

# Microsoft Azure: CSP SCE and Pay As You Go Customer Behavior Analysis



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# Our Perspective

Azure public cloud services are among the most important technologies we deliver, creating meaningful interactions between Softchoice and our customers. Given the scope and importance of this business, we align our services offerings portfolio, methodologies, processes and delivery skill sets to support clients in their usage and adoption of this technology. In turn, our clients look to Softchoice for assistance in using Azure to achieve their larger business objectives. This means helping clients see beyond the technical implementation of various services to Azure's role in supporting business transformation and innovation over the longer term. Our engagements typically begin by solving a business challenge through Azure and then providing long-term support services for those solutions in the form of Softchoice managed services.

The types of customers we engage vary across verticals and industries and are categorized into one of two groups: either they have Azure, or they do not. There are nuances to the customers that fall into these two designations and many other ways to sort and divide them. Nevertheless, quickly understanding if they already have Azure or not quickly informs how we begin our interactions with each customer.

Clients have specific motivations that also inform how we enable them use Azure to achieve their objectives. Some clients are driven by the need to realize cost savings. Some by the need to enable innovation, or for competitive advantage. The fact that clients all have different motivations creates added complexity to each of our engagements. To help them achieve their objectives, it is vital we understand their motivations and their internal measures of success. Our value lies in capturing these insights and using our assessment, professional and managed services solutions to help move them forward.

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Over the course of numerous customer engagements, we have learned a lot about the behaviors that drive different usage models. The purpose of this whitepaper is to describe why different Azure customers prefer different Azure acquisition models and explain how Softchoice has aligned our offerings and managed services to support those differences.

The three primary Azure acquisition types used most frequently by Softchoice customers are the Pay-As-You-Go model; the Enterprise Agreement based Server Cloud Enrollment (SCE) and the Cloud Solution Provider (CSP) model. These three models differ in many ways and in how they align to different customer purchasing behaviors.

The Pay-As-You-Go model is a credit/debit card based purchase model with an approval process to be invoiced should the client not want to use card-based payment. The only requirement is the client have the appropriate credit card credit limit or cash flow capacity to pay for their Azure consumption on a monthly basis. Clients with a relatively small level of Azure consumption generally use this method. It is flexible and allows them to support burst consumption for a month or two or to try additional services as desired.

The SCE model involves making an upfront commitment to consume a minimum of \$12,000 in Azure services annually. On the surface, spending \$1000 per month on Azure appears very doable by most customers. However, with the increased use of serverless computing services offered by Azure at prices that drive down overall consumption totals, it is possible to accomplish many workload objectives without spending more than \$1000 a month through an Azure SCE subscription. This leads to concerns among customers that they will not spend to the level they have committed and thus lose their upfront investment. However low this risk may be, it is something many customers worry about, at least in my experience.

The CSP model is a Pay-As-You-Go model supported and managed by a partner. This introduces additional benefits to clients using the Pay-As-You-Go method, such as billing terms for the consumption of Azure services as opposed to using a credit card. It is even more attractive for some clients using the SCE method, who must commit to a minimal

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annual Azure spend and then become concerned about their ability to meet their spending commitments. The additional value-added services provided by Softchoice through CSP also reduce the risk for the client by providing unlimited support and configuration mentorship backed by cost optimization services to help them achieve their objectives.

The three Azure procurement models are so fundamentally different it is difficult to compare each in terms of the technical differences, terms, and conditions. I have come up with a simpler analogy to help illustrate the differences between these programs, not in terms of how they are contracted or financed but in how they align to different customer behaviors. That analogy is transportation.

Modern humans are a very mobile species. We depend heavily on technologies to allow us to travel to places all over the globe on a regular basis. Of all the forms of transport available, the car is the one most commonly used. It is also a useful device to illustrate how the different Azure procurement models support different client behaviors.

To start, I want to lay out a scenario based on my own experience with cars. I live about 50 miles outside of Philadelphia in Pennsylvania. Most of my daily life plays out within a 45 to 60 mile radius of my home in the suburbs. On a monthly basis, I travel to a city or two somewhere across North America such as Chicago, Toronto, Atlanta or Los Angeles. A few times a year I will travel internationally to destinations like Panama, Brazil, or perhaps a country in Europe or Asia. Each one of these trips presents a new travel scenario and through my personal experience, I have developed certain preferences for how I get around those destinations once I am there. These preferences are analogous to the types of customer preferences we find with respect to the three primary Azure procurement models employed by our customer base.

At home in Pennsylvania, I have a series of destinations I travel to regularly. I rarely need GPS because I have learned the routes I prefer and that are most efficient. For this type of travel, my mileage for the year is quite predictable. In my suburban life, it makes sense to own or lease a car in terms of both overall costs and convenience.

