

VMWARE ENTERPRISE LICENSING (VMWARE ELA)

BUYER'S GUIDE-FEBRUARY 2019

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SECTION 1: OVERVIEW

Introducing the VMware Enterprise Licensing Agreement

Even the most advanced IT department has difficulty procuring, deploying and managing thousands of assets in an enterprise environment.

The average enterprise overspends on software by 25%¹. Meanwhile, 37% of installed software lacks proper licensing, creating audit risk². With VMware in particular, enterprise licensing is even more difficult to navigate. According to Gartner, finding useful advice on VMware enterprise licensing is next to impossible, thanks to a lack of public information and highly-customized terms and conditions³.

This guide is your starting point to VMware Enterprise Licensing Agreements (ELA). The 3-year contract simplifies your licensing while unlocking up to 40% in savings on new licenses and support. Use this resource to uncover the key actions you must take to unlock the most value in negotiating, optimizing and renewing your VMware ELA.

¹Amy Konary, "IDC Software Licensing and Pricing Predictions 2016: Top 10 Predictions," LinkedIn, Nov. 23, 2015. <https://www.linkedin.com/pulse/idc-software-licensing-pricing-predictions-2016-top-10-amy-konary>

²BSA Global Software Survey, 2018. ³Eugene Quillen, Edward Weinstein, "Five Key Essentials for VMware ELA Negotiation Success," Gartner, April 17, 2017.

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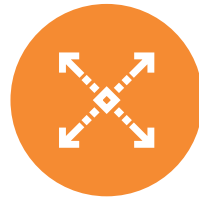
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Key Benefits of VMware ELA



Value

- Enjoy 20-40% discounts on pre-paid licenses and support & subscription
- Control costs through volume pricing and predictable budgeting
- Unlock deeper discounts and options with cutting-edge solutions, such as NSX or vCloud Suite



Flexibility

- Access to the full catalog of VMware software and solutions
- Tack-on additional volume purchasing programs as needed
- Leverage ELA credits for third-party managed & professional services, such as Softchoice's VMware Lifecycle Advantage Program



Simplicity

- A unified licensing agreement for your worldwide organization
- A single view into VMware and hybrid IT licensing, environments and roadmap
- Predictable and stable software asset and support budgeting

Softchoice makes it easier to get the most of your VMware ELA investment with:

- Data-driven optimization of your VMware licenses, based on usage
- Experienced negotiators to unlock next-level value and discounts
- Custom roadmaps to accelerate time to value while meeting your needs
- Complete training and managed services to help your IT team focus on priorities

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SECTION 2: THE BASICS

The VMware ELA helps enterprises unlock major discounts, add efficiency to asset management and pursue hybrid IT initiatives.

The Key Components of the VMware ELA Typically Include:

- Standard 3-year agreement for all VMware investments
- Between 20-40% discounts on pre-paid licenses, and support & subscription (SnS)
- Option to add-on additional volume purchasing programs anytime
- Complete, worldwide licensing coverage

Terms & Negotiation: The VMware ELA offers fixed-rate discounts on all VMware licenses and SnS over a three-year period. Unlike other major enterprise agreements, the ELA is paid entirely upfront (with financing options available from valid partners such as Softchoice). Because the terms of each ELA are unique to each customer, and based entirely on negotiations, it is essential organizations diligently approach planning and negotiations. Working with a third-party expert to understand your needs and add leverage to negotiations is highly recommended.

Minimum Purchase Requirements: A VMware ELA requires a minimum purchase of \$250,000 (all figures USD) of net new assets and/or ongoing support and subscription (SnS), after discounts and excluding existing investments. For example, a new ELA quote might be broken out into \$250,000 of net new VMware costs, and \$350,000 of existing SnS, for a total of \$600,000. Importantly, the sum of your ELA must include at least 30% of net new investments. In certain cases, you can reduce the minimum purchase needed if you pursue specific cutting-edge projects VMware wants to incentivize, such as virtualizing your network or expanding your hybrid IT infrastructure (NSX, vSAN, vCloud Suite, etc).

