

# How a Business Buys Pre-owned Microsoft Volume Software



## LEGALITIES:

**In July 2012, the question over the legalities of the 'second-hand' / 'pre-owned' Microsoft Volume software market received a definitive answer from the European Court of Justice (ECJ) when it ruled that reselling intangible software in Europe was legal.**

The rights of the software vendor to control the resale of the software copy are 'exhausted' after the first sale of the copy (Exhaustion Principle). This precedent is now enshrined within the European Software Directive 2009. However, this landmark ECJ ruling was not the sole catalyst towards the growth of the pre-owned Microsoft Volume software market. A key factor to its growth has ironically been Microsoft's own aggressive Cloud strategy, whereby companies have been increasingly migrating to the Cloud (albeit at a much slower rate than hoped by the vendor) and therefore leaving behind disused perpetual / on-premise Microsoft Volume software. The combination of the ECJ's landmark ruling (swelling business confidence with regards to buying pre-owned software), plus Microsoft's aggressive Cloud strategy (increasing the number of organisations willing to sell their disused Microsoft Volume software) meant that demand was no longer being curtailed by supply as it had been previously. For the first time since its beginnings in 2003-2005, the secondary Microsoft Volume software market has been experiencing significant 2-3 digit % growth year on year.

## CASE STUDY:

One Call Insurance Services Limited is a well-established UK based insurance comparison company. Upon realising that service and price of insurance could and should be better, One Call Insurance was founded in 1995 with the goal of cutting the cost of insurance, whilst at the same time delivering a high standard of service and as of 2017, One Call Insurance's revenue exceeded £50m, whilst employing approximately 500 staff. Ian Davies is Head of IT Operations at One Call Insurance. With the growth that One Call Insurance has experienced, part of Ian's responsibility has been to ensure the company remains licence compliant and as such, Ian first approached Discount-Licensing in 2014 with the intention of purchasing an additional 100 @ Office 2007 Standard in order to maintain compliancy. Contrary to buying 'new' software through a conventional reseller, pre-owned software gave One Call Insurance the option of purchasing the version that it needed

as opposed to being forced to buy the most recent 2013 version available at that time (and paying the full conventional Microsoft reseller prices) – Microsoft's Volume licensing Product Use Rights (PUR) would then permit One Call Insurance to utilise its downgrade rights to install/use Office 2007 (the version that One Call Insurance was using at that time).



## New v Pre-owned On-premise / Perpetual:

**Towards the end of 2017 when Office 2007 was nearing its extended support deadline, Ian then decided to migrate to its users to a later version.** However through conventional Microsoft resellers, One Call Insurance was potentially staring at a bill of over £120,000. Ian realised that Office 2010 would more than meet the needs of the business and so approached Discount-Licensing who was able to supply 2010 product at approximately 20% of the cost of new Volume Licensing, saving One Call Insurance over £101,000.



## Cloud v Pre-owned On-premise / Perpetual:

**One Call Insurance decided to stay with on-premise perpetual Microsoft Volume software rather than migrating to the Cloud Office 365, in part because when comparing the price of Cloud versus Perpetual Microsoft software, the Cloud 'smoke' screen quickly dissipated after comparing the 3+ years migration costs (Office 365 may be flexible in terms of offering lower upfront costs but this was not an issue for One Call Insurance).** Prices may not take into account the differences in functionality but what Ian Davies observed was that there was / is a huge difference in terms of the cost of the Cloud Office 365 versus preowned on-premise Office versions. In 2017, the rented 'Cloud' Office 365 equivalent option would have cost One Call Insurance £11.50 / month per licence (£410/licence over the following a 3 year period, which is Microsoft's standard lifecycle period). By comparison, Discount-Licensing's pre-owned Office 2010 version came in 86% cheaper than the cost of Microsoft Cloud O365.

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Furthermore, One Call Insurance prefers to purchase its software and then sweat the asset for 6+ years. In circumstances like this, we see the difference in cost between the Cloud and pre-owned Microsoft software doubling. As Ian explains, Cloud Office 365 delivers the latest versions of Office applications, which is perfect for businesses that roll out the latest version as soon as it comes out, plus the management of patches / upgrades are outsourced. Cloud Office 365 does not offer downgrade rights as perpetual volume software does and so businesses need to assign resources to migrate when a new version is released. Given the lack of major changes to the UI (user interface) and improved features / benefits (compared to Office 2013/2016), One Call Insurance decided to sweat its software assets and wait to see what the next launch will bring. In addition, renting the software would not offer the residual / trade in value at the point when One Call Insurance was ready to migrate to a more recent version.



## Why Discount-Licensing?

**100% Insured & Legal:** Any company can make a mistake and given One Call Insurance's core business is insurance, it saw it as imperative that any secondary Microsoft Volume software licence supplier was adequately insured. Every transaction through Discount-Licensing is insured via its Professional Indemnity (PI) Insurance, which protects the channel (original supplier and end customer) in case of any negligence relating to pre-owned Microsoft software purchases or sales. In order to adhere to its PI insurance policy, Discount-Licensing warrants that its transactions adhere to the 'Lawful Checklist' criteria listed below, laid down by the ECJ ruling (2012) and now enshrined within the European Software Directive 2009:

1. Software was first 'put into use' within Europe;
2. Original Microsoft customer's unique Licence Agreement (LA) numbers;
3. Letter of Deletion confirming that the software has been uninstalled from the original Microsoft customer's servers;
4. Ownership documentation leading back to the original Microsoft Customer.

**100% Transparency:** Given the scrutiny sometimes associated with secondary markets, Ian finds it surprising that 15 years after its birth, secondary suppliers of Microsoft Volume software do not provide a web portal for clients to have access to its transactions and supporting documents proving ownership. Discount-Licensing has built such a portal, which it calls the 'Secondary Software Licence Centre (SSLC)' where One Call Insurance can view / obtain a copy of its Microsoft software licence invoices, the 'Letter of Deletion' (from the original Microsoft Customer), a summary of its secondary software licence entitlement and media downloads. Having such information immediately available for secondary Microsoft software licence clients via an online portal is a welcome answer to Microsoft's Volume Licence Service Centre (VLSC) – clients such as One Call Insurance can now more easily monitor where it is in terms of seats v licences so that it can maintain 100% compliancy (essential if ever audited). One Call Insurance used to receive physical 'Software Licence Packs', which were then emailed but this is medieval in a digital age and can be lost / misplaced as IT Managers / CIO's come and go; a catalyst for non-compliancy or duplication of purchases. Most secondary software suppliers that do not provide the same level of transparency as Discount-Licensing should give any company reason for caution, especially when rogue secondary software suppliers are flooding the market with software that is not fit for purpose and would not pass an audit; for instance:

1. Advertising a 'Notary Attestation' as a 100% legal 'insurance' could be used to hide illegally sourced software;
2. Microsoft Partner Pack installation keys being illegally resold multiple times;
3. Glossy self-designed company 'software certificates' without the unique Microsoft licence agreement (LA) numbers of the Microsoft customer;
4. Reselling software that was originally 'put into use' outside of Europe, disguising where the licences were originally 'put into use' by facilitating an internal transfer of the licences to a related company that is located within Europe.

**Ian Davies**  
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