or Uniform Environment

The next important decision is whether the organization will work with a mix of OSs on desktop and portable computers or will standardize on a single edition of the OS.

**Working with a mix of OSs** offers the lowest-cost upgrade path—an organization purchases an OS when it purchases a new computer and leaves that OS on the computer until it is retired. Because Microsoft OSs generally interoperate well, these incremental upgrades have been the Vista upgrade strategy for most business users—only a minority have standardized companywide on Vista.

Most Vista computers are simply using the OS they came with, although in many cases they have been downgraded to Windows XP to provide a consistent platform across the organization. Volume licensing rules permit re-imaging of the OS on a new computer with a corporate standard if the new and old images are identical versions or allowable substitutes. For example, new computers with Vista Business can be re-imaged with Windows XP Professional because the End-User License Agreement (EULA) for Vista Business permits this downgrade.

Many customers are likely to continue this approach to upgrades, purchasing whatever business OS is currently available for their computers, although downgrades are less likely in the Windows 7 era: downgrades to XP may not be permitted, and few customers are likely to want to downgrade to Vista from Windows 7.

**Standardizing on a single edition and version** of the OS eases both problem resolution (because the help desk, for example, knows that every computer they deal with has the same capabilities) and custom application development: the organization needs to test applications only against a single desktop OS.

XP is currently the most common business OS, but its days are numbered. Microsoft has not indicated whether downgrades to XP will be permitted in the Windows 7 EULA, but XP will no longer be in Mainstream support

when Windows 7 arrives. As a result, most corporate customers who currently standardize on XP are likely to make Windows 7 their new standard, particularly after its first service pack is released.

### Using Software Assurance

Given these targets—one or more editions of Windows 7, used in a mixed or standardized environment, what is the best way to get there? That depends on where the organization starts and, in particular, whether it already has SA on the OS.

Furthermore the preferred upgrade path can change in the months leading up to Windows 7's release. Microsoft commonly offers a Technology Guarantee three to six months before a new OS is released. This guarantee ensures that PC sales do not dry up during that time by promising PC buyers that when the new OS arrives, they will be entitled to an upgrade at a nominal cost. During this time, any purchase of a new computer with Vista Business will probably be entitled to a no-cost upgrade to Windows 7 Professional.

*(For a graphical description of upgrade paths, see the illustration "Windows 7 Upgrade Options" on page 14)*

Customers who have already paid for SA upgrade rights on the OS through volume licensing programs, such as Open Value Company-Wide (OVCW) or Enterprise Agreements (EAs), which cover all Windows PCs in an organization, have the simplest upgrade path. As long as they continue or renew SA on their OS through their volume licensing program, they will be entitled to deploy Windows 7 at any point after its release. Furthermore, they will be entitled to upgrade all computers covered by SA to Windows 7 Enterprise Edition. EA customers whose volume licensing plan (and its SA coverage) expires before Windows 7 becomes available may be able to renew their plan for a single year, ensuring that they will get Windows 7 without requiring a longer-term commitment.

The cost of the upgrade (most of which has already been paid) for these customers ranges from about US\$99 to US\$164, depending on whether they have OVCW or an EA and the number of desktops covered by their volume agreement.