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There are of course some drawbacks. I have the responsibility of making the actual car and insurance payments. I have to fuel the car and cover any maintenance or repair charges.

Since I have a predictable amount of travel, let us say I decide to lease my vehicle. In choosing this option, I have full responsibility for managing my ownership and usage of the car. Since I am leasing the vehicle, I get some of the maintenance and warranty coverage that comes with the lease. This is contracted through the dealer directly with the manufacturer of the car. In the SCE model, this equates to how Microsoft manages the infrastructure and underlying services of the data centers that serve up Azure. I make a commitment to leasing that car with a predictable amount of usage in mind, just as I make a commitment to using Azure for a few years at a time.

When I travel for business in North America, I typically find that I am in an area that has the same traffic laws as my own home state. I also regularly travel with my coworkers to attend multiple client meetings, which means a fair bit of time on the road. Unsurprisingly, I usually prefer to rent a car for these trips. I get a car that I can use for the time I am in that particular city. I still drive it myself and have to cover my own insurance. However, I do not have to manage the maintenance and other responsibilities that come with actually owning a car. I do not need to worry about repairs or cleaning it. I only need to worry about the route I need to take to get to my destination, ensure I have enough fuel, and then drive there.

This rental model is analogous to the Pay-As-You-Go model of Azure procurement. I can pay for the services I need for the time I need them and then give it back without penalty, just like renting a car. It obviously would not make any sense for me to purchase a car just to conduct a week's worth of customer visits in, say, Seattle. This is similar to the SCE model. Signing up for an SCE and then renewing it annually requires a fair bit of time and planning – just like buying a car. Using the SCE model only makes sense when it comes to supporting predictable cloud needs over the longer-term. SCE can be less attractive to clients that need the flexibility of a Pay-As-You-Go model.

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When I travel to other countries or when renting a car is not ideal, I use Uber. In the Uber model, all I need to worry about is where I am going. Someone else worries about how to get there, the vehicle, the fuel, the rules of the road, the insurances, vehicle maintenance and repairs. Uber might cost me more per mile than owning or even renting a car, but I do not mind. I am happy to pay a little extra to have someone else worry about the details of owning and operating a car and getting me to my destination. I also only pay for Uber when I actually need it.

How does this connect to Azure procurement? We know that the driver works for Uber. Uber provides an app and payment system while the driver provides the car and driving services. This is akin to the CSP Azure procurement model. Softchoice provides the driver services equivalent in Azure while Microsoft provides the actual Azure services the same way Uber provides the app and payment system. Through CSP, Softchoice provides a number of services that reduce the learning curve and management burden associated with using Azure. This includes taking on the heavy lifting of analyzing spending trends, optimizing workloads and security, and monitoring their usage of Azure services to help them reach their goals. Through these value-added services, Softchoice allows the client to focus on how they are going to use Azure to accomplish their business objectives.

These travel scenarios highlight the different client needs as it relates to their use of the three different Azure purchasing models. This is the key to understanding CSP and how Softchoice helps CSP customers. We have built our services offerings for Azure by aligning them to our client's purchasing preferences, which are based on different needs and different situations. In many ways, we have let customers dictate how our Azure procurement advising processes and managed services offerings work. This is why we are seeing client's move between programs, including switching from SCE to CSP. Moreover, just as I use three different methods of car-based transportation depending on the situation, a client may take advantage of more than one Azure consumption model, depending on their situation.

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The SCE model is typically more suitable for organizations with established use cases. This model has found favor among enterprises that have years of established patterns of IT spend and usage. These clients can be confident in their commitment to a given annual spend on Azure, the same way I can be sure I can lease a car and not go over the mileage limits in my home community. This is why we see so many of our EA customers use SCE instead of Pay-As-You-Go or CSP. EA customers have a history of utilizing predictable services in their own datacenters. Translating these services into annual spending on Azure cloud is a relatively simple exercise. Softchoice does provide managed services to these clients, if they want or need these services. Just as I lease or own my own car, I choose when and where I get the maintenance done or from whom I buy the tires. The dealer may advise me to use their own services; however, the choice and responsibility are ultimately mine.

SCE customers taking advantage of Softchoice's managed services still have the ability to choose to do things differently. They can setup their own series of services and leverage Azure without Softchoice's involvement. Many companies want this flexibility just as I want the flexibility of owning my own car. The customer will engage us when they need us. We will proactively send reports and information, but it is their ultimate responsibility to take action on that information, or not. In this scenario, Softchoice's role is akin to that of a car dealer. A car dealer helps the client find the right vehicle, payment plan, warranty and maintenance options. Similarly, Softchoice helps the client determine their Azure commitment levels and facilitates their contracting of Azure SCE. We also advise them on maintenance plans, or, for Azure, offer Softchoice Managed services, which some will choose to buy and some will not.

