

How Hybrid Licensing with Microsoft CSP opens new business opportunities for service providers with Azure



Software licensing has never been an easy topic. Every vendor, every program has its own terms and conditions under which resellers and customers are allowed to purchase and use IT services. Licensing was already an expert job in the on-premises world, and it requires an even more in-depth insight, as many services are also offered as cloud-based subscriptions

The combination of on-premises and cloud solutions opens a whole new era of business opportunities for service providers. It enables them to differentiate in the market, add value to customers and find new business. Adequate and clever software licensing is a prerequisite to keep a critical eye on costs and seize the best options with an increasing focus on hybrid licensing.

In this whitepaper, service providers can find answers to the following questions:

- What is hybrid licensing?
- How does Hybrid licensing relate to the Microsoft CSP program?
- What advantages can SP's gain by hybrid licensing in CSP?
- Why is Azure in CSP so interesting for hosting and managed services solutions?
- What possible scenarios exist for service providers to increase their business?
- How can I get started?

What is hybrid licensing?

Most organizations currently run IT applications both on-premises in private clouds and in the public cloud. Expectations are that the hybrid cloud environment will become the mostly used environment: there will be hardly any businesses that are either 100% on-premises or 100% cloud-based. Hybrid cloud requires a different way of licensing: hybrid licensing, a model in which perpetual licensing

and subscription models are both taken into account and deployed in the most cost-effective and lucrative way. Defined by Microsoft, hybrid licensing means licensing Microsoft technology across Volume Licensing programs to provide software services to your customers. Can you dive into the world of hybrid licensing on a lazy Friday afternoon? If you are an expert, maybe yes, but in most cases: no. Hybrid licensing requires a thorough insight into the terms and conditions of all licenses and contracts involved. It even goes one step further, since hybrid licensing is a great opportunity to redefine the business in terms of cost-effectiveness and new prospects.

Hybrid licensing and Microsoft CSP

CSP is short for Cloud Solution Provider, a Microsoft program allowing service providers to sell Microsoft Cloud Services along with offerings and services which they themselves developed. CSP gives service providers new opportunities to offer value-added services based on the Microsoft cloud and to strengthen customer relationships.

In terms of licensing, CSP is another option for offering Microsoft services in the cloud. However, many service providers and their customers will already have various licenses and/or subscriptions to Microsoft services. So, instead of just taking out another subscription or license on CSP, hybrid licensing helps service providers to find the most convenient solutions within the complete licensing landscape, combining the best of all possible options.

What are the advantages for service providers with hybrid licensing in CSP?

The biggest advantage of Microsoft CSP is that it enables service providers to bundle existing services and create new offers and integrate them into MS cloud. Again, by examining existing licensing models and subscriptions, hybrid licensing is one way to get the most out of this new development.

Service providers may combine or add services to online Microsoft services like Office 365, Exchange Online, Sharepoint Online (CRM Online is imminent) and Azure. Why would service providers want to enroll in CSP? There are three main reasons:

- 1) CSP enables service providers to become the **trusted advisor** for their customers and help them become cloud-ready. Customers will find that their own service provider offers both partner-hosted and hybrid IT services, which lowers the threshold for using cloud services.
- 2) CSP enables service providers to **bundle products** in the cloud. These products could be any relevant service, as long as they enhance the end customer's business value. The big question here is: what product would an SMB need to make his or her business work? That is the product which a service provider would want to develop.
- 3) CSP enables service providers to **integrate with what is already** there. With CSP they can raise the value of their own product in combination with Microsoft cloud products and again, add value to the customer.

Zooming in on Azure in CSP for hosting and managed service solutions

Next to Office365, Intune, Enterprise Mobility Suite and CRM Online, Azure is one of the products and services offered in CSP. Up until a few years ago, Azure was a Microsoft service competing with what service providers offered to their customers. That situation has completely changed: Azure has become a major opportunity for service providers to extend their portfolio of services to their customers.

Two opportunities to build hosting and managed services on Azure

How many service providers are aware of the fact that they actually can use Azure as a platform for their service offerings to customers? Not many, we found out, and that is a missed chance. Usually, Azure is purchased through a 1st Party Volume License Agreement (VL); a one-to-one agreement, which stipulates that Azure cannot be used in a shared environment. However, Microsoft's Online Service Terms (OST) has two exceptions:

- Hosting exception
- Managed Service exception (until 1 October 2015, from then on part of CSP)

The Services Provider License Agreement (SPLA) states that the service provider is not obliged to offer the software from its own datacenter. Some products, including Azure, may also be offered from other datacenter providers. This may be from the datacenter of a partner, competitor or Microsoft itself. Does that open up new opportunities? It sure does, as it means that

service providers can start building their own products based on Azure and go to market under the most lucrative hybrid licensing model. The Service Provider Usage Rights (SPUR) mentions which products are eligible for Software Services on Data Center Providers' servers.