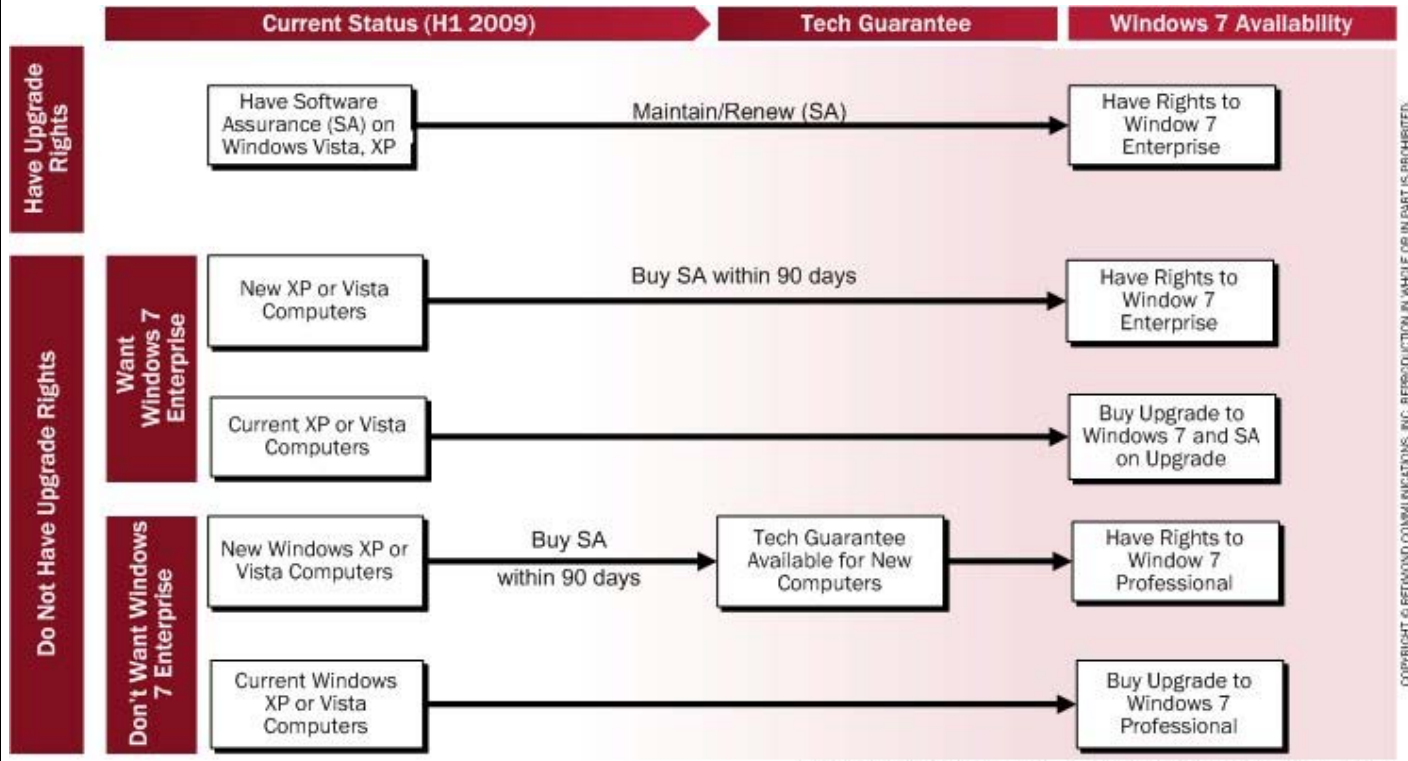
If these customers have SA on their Office licenses, they may also be eligible for Desktop Deployment Planning Services, through which a partner (paid by Microsoft) assists them in planning their Windows 7 deployment.

Customers who want to standardize on Windows 7 and do not currently have SA for the OS can either add this option to a current OVCW or EA plan or purchase such a plan at any time. However, their cost will be substantially higher, because before they can get SA they must buy new licenses, to which they can then add SA. Depending on the plan and the number of computers covered, this will cost between US\$184 and US\$351.

*(For more information about upgrade and SA pricing, see the chart "Upgrade and SA Prices by Agreement" on page 15.)*

## Windows 7 Upgrade Options

Graphic (original in \_WM\_Migrating2Win7\_02.vsd, jpg)



Releases for Apr. 2009 and later are Directions on Microsoft estimates

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The basic options for upgrading to Windows 7 are determined by whether a customer currently has upgrade rights and by the version of Windows 7 they want to upgrade to.

This chart shows those options at the left and, for customers without current upgrade rights, the upgrade paths for both new computers (obtained in 2009) and for current computers (obtained before 2009).

Microsoft has not confirmed that it will offer a Technology Guarantee. If it does not, or if the guarantee does not cover business editions of the Windows OS, customers who do not have SA upgrade rights but want to upgrade to Windows 7 Professional should continue to buy SA on new computers until Windows 7 upgrades become available.

### ***Upgrade and SA Prices by Agreement***

The following chart shows a sample of prices for upgrade packages and Software Assurance (SA) upgrade rights, offered through various Microsoft licensing programs. Upgrades to Windows 7 business editions require that the PC already be licensed for Vista Business; Microsoft may also permit upgrades from Windows XP Professional. (As of press time, the rules for upgrades had not been announced.) These prices are for purchases of Windows upgrades and SA only; in Open Value Company-Wide (OVCW) and Enterprise Agreements (EAs) customers can get additional discounts of about 15% by purchasing OS upgrades as part of a “platform” that also includes Office and a suite of Client Access Licenses.

Except as noted for Select, ranges of prices reflect the prices at the lowest and highest discount levels available in a program.

SA runs for the remaining term of the customer’s volume agreement, except in the Select Plus program, where it always runs for three years. In Open Value, OVCW, and EA volume plans, customers must purchase SA with all new licenses, although they can purchase SA alone in Open Value for new computers (within 90 days of the computer’s purchase). In OVCW and EAs, customers pay for upgrades and SA on all new computers on a declining scale, depending on how many years remain in their agreement. For those agreements, the Windows upgrade price shown here includes the upgrade license and three years of SA, while the SA price shows the cost of SA alone over three years.