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Add-On Volume Purchase Programs: At any time, customers can leverage VMware's alternative volume purchase programs to top-up their ELA and/or to hit required minimum spends. Programs such as VMware's Enterprise Purchasing Program (EPP) and Hybrid Purchasing Program (HPP) are different from the ELA. They offer far smaller discounts on licenses and SnS; and they are token-based programs where credits are paid for upfront and used flexibly, as needed over-time. ELA customers are automatically moved into the highest-level discount program when they buy licenses outside of their agreement. You can find a full list of VMware's purchasing programs in the appendix to this guide, [here](#).

Stated Out-Years and Renewals: The stated out-year is the year following the expiry of the ELA. During negotiations, customers will decide under which terms licensing and SnS will resume during this stated out year if the ELA is not re-negotiated. Usually, customers will receive a less substantial discount during the out year, with prices jumping back to market price after that.

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SECTION 3: PLANNING

Planning is an integral part of the ELA negotiation process. Enterprise leaders must understand their current and future needs before they can decide on the proper licensing path.

1

Current Environment Assessment:

Develop a complete, up-to-date report on your investments, entitlements, current usage (what is actually installed and in-use), license version and support expiry.

2

Map to Business Needs:

Working across the business, procurement and IT lines, determine how your current environment falls short (or exceeds) forthcoming requirements. Clearly lay-out upgrade targets, anticipated licensing and support costs in connection to upcoming business goals and strategies.

Is your VMware environment in need of a checkup?
Get a clear diagnosis of your licensing and support needs, today.

[Request VMware Licensing Check Up](#)

Define Your ELA Strategy

Depending on your current state and future plans, enterprises can leverage the ELA in a number of distinct ways. Each has its own characteristics business situation, goal and ELA benefits.

1. Traditional Enterprise Discounts

Enterprises with a clear need to spend \$250,000 over the next three years on net new VMware licenses and SnS.

Example Customer Goal: Major enterprise with plans to build a new data center

WITH NO ELA		WITH ELA	
Net New License Needs:	25 servers at 2 CPU each = 50 vSphere and 1 vCenter license for ~ \$300,000	Net New License Needs:	25 servers at 2 CPU each = 50 vSphere and 1 vCenter license for ~ \$240,000
Net New SnS needs:	\$ 45,000 per year, \$135,000 for 3 years	Net New SnS needs @ ELA Discount:	\$ 95,000 for 3 years
Existing IBR (including SnS)	\$600,000 (at \$200,000/year of existing IBR)	Existing IBR (including SnS) @ ELA Discount:	\$500,000 (at \$175,000/year of existing IBR)
Total Non ELA Costs Over 3 Years:	\$1,135,000	Total ELA Costs:	\$835,000

TOTAL SAVINGS OVER 3 YEARS WITH ELA: \$300,000 or a 26% discount to non ELA total costs

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2. Upcoming Major Virtualization Project

Customers who currently fall below minimum ELA requirements, but are soon deploying major transformational virtualization projects, projected to cost > \$250,000.

Example Customer: Medium-sized enterprise pursuing NSX Project

WITH NO ELA		WITH ELA	
Net New License Needs:	35 CPU's of NSX = \$244,825 (\$6995 per CPU)	Net New License Needs:	35 CPU's of NSX @ 20 Discount = \$195,860 (\$5596 per CPU)
Net New SnS needs:	\$183,645 (\$1749 each per year)	Net New SnS needs @ ELA Discount:	\$117,516 (\$1119 each per year)
Existing IBR (including SnS)	\$300,000 (at \$100,000/year of existing)	Existing IBR (including SnS) @ ELA Discount:	\$240,000 (at \$80,000 per year)
Total Non ELA Costs Over 3 Years:	\$728,470	Total ELA Costs:	\$553,376

TOTAL SAVINGS OVER 3 YEARS WITH ELA: \$175,094 or a 31% discount over non-ELA costs

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3. Top up ELA for SnS Discounts

Customers who have no urgent net new investments planned, but want to maintain SnS discounts. Use additional volume purchase programs to buy tokens and hit ELA minimums at renewal time.