In the Pay-As-You-Go model, Softchoice is not really in the picture. This is a direct rental agreement between Microsoft and the client, which is akin to a driver renting a car from a rental company. When Pay-As-You-Go customers have a need for the service, they get it from Microsoft directly. Just like the rental car scenario, the driver who rents the car would not go to a car dealer and sign up for an extended warranty on that rental car. It does not make sense. This is also how Pay-As-You-Go customers typically look at Managed Services from partners like Softchoice. It is very rare for a Pay-As-You-Go customer to engage with Softchoice for additional managed services to support them without considering a different usage

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model like CSP first. Many customers are gravitating towards CSP because of the need for additional support and we are seeing customers switch from Pay-As-You-Go to CSP for these reasons.

CSP is where the sweet spot is for many customer use cases now. Cloud consumption includes both predictable multiyear workloads as well as rapidly scaling and elastic workloads measured in hours, minutes or even seconds of usage. Public cloud has made it possible for customers and lines of business to build business models based on monthly or even hourly cloud usage. CSP helps organizations take advantage of these and other opportunities.

For many organizations, having the flexibility to scale their purchase of cloud in direct correlation with the income earned from the use of these services is ideal. The SCE model, however, does not work well for this type of customer because they must pay upfront for what are likely to be unpredictable patterns of consumption. The best option in this scenario is to buy Azure services as you need them. This is especially true when you have a partner like Softchoice who can significantly reduce the learning curve and help the client get immediate value by using Azure and Softchoice Managed services as a monthly bundle through CSP. Clients taking advantage of this approach benefit from starting out with a solid cost and security governance model in place facilitated by Softchoice. They also realize the safety and comfort of having Softchoice proactively manage and support their workloads throughout the duration of their use of Azure CSP. For this reason, we see many customers opting for this approach and even switching from SCE to CSP for some workloads.

If I moved to New York City, I would sell my car and Uber everywhere. This is a perfect way to highlight why customers may want to switch from SCE. Just like the Uber model, if I need a ride, I get one quickly. I do not have to worry about the details. I just get where I want to go. CSP with Softchoice provides a similar benefit to clients. They get the Azure services they need when they need them and do not have to worry about figuring out how to setup their own cost governance and security scenarios. They simply choose their options and can deploy vetted solutions that Softchoice has already designed. They get where they want to go with Azure quickly and easily – and with the support of Softchoice to ensure things go smoothly.

*“With CSP, customers get where they want to go with Azure quickly and easily – and with the support of Softchoice to ensure things go smoothly.”*

This is different from the SCE model. When a CIO decides to use CSP with Softchoice, they automatically get the managed services and mentorship to be confident in their use of Azure. With SCE they do not get this from the start – even if they use Softchoice managed services. Signing up for SCE and then renewing it annually is a time consuming and stress inducing process for many customers. Moreover, they still have people accessing and using Azure who can introduce potential risk – be it cost or security related. Softchoice provides that governance oversight as a requirement in CSP, becoming a force multiplier for the client’s use of Azure.

*“Azure CSP with Softchoice is more than an Azure procurement model”*

To summarize, Azure CSP with Softchoice is more than an Azure procurement model. It is about aligning the client’s business needs with a way to achieve their goals in a supported and secure way. It reduces the risks of the unknown. It increases the effectiveness and efficiency of a client’s IT, Application and Database administration teams by taking the responsibility of cloud governance and cost management and giving it to Softchoice to manage. There will be customers who fit all three models and some that find value in multiple Azure procurement models for different use cases. Softchoice will continue to offer managed services to SCE clients and will continue to help these clients find success in their consumption and governance of those services. However, customers who are looking for a different experience and less worry will gravitate towards Softchoice Azure CSP services. Along with ‘new to Azure customers’, we are seeing a desire with existing Pay-As-You-Go and SCE customers looking to move to the more flexible and worry free CSP model.

## About Softchoice

Softchoice is one of the largest IT solution and managed services companies in North America. We help organizations transform their business by embracing a secure Hybrid IT strategy and driving technology adoption with their end users. This makes their business more agile and responsive to customer needs, and makes their employees more productive and happier too.

The logo for softchoice, featuring the word "softchoice" in a white, lowercase, sans-serif font. A stylized, white, handwritten-style flourish or symbol is positioned above the letter "i".