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Plan Now For Licensing Windows 7

Analyzing Your Options For Upgrading Today Can Save You Down The Road

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EXECUTIVE SUMMARY

Windows XP has remained the corporate desktop operating system (OS) standard for most enterprises for several years, but its reign will end with the availability of Windows 7 to IT professionals as early as August 6, 2009. Windows 7 is shaping up to be a suitable replacement for organizations that couldn't justify an upgrade to Windows Vista, and it even has some firms that took the Vista plunge rethinking their upgrade strategy. One of the first steps IT managers should take is to determine their firm's Windows 7 licensing strategy and how it fits into their broader Microsoft relationship. Why bother, three months before its release? Most firms have extended the lives of their existing desktops and laptops so that they can tie in the OS upgrade with their next major PC refresh cycle. You will now have to consider your existing system's age, licensing investments, and how Software Assurance impacts initiatives like desktop virtualization to ensure your move to Windows 7 is cost-effective now and throughout its life cycle at your company.

WINDOWS XP WON'T BE AROUND FOREVER, AND WINDOWS 7 LOOKS PROMISING

With the introduction of Service Pack 2 (SP2) in August 2004, Windows XP has been a venerable OS for organizations worldwide. It has delivered the compatibility, security, and reliability that enterprises had hoped for and to this day remains the desktop standard that most firms are comfortable with. So much so that even two-and-a-half years after the general availability of Windows Vista, Windows XP still powers 86% of all enterprise PCs powered by Windows.¹ However, some factors are converging that will finally provide businesses with a compelling reason to shake the status quo and that will end Windows XP's corporate reign. These include:

- **Businesses are supporting aging infrastructure.** One of the first levers most IT operations managers had to pull as they faced tightened IT budgets due to the recession was the span of their infrastructure refresh cycles. With some firms struggling to justify an upgrade to Windows Vista, this simply meant that businesses extended the life of desktops to five years and laptops to four years.² As these businesses refreshed their infrastructure, most have simply purchased or leased new machines from the likes of Dell, HP, and Lenovo with Windows XP pre-installed. Even after the release of Windows Vista, Microsoft has allowed this continued standardization on Windows XP to happen through the use of downgrade rights that benefit everyone: end user companies, PC OEMs, and even Microsoft. How? End user companies continue to get the product they trust, and PC OEMs continue to deliver the product that businesses are purchasing. And why Microsoft, if most firms aren't deploying Windows Vista? Because technically these new sales count as Windows Vista licenses, so Microsoft can continue to tout how successful Windows Vista has been even though most firms are actually sticking with Windows XP.



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- **Windows XP's support is nearing an end.** Earlier this year, Windows XP SP2 entered the extended support phase, meaning it will no longer receive new enhancements.³ On July 7, 2010, Windows XP SP3 will follow suit. Support for the extended phase of both Windows XP SP2 and SP3 will end on April 8, 2014, and new security updates and patches will no longer be released.⁴ While you might think that almost five years is still plenty of time to move off of the OS completely, the other significant concern is application incompatibility. Software vendors try to sync their application development life cycles with Microsoft's OS support life cycle, but despite their best intentions there are always two brief yet awkward phases when some ISVs end support for a legacy OS too early and add support for a new OS too late. This isn't much of a concern for businesses that have already taken the Vista plunge, because the majority of applications that are compatible with Vista will remain compatible with Windows 7, but it's a serious concern for businesses that support hundreds if not thousands of applications (many that were coded in-house) that can only run on XP.
- **Windows XP availability will eventually get squeezed.** Your ability to purchase Windows XP will change after Windows 7 arrives. Eighteen months after Windows 7 is released, or with the release of its first service pack, the OEM licenses bundled with every PC will no longer carry downgrade rights to XP — meaning that to deploy Windows XP you will have to purchase volume license copies of Windows along with new PCs or use existing, unused Windows volume licenses.
- **Firms are finding compelling business reasons for an upgrade to Windows 7.** Everyday client inquiries and research interviews with IT managers have turned up quite a bit of enthusiasm for Windows 7's eventual business deployment. While some clients describe Windows 7 as "Windows Vista SP3" or "what Windows Vista should have been," Windows 7 will deliver a lot of new features that make it a proper successor to Windows Vista despite the fact that it's quite clearly an evolutionary update rather than a revolutionary change. We expect most businesses will find compelling reasons for an eventual upgrade, such as simplified connectivity for mobile workers, improved branch office networking, tighter data security and more granular control of applications, and easier access to data across resources.⁵