Example Customer: Customer with annual support costs over \$400,000.
(Remember, ELA requires at least 30% of eligible ELA spend to be on net new investments).

WITH NO ELA		WITH ELA	
Net New License Needs:	None planned	Net New License Needs:	Customer buys \$250,000 of tokens with EPP (can be used anytime on anything during contract)
Net New SnS needs:	None planned	Net New SnS needs @ ELA Discount:	None planned
Existing IBR (including SnS)	\$1,200,000 (in SnS costs alone, per year)	Existing IBR (including SnS @ ELA Discount:	\$900,000 upfront (at \$300,000 per year)
Total Non ELA Costs Over 3 Years:	\$1,200,000 minimum	Total ELA Costs:	\$1,150,000

TOTAL SAVINGS OVER 3 YEARS WITH ELA: \$50,000 or a 4.3% discount to non ELA total costs

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SECTION 4: NEGOTIATION AND RENEWAL

Negotiating your ELA is one of the most critical stages to get right. As opposed to other major vendors, very little public information is available about the terms, conditions and standard discounts available with VMware's largest-value contract. Every ELA is customized and designed specifically for the needs of every individual enterprise.

Best Practices for Negotiating your VMware ELA

After helping deliver hundreds of ELA negotiations, we've identified a number of strategies enterprises use to get the best deal possible.

Timing: Like all businesses, VMware faces pressures to hit quarterly and yearly quotas. Some enterprises have reported success by timing their negotiations to coincide with these milestone calendar events. VMware's fiscal year is "off-quarter" alongside Dell, so April, July, October and January are prime times to push for a better price.

Buy Cutting-Edge Products: As a general rule, VMware incentivizes customers for adding incremental spending on next-generation, cutting-edge virtualization solutions, offering higher discounts for SKU's such as NSX, vSAN, vRealize, and vCloud. Buying the bare minimum in new spend on the core, traditional VMware technologies will not optimize your discounts.

VMware-To-Data Center Ratio: A Gartner analysis showed no direct correlation between discount and ELA size. What it did show, however, was a close relationship between discounts and the percentage of client systems being licensed for a product in each deal⁴. In other words, organizations making the biggest possible technical commitment to VMware get the biggest discounts. Therefore, a midsize organization spending \$1 million to buy all VMware products for 100% of its systems gets a better discount than an organization spending the same amount to virtualize just 5% of servers.

⁴Eugene Quillen, Edward Weinstein, "Five Key Essentials for VMware ELA Negotiation Success," Gartner, April 17, 2017.

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Compare Buy-as-You-Go Volume Discounts With an ELA:

Organizations that buy licenses ad hoc may qualify for volume discounts based on their spending over the previous 24 months under the Volume Purchasing Program (VPP), without signing a VMware ELA contract. Buying \$175,000 worth of software at list price would earn 1,750 points and obtain Level 4 discounts of 12%. Note, maintenance and support services are rarely discounted without an ELA. Still, compare your options to understand if the ELA is truly needed.

Define the Licensed Organization, Territories and Affiliates:

The ELA can offer a worldwide contract for all your licensing needs, across subsidiaries and regions. However, your contract must clearly define every sub-organization and territory in your business that is included. Never assume your overseas subsidiaries will be included unless it is clearly stated in the contract. Global contracts are signed with VMware International in Ireland and should also identify all your international operations or affiliates as licensees if they use the software. If a merger or acquisition is likely, a percentage increase in organization size by turnover or the number of systems licensed may be negotiated, but this can affect the deal price and discount.

Negotiate “Out Year” Maintenance and Support Pricing:

The most valuable item to negotiate is a fixed-price for maintenance and support service subscriptions after the end of the contract. Otherwise, ongoing production maintenance and support costs will come as a huge shock once the ELA lapses. Clients should obtain a fixed price for “out year” maintenance and support services after the end of the contract.

Final Checks Before Signing: Before signing a contract with VMware, don't miss out on any special promotions published on VMware's website (see appendix). Check that new licenses cannot be purchased for less as bundles or upgrades. Ensure that unwanted licenses have been eliminated from the cost of maintenance. Plan to optimize your future negotiating leverage in preparation for maintenance renewal.