Three (out of many) possible scenarios under hybrid licensing

Service providers often ask which possible scenarios Insight might recommend for their business. An interesting question because there are many scenarios, but each one depends on what service providers want. What is the nature of their business? What services do they already offer? How do they want to develop? Service providers are welcome to discuss their questions with us at any time. However, for now, we will describe three possible hybrid licensing scenarios of the many scenarios that we can think of. These scenarios are:

- Scenario 1: based on the hosting exception
- Scenario 2: based on the managed service exception
- Scenario 3: based on a DaaS solution

How to get started?

We have tried to give an idea of how hybrid licensing can help service providers to use Microsoft cloud services, Azure in particular, combined with custom applications in a hybrid licensing model to enhance their business. As said earlier, the opportunities are numerous, depending on every service provider's specific situation. We only mentioned three scenarios.

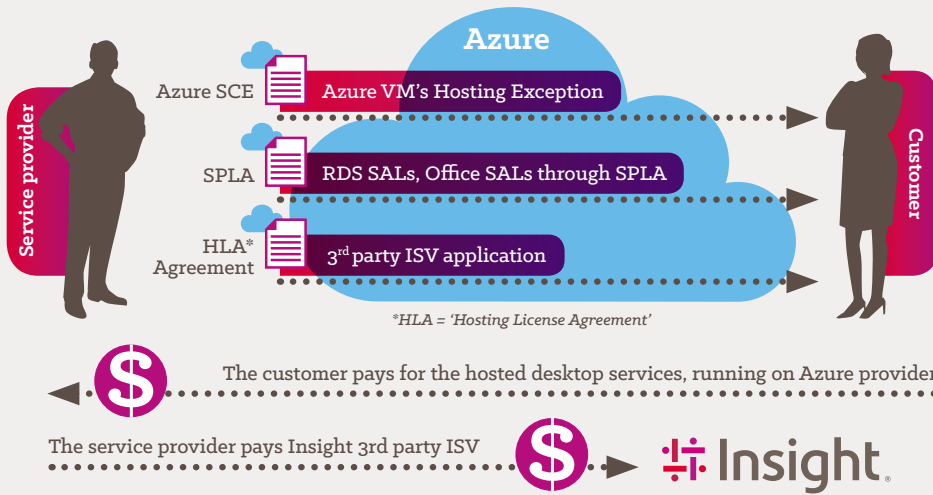
A scenario usually consists of two or more licensing contracts in a hybrid environment. At Insight we have many years of licensing experience and knowledge. We are there to help service providers find their way to use the hybrid environment in the best possible way. The ultimate goal? To help them differentiate in the market and gain a competitive edge, not only by defining a suitable offering, but also formulating the best possible hybrid licensing model in order to manage costs. Our advice is to take it step-by-step. First of all, contact Insight. We have a team of experienced consultants to discuss your business options with you. Together, we will take you through all the relevant issues in order to formulate your needs and wishes, such as:

- Scenarios applicable to your business
- Opportunities to differentiate and build your 'package' offering
- Hybrid licensing for your environment
- Program details & program pricing

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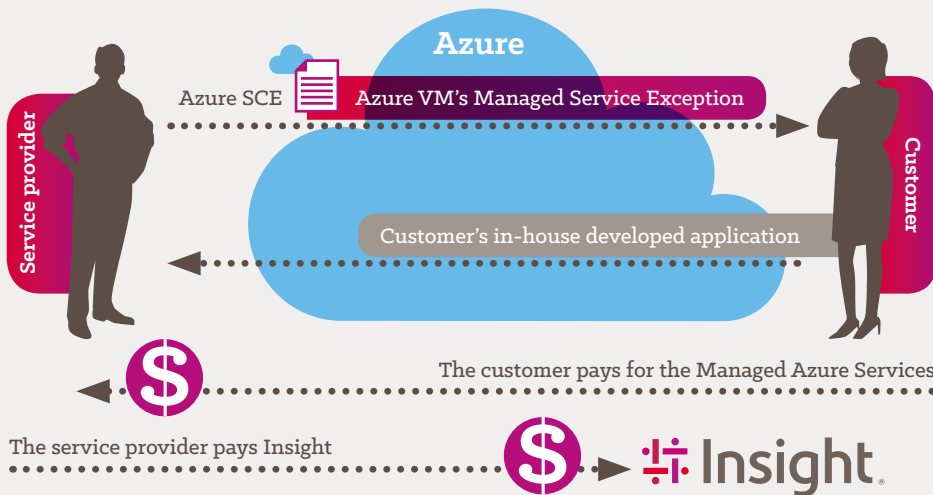
Scenario 1: Hosting exception