WINDOWS 7 DEPLOYMENTS REQUIRE LICENSING PLANNING TODAY

When customers were putting together their plans for Windows XP, things were a lot simpler — there was only one version of XP that you deployed, and the decision to go with Software Assurance (SA) was somewhat more straightforward. Microsoft recently released the breakdown of the six Windows 7 editions, but there are only three you should concern yourself with:

- **Windows 7 Professional.** Microsoft returned to its earlier naming scheme, and what was Vista Business is now Windows 7 Professional. This is the base, business-focused version of Windows

7. If your company doesn't require the Enterprise-only features of Windows 7, this can be your least expensive option. Windows 7 Professional is available via OEM, retail, or volume licensing.

- **Windows 7 Enterprise.** Windows 7 Enterprise is not a specific edition that you can purchase, but it's an edition you have the right to deploy if a Windows license is covered with SA. It includes a superset of features of Windows 7 Professional and is most relevant to global organizations and those that can benefit from the exclusive feature set. Windows 7 Enterprise is only available through OEM and volume licenses covered with SA.
- **Windows 7 Ultimate.** Although Windows 7 Ultimate can join a domain and contains features like Multilingual User Interface (MUI) and BitLocker, Microsoft limited its corporate relevance. It maintains Ultimate is meant for consumers and isn't sold via volume licensing, which complicates re-imaging systems as well as volume activation. If your company uses Windows 7 Ultimate, it will most likely be for media PCs or other exceptions. Windows 7 Ultimate is available via OEM and retail channels.

Microsoft Ups The Ante To Drive You Toward Software Assurance

Software Assurance, Microsoft's software maintenance program, represents a large and predictable revenue stream — and Microsoft is highly motivated to make sure customers buy into it. At 29% annual cost of the license, it's an expensive yearly investment. So you're obliged to examine this expenditure with scrutiny. The decision of whether to invest in SA is becoming increasingly complex — in addition to evaluating the SA program benefits, such as support and packaged services, you now have to think about how else SA affects your desktop plans. The most important factors include:

- **Access to Windows 7 Enterprise.** Like the model used for Windows Vista, only Windows licenses covered by SA are eligible to deploy Windows 7 Enterprise. Windows 7 Enterprise builds upon the Vista Enterprise features and carries some new "Enterprise-only" features (see Figure 1).

One question that we frequently receive from clients is, "What happens to the desktops that we've deployed Windows 7 Enterprise to if we decide to let SA coverage lapse? In other words, do we have to downgrade them to Windows 7 Professional?" The answer is no, but it does affect your deployments going forward. In order for you to continue to deploy Windows 7 Enterprise with that same image on new PCs, you essentially have to cover those new PCs with SA — you can't transfer the right to deploy Windows 7 Enterprise once SA has expired.

- **Desktop virtualization rights.** Microsoft has tied SA directly to your ability to use two forms of client-side virtualization — local and hosted desktop virtualization.⁶ For local desktop virtualization, SA grants customers the right to run up to four guest images on that local system. If you're planning on deploying desktops in a hosted VDI model, SA is required in most cases to purchase the VECD subscription license required to run in that scenario.

- **Access to Microsoft Desktop Optimization Pack.** The Microsoft Desktop Optimization Pack (MDOP) is a subscription-based suite of applications and services focused on helping with client management and provisioning.⁷ Customers can only subscribe to MDOP if the Windows license is covered with SA, and unlike the perpetual right to keep using Windows 7 Enterprise after SA expires, you would have to cease using MDOP.