Use Channel Partner: Having a partner on your side in VMware negotiations is highly recommended. Experience and long-standing relationships can unlock deeper discounts and more favorable terms. Having an experienced licensing partner also ensures you are putting your best interests forward and selecting the plan that is right for your unique needs. Experienced software licensing partners have a firm understanding of which points can be leveraged, and how to get the maximum value for the duration of your agreement.

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Renewals and Out-year negotiations

Once your ELA period is over, prices for ongoing costs such as support and subscription (SnS) will begin to rise. Any net new licensing purchases will also need to be negotiated and will not benefit from previous ELA discounts.

Back to the Drawing Board: In your final year of the ELA, you need to once again obtain an objective, up-to-date picture of your current licensing and support costs. Use those insights to compare how much your costs will be over the next three years with a new ELA and without.

Topping Up Purely For SnS Discounts: Enterprises might decide to top their ELA using volume purchasing programs with the sole intent of prolonging SnS discounts. They can spend the \$250,000 minimum on VMware tokens, for example, with the ability to leverage those tokens (or not) for other new VMware licenses in the future. Often, the initial investment creates enough of a discount on ongoing support prices to deliver significant savings to the bottom line.

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Maximize Your VMware ELA Success With Softchoice

From planning to renewals, and optimizing everything in between, your VMware ELA is a demanding, high-risk process. Deploying your resources and executing on your strategic virtualization plans is another problem, all together.

Introducing Softchoice’s VMware Lifecycle Advantage Program

Softchoice’s data-driven assessments, professional services and VMware Lifecycle Advantage Program are designed to maximize returns, enable resources, and realize your transformation goals with the VMware ELA.

How Softchoice helps optimize your VMware ELA

Planning	Negotiations	Optimization
Hassle-free picture of current environment, entitlements and install base	Leverage our experience negotiating hundreds of ELA contracts to get you the best discounts possible	Stay on track with 16+ scheduled workshops, check ins and assessments with your dedicated VMware specialist
Paint a clear picture of your future needs based on business goals and consumption modeling	Gain the upper hand with factual, objective, business-driven requests	Ongoing access to key Softchoice resources, exclusive networking events and webinars, planning and optimization tools
Black-and-white business case and financial strategy for ELA, comparing licensing alternatives	Buy exactly what you need, nothing more, with our cost-effective procurement methods	Make the right, business-driven decision at renewal time, backed up with data and insights

Why Your VMware Licensing Is Better With Softchoice:

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	VMware Licensing TechCheck (Install Base Report)		VMware Optimization Assessment
	VMware Storage Assessment		VMware Network Assessment
	Ongoing Optimization & Renewal Assessments		VMware Partner Badge "Premium Corporate Reseller"
	Top VMware Solution Provider (North America)	#1	VMware Partner Canada
	VMware Partner North America	1,700	VMware Customers
400+	400+ VMware Certified Sales Professionals	60+	Solutions Architects with VMware, Virtualization, Hybrid IT and End-User Expertise

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ABOUT THE AUTHOR



SAM MOBLEY VMware Specialist, Softchoice

As a VMware Specialist at Softchoice, Sam helps to manage our VMware Software License Advantage Program. A former VMware Renewals Manager, Sam is focused on making sure Softchoice Customers get the most from their VMware entitlements. He is based out of Denver, Colorado.

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Quick links to important documents

[VMware ELA Hub Page](#)

[VMware Licensing Health Check](#)

[VMware ELA Webinar \(recording\)](#)

[5 reasons to get VMware licensing right \(article\)](#)

[Why type of VMware customer are you? \(infographic\)](#)

[Everything you need to know about the VMware ELA \(article\)](#)

Additional Resources:

VMware end-user license agreements are available at: www.vmware.com/ca/download/eula.html

Licensing guides can be accessed at: www.vmware.com/support/support-resources/licensing

VMware Purchasing Programs: www.vmware.com/go/purchasenow

VMware Sales Promotions: www.vmware.com/promotions

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