In addition to upgrades, the purchase of SA gives customers access to Windows 7 Enterprise and to other software, which is available at additional cost, such as the Desktop Optimization Pack and centralized virtual machines. For exact pricing and other advice on their options, customers should consult a Microsoft licensing reseller. A list of resellers can be found at <https://solutionfinder.microsoft.com/Solutions/SolutionsDirectory.aspx?keywords=reseller>.

| <b>Program</b>                         | <b>Pricing Levels</b> | <b>Windows Upgrade</b>                   | <b>Software Assurance (SA)</b> | <b>Term of Agreement</b> |
|--|-----------------------|--|--------------------------------|--------------------------|
| Open License                           | 2                     | \$184 to \$187                           | \$107 to \$109                 | 2 years                  |
| Open Value and Open Value Company-Wide | 2                     | \$252 to \$351 (including 3 years of SA) | \$156 to \$164                 | 3 years                  |
| Select and Select Plus                 | 4                     | \$147 to \$186                           | \$43 to \$162*                 | 3 years                  |
| Enterprise Agreement                   | 4                     | \$186 to \$234 (including 3 years of SA) | \$122 to \$155                 | 3 years                  |

All prices are U.S. prices in U.S. dollars.

\* The lowest price is the Select D-level discount with one year remaining in a Select agreement. The highest price is the Select or Select Plus A-level discount with three years of SA.



### Upgrading Without Existing Rights

Customers who do not have or want companywide SA will need to pursue multiple upgrade paths, which vary based on when each computer was purchased.

### Pre-2009 Computers

Computers purchased before 2009 that do not have SA will require purchase of a Windows 7 upgrade, at minimum. These upgrades will not be available until Windows 7 is released (current OS upgrades only permit upgrades to Vista) and will give customers the right to upgrade to Windows 7 Professional. Pricing has not been announced, but a comparable Vista upgrade costs US\$147 to US\$187.

For upgrading older computers to Windows 7 Enterprise or Ultimate, customers have a couple of choices. If they are using OEM software on their computers, they may be able to purchase a retail upgrade to Windows 7 Ultimate. The price of that upgrade has not been announced, but retail Vista Ultimate upgrades currently cost US\$219.

Alternatively, they can purchase an upgrade through volume licensing and then purchase SA on that upgrade. Depending on the volume program and number of computers, the cost of this approach ranges from US\$190 to US\$351.

### 2009 Computers Before Technology Guarantee

Because of the 90-day window during which SA can be purchased on new computers, SA can be bought for most PCs purchased since early January, and this will be the least expensive way for customers who do not already pay for SA coverage on new computers to upgrade to Windows 7. Customers can purchase SA on new computers through the Open License program for US\$108. (A minimum purchase of five licenses is required to start an Open License authorization.) Although Open discounts are not as great as those of other programs, Open customers purchase only two years of SA, which brings the cost below that of most other programs, which require three years of SA payments.

By going this route, customers get rights to upgrade to Windows 7 Enterprise. Note that although their SA coverage will expire in two years, they are not required to remove Enterprise from machines that were licensed for it.

Alternatively, customers can follow the same course as they would for computers purchased before 2009: wait until Windows 7 comes out and then purchase a Windows upgrade, at a cost of US\$147 to US\$187.

### Technology Guarantee Purchases

Microsoft has not confirmed that it will offer a Technology Guarantee for Windows 7, and even if it does, it may cover only consumer OSs, such as purchases of Vista Home Basic and Home Premium, which would be eligible for upgrades to Windows 7 Home Basic and Home Premium. However, Vista's Technology Guarantee program offered upgrades from XP Professional and XP Tablet Edition to Vista Business.

If a Technology Guarantee is offered, and it includes business editions, customer choice will then be dictated by whether they will be satisfied with Windows 7 Professional or would prefer the Enterprise or Ultimate Editions.

Computers purchased with Vista Business during this time could be eligible for an upgrade to Windows 7 Professional at a nominal charge. Similarly, customers who purchase Vista Ultimate could get a low-cost upgrade to Windows 7 Ultimate.

If the terms of the Tech Guarantee do not permit such upgrades, or if customers want some of the other advantages of SA, they can continue to purchase SA for new computers, which will ensure them rights to Windows 7 Enterprise.

### After Windows 7

After Windows 7 is available, new computers should all come with the new OS by default, so no further action is required for customers who want Windows 7 Professional.

Those who want more advanced features can purchase Windows 7 Ultimate with their new computer, at an incremental cost likely to range from US\$50 to US\$100. If they want to use the Enterprise edition or other SA benefits, they can purchase SA on their new computers, within 90 days of the computer purchase.

### Resources

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| <b>The editions of Windows 7</b> are outlined in "Windows 7 Editions Announced" on page 6 of the Mar. 2009 <i>Update</i> .  |
| <b>Windows XP's support deadlines</b> are detailed in "Windows XP Leaves Mainstream" on page XX.  |
| <b>Technical details of Windows 7</b> are covered in "Windows 7 Developer Considerations" on page 3 of the Feb. 2009 <i>Update</i> and "Windows 7 Integrates with Windows Server 2008 R2" on page XX. |
| <b>Desktop Deployment Planning Services</b> are described in "Deployment Planning Benefits Modified" on page 21 of the May 2008 <i>Update</i> .   |
| <b>The Desktop Optimization Pack</b> is described in detail in the Jan. 2009 <i>Research Report</i> , "Managing Clients: The Desktop Optimization Pack."  |
| <b>VECD</b> is described in "Licensing the Windows Client" on page 14 of the Sept. 2008 <i>Update</i> .   |

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