Figure 1 Breaking Down Windows 7 Enterprise-Exclusive Features

Feature	Focus	Description
AppLocker	Management and security	AppLocker essentially lets IT set what can and can't be installed on client systems through Group Policy. While this primarily might be thought of to help ease PC management, AppLocker can potentially play a role in your Software Asset Management (SAM) strategy. Organizations struggling with rogue application deployments that can cause licensing compliance issues could use this feature to keep deployments in check.
BitLocker, BitLocker To Go	Management and security	BitLocker encrypts client drives so that if a laptop is stolen, the thief cannot get at the data by removing the drive. If this is one of the only Enterprise-specific features you've identified, there are third-party alternatives that provide this on the market as well. New to Windows 7, however, is "BitLocker To Go," which can encrypt external USB sticks as well.
BranchCache	Branch-office connectivity	BranchCache comes in two flavors: one dependent on Windows Server 2008 R2 where your data is cached to branch office Windows 2008 R2 servers, and the other a client-based version where data is cached on Windows 7 systems. Depending on your requirements, this could affect your branch office strategy.
DirectAccess	Mobile connectivity	DirectAccess is intended to reduce the need for a corporate VPN by using IPsec to securely tunnel back into your corporate network. Sound familiar? Yes, this is an implementation of IPv6 and could affect how we think about remote connectivity. This also requires that you have at least one server running Windows Server 2008 R2 to manage the connection.
Enterprise Search Scopes	Enterprise search	Enterprise search is becoming increasingly important today as the information a worker needs might be in a variety of places on the corporate network. Windows 7 will improve the search capabilities in Windows Explorer by adding support for search across local and networked corporate data. This feature is most relevant to organizations with broader SharePoint deployments and using Microsoft's enterprise search products.
Multilingual User Interface (MUI)	Deployment	MUI is most relevant to global organizations that wish to keep the same desktop image across geographies. There can be significant savings in supporting fewer desktop images. Rather than maintaining separate desktop images for each language, organizations can keep a single image, and language becomes a configurable option. It's important to note that this is just for the OS, and your other applications might have language-specific versions.
Virtual Desktop Infrastructure (VDI) enhancements	Client virtualization	In addition to licensing implications around Software Assurance and VDI usage, there are some technical enhancements in Windows 7 Enterprise that help with performance in a VDI environment, including support for multiple monitors, Windows Aero, and Windows Media Player 11.

Understand Your Paths To Windows 7 And Their Implications

One area of confusion concerns the difference between the OEM and volume license for Windows, with customers commonly asking if they're buying Windows twice. Hardware manufacturers like Dell, HP, and Lenovo can't sell you a "naked" PC; there's always an OEM license attached to it. OEM licenses are tied to the physical PCs, and you can't transfer them to another system. The OS license purchased in a volume licensing agreement isn't a complete license — it requires that a qualifying OEM license is on the PC.

While it might seem simple to decide how to actually purchase Windows 7, there are different ways you might acquire it. Each carries tradeoffs and considerations that you should be aware of. These scenarios include:

- **Solely using the OEM license with your PCs.** No matter which route you choose, you should ensure that the PCs you purchase contain the Windows 7 Professional OEM licenses and not any of the consumer versions, since they wouldn't be qualifying licenses for a volume licensing agreement. In this scenario it's possible to use a standard image of Windows 7 Professional that can be used to image all of the new PCs, although since MUI is a Windows 7 Enterprise feature you would have to maintain images for each language. Imaging is available to all volume license customers, and as long as you purchase a copy of the identical version, you can build an image using the volume licensed version to be used with your PCs.
- **Purchasing new licenses via volume licensing.** If you have PCs that can handle running Windows 7 and plan on doing in-place upgrades, you can purchase the Windows 7 Professional licenses. This would allow you to upgrade these PCs to Windows 7 — but unless you purchase SA along with the licenses, you can't deploy Windows 7 Enterprise. If you wanted to just purchase licenses, this is most commonly done through a Select License agreement for larger organizations. In the Enterprise Agreement, by definition, SA is automatically included.
- **Renewing SA on your existing licenses.** If you already have SA on your existing licenses that expires before October 22, 2009 and you're planning on upgrading some of your existing hardware to Windows 7 Professional or Enterprise within the next three years, it makes sense to extend SA to capture the release. If your plans include Windows 7 Enterprise, plan on maintaining that investment for the life of the OS at your company. Otherwise, after SA expires you would have to create a second image using Windows 7 Professional. Windows XP shops that are not planning on making the jump to Windows 7 for at least the next three years will have a harder time making the case to renew SA.