Tom is a service provider and he uses Azure as his infrastructure platform. He does not have his own datacenter. Tom uses Azure as his primary computing layer (just VMs and infrastructure). For that purpose he takes out an Enterprise Agreement for Azure with Insight or enrolls in CSP. He already has an SPLA contract, so that he can host eligible products, like RDS, Office 365 or Sharepoint. He builds a custom solution on Azure. Customer Sue pays Tom for his services; Tom has several license agreements with Insight. In this case, Tom does not merely sell Azure as a service, but he

enhances the platform with a Customer Solution, which is a hybrid solution with added value as allowed under the terms of Microsoft. As Microsoft says: "Customer Solution' means an application or any set of applications that adds primary and significant functionality to the Microsoft Azure Services and that is not primarily a substitute for the Microsoft Azure Services."

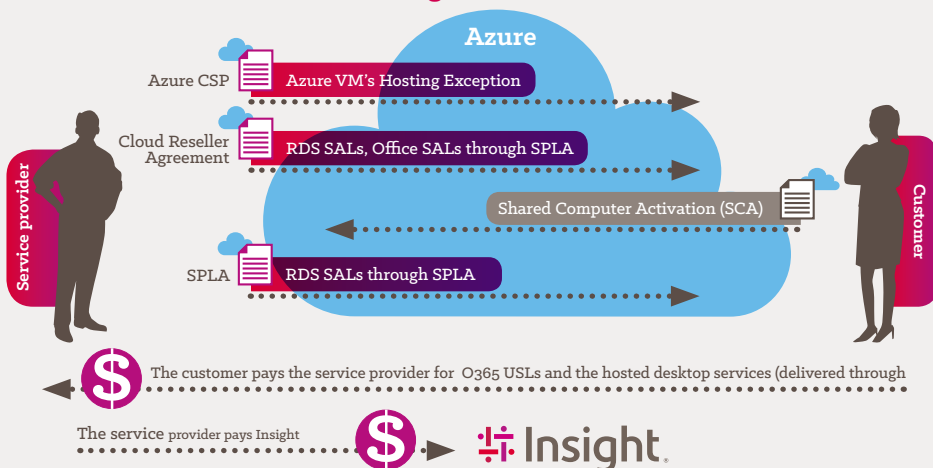
Scenario 2: Managed Service Exception



The same circumstances apply as in the first scenario. Service provider Tom has a virgin VM in Azure, but within the managed service exception. Sue, the customer, wants Tom to host custom applications or third-party applications under Azure, because he has more knowledge and experience than Sue. Tom manages the VMs on behalf of his customer and is allowed to do so under his contract. There is no obligation for Sue to purchase a license for Azure because Tom does management and support on behalf of Sue. Or, as Microsoft says: "A 'Managed Service Solution' means a managed IT service provided by

the Customer (= service provider) to a third party, which administrates and supports Microsoft Azure Services." The managed service exception is valid until 1 October 2015. After that, this scenario becomes part of CSP.

Scenario 3: DaaS - Azure Hosting Services & CSP



In scenario 3 service provider Tom offers Infrastructure on Azure and has a CSP contract. Sue, the customer, has a subscription with Tom for Office 365 ProPlus through CSP and also Remote Desktop Services (RDS) from Tom's SPLA. Via Shared Computer Activation on Azure she can access Office from any device. Tom manages all contracts (Azure, SPLA and CSP); Sue starts working right away.



Once you have signed your CSP Reseller Agreement with us, we help you select the subscriptions you need. After that, we will provide the help and support that will benefit your business. This includes:

- Tooling & management (e.g. CSP Dashboard)
- Training & education (e.g. CSP Boot Camp)
- Differentiating 3rd party add-on solutions (e.g. Lync Enterprise Voice)
- Technical Support
- (white-labelled) Cloud enablement services
- Guidance through the Hybrid Licensing opportunity

If you are interested in growing your business or want more information on the CSP program and hybrid licensing, contact your Insight account manager. He or she will advise you and help you add more value to your end customers.

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