Microsoft

Modern Pricing Changes.

Future-proofing Microsoft's Commerce Model

We've seen significant global change in the 30+ years since we introduced Microsoft licensing
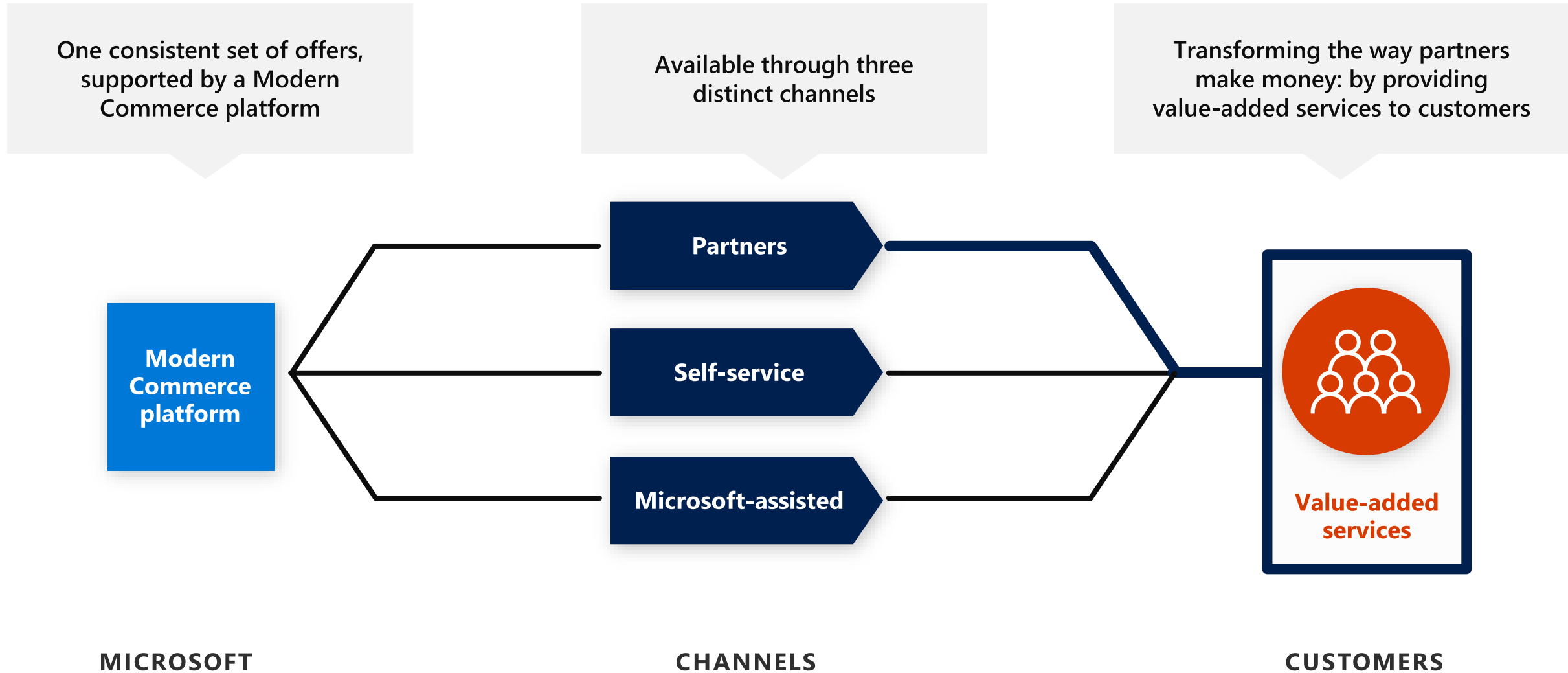
As we look to the future, we must upgrade our commerce model to better support our customers' needs, grow our business, and successfully compete

Now, through a single platform, we'll deliver what customers want to buy, how they want to buy it, and when they need it

Enabling Digital Transformation
To better serve our customers, Microsoft is changing how it does business

One consistent set of offers, supported by a Modern Commerce platform

Available through three distinct channels

Transforming the way partners make money: by providing value-added services to customers

Modern Commerce platform

Partners

Self-service

Microsoft-assisted

Value-added services

MICROSOFT

CHANNELS

CUSTOMERS

Modern Commerce: a Journey

Align Online Services Pricing

Align Government Pricing

Update Discounting Policies

Update Product Pricing

Align Online Services Pricing

Drivers — Customers looking to understand Microsoft pricing frequently find the pricing **inconsistent and confusing**

Strategy — Update our pricing structure for small to midsize customers to create **consistency and transparency** across the purchasing options

Action

Align Web Direct and ERP pricing for online services across all programs

Program	ERP	Net
Web Direct	$30.00	
CSP	$30.00	$24.00
Open/OV	$30.00	$25.50
Indirect EA	$30.00	$25.50

Effect

This aligns pricing across programs helping customers to get a common starting price regardless of purchasing method (through field sales, partner, or self-service)

By aligning prices across programs, partners will be able to compete on the value of services offered rather than price

Align Government Pricing

Drivers — Government pricing was aligned to the lowest commercial pricing in Web Direct and CSP in September 2017, but other programs still have a **price differentiation**

Strategy — Update our pricing structure for government customers to **create consistency and transparency** across the purchasing options

Action

Align government pricing to lowest commercial price in Open/Open Value, MPSA, Select Plus, and Enterprise Agreement

Effect

This aligns pricing across programs removing inconsistencies between CSP and other programs, which is currently a factor in government customers struggling to compare solutions due to pricing discrepancies

Update Discounting Policies

Drivers Our existing pricing and discounting policies were designed to **sell software at scale**

Strategy Update our discounting policies to align with **cloud procurement methodologies** to, for example, reward customers for **longer term commitments**, scope of product investment, utilization, etc.

Action

EA/MPSA/Select Plus
- Level A: Remove volume discounts but retain price level

Open/Open Value
- Level C: Remove volume discounts AND price level

Effect

This meets a customer's needs in the new world, no longer incentivizing them to standardize unnecessarily on software

The focus shifts to meet customers' on-demand needs while empowering partners to provide value added services, which drive higher customer value on their journey through digital transformation
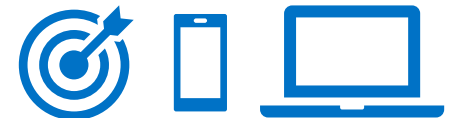
Update Product Pricing

| Drivers | Systematic **review** and **update** of pricing |

| Strategy | Adjust pricing to **better represent** the **significant value added** to products over time, and to **recalibrate user and device pricing** |

Action

- Adjust prices for Office 2019 and server products
- Align Windows 10 Enterprise user and device offers

Effect

Price changes will be reflected on the October 2018 price lists

October 2018

Thank you.