RECOMMENDATIONS

CONSIDER YOUR UPGRADE TIMELINE AND DEPLOYMENT REQUIREMENTS

Planning your Windows 7 licensing strategy is not an exercise done in isolation. Your existing licenses and volume licensing agreements, the Windows 7 edition you plan on upgrading to and the timeline, and how SA impacts your deployment all factor into your plans. Your historical approach to refreshing your desktops and laptops combined with the age of your infrastructure by the time you're ready to start your Windows 7 deployment will impact whether you should introduce it via a forklift or "big bang" approach or via the natural rolling refresh cycle.

Your license plans should not just be limited to you Windows upgrade strategy. Because of Microsoft's bundling strategy within their product portfolio, you should also factor in your plans in other product families like Office, SharePoint, and Exchange. There can be opportunities to take advantage of bundles that can drive down costs across your Microsoft investments.

ENDNOTES

- ¹ Forrester's analysis of more than 85,000 enterprise clients found that Windows XP, while still king, is finally beginning its long anticipated decline in the corporate PC market. Picking up ground are both Windows Vista, which now powers approximately 12% of Windows PCs, and Mac OS X, which has ramped up to an impressive 3.6%. See the July 22, 2009, "[Corporate PC Operating System Trends, Q3 2008 To Q2 2009](#)" report.
- ² According to Forrester's Q3 2008 hardware survey, Windows Vista is powering almost 10% of PCs within North American and European enterprises. While this figure might seem unimpressive to IT managers, when specifically asked about their Windows Vista deployment plans, almost one-third responded that they have already started their deployments, with another 26% citing plans to start this year or later. But IT decision-makers don't have an entirely rosy outlook for Windows Vista. We found that 15% plan on skipping Windows Vista entirely and going straight to Windows 7 after its release. And another 22% still have no definitive plans for deploying Windows Vista, and 6% simply don't know yet what their plans are. See the January 30, 2009, "[Enterprises Warming To Windows Vista](#)" report.
- ³ This means that only security updates are broadly available and nonsecurity hot fixes are only available through an extended hotfix agreement.
- ⁴ Source: Microsoft Support Lifecycle, Microsoft (<http://support.microsoft.com/lifecycle/?LN=en-gb&C2=1173>).
- ⁵ IT operations professionals need to start preparing for Windows 7 now, and the best way to prepare for it is by deploying Windows Vista. Short of that, begin testing your applications and hardware for compatibility against Windows Vista SP1. It will pay off with greater compatibility with Windows 7. Why? Because Windows 7 is built on the same code base as Windows Vista, and the vast majority of applications that are compatible with Windows Vista will remain compatible with Windows 7. It's important to note that there will be some low-level application exceptions, such as client security, imaging, firewall, and networking, but the Release

Candidate of Windows 7 shows significant promise, and most IT operations professionals are looking forward to its eventual enterprise deployment. See the April 14, 2009, “[Get Ready For Windows 7](#)” report.

- ⁶ Desktop virtualization is forcing desktop managers to understand the world of Windows licensing to successfully get their desktop virtualization pilots up and running. Desktop managers must brush up on Windows licensing before moving forward with desktop virtualization. See the June 5, 2008, “[Thinking About Desktop Virtualization? Rethink Your Windows Licensing Strategy](#)” report and see the April 9, 2009, “[Desktop Virtualization: The Updated Rules Of The Road For Virtualizing Windows](#)” report.
- ⁷ MDOP is a suite of six services targeted at the management of client systems. Source: Windows Desktop Management and Deployment (<http://www.microsoft.com/windows/enterprise/products/mdop.aspx>).