

Howl at the Moon

The Gray Wolf Financial Market Update

Microsoft Announces Price Increases: What It Means for Your Renewals and How to Prepare

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After making major changes to the Enterprise agreement and eliminating volume-based price levels, Microsoft is now announcing price increases that will become effective July 1, 2026. MS 365 commercial and government plans will see price increases that will affect Business, Enterprise, and Frontline Worker tiers, with hikes ranging from 5% to 33%.

What's Changing?

Below is a chart detailing the changes:

Microsoft 365 Suite	Current List Price	New List Price Effective July 1, 2026	Increase
Business Basic	\$6.00	\$7.00	16.7%
Business Standard	\$12.50	\$14.00	12.0%
Business Premium	\$22.00	\$22.00	0.0%
Office 365 E1	\$10.00	\$10.00	0.0%
Office 365 E3	\$23.00	\$26.00	13.0%
Microsoft 365 E3	\$36.00	\$39.00	8.3%
Microsoft 365 E5	\$57.00	\$60.00	5.3%
Microsoft 365 F1	\$2.25	\$3.00	33.3%
Microsoft 365 F3	\$8.00	\$10.00	25.0%



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Why the Increases?

Microsoft points to the following reasoning:

- **AI integration:** Addition of Copilot features across Word, Excel, PowerPoint, Outlook, and OneNote.
- **Security upgrades:** Expanded threat protection and compliance tools.
- **Market positioning:** Staying competitive against Google Workspace and other collaboration suites.

Mitigation Strategies

Gray Wolf recommends strongly that companies prepare now prior to July:

1. Audit Your Licensing Portfolio

- Identify unused licenses you can remove from your agreement.

2. Tier Optimization

- Move non-critical users to Business Basic or frontline tiers. Reserve E5 for compliance/security heavy roles.

3. Leverage Partners / Explore Alternative Agreement Models

- Microsoft resellers and managed service providers often provide credits, bundled services, or discounts.
- Consider Cloud Solution Provider (CSP) or Microsoft Customer Agreement (MCA).
- CSP may offer more flexible terms and partner-added value.

4. Negotiate Strategically

- While base prices are fixed, custom discounts tied to strategic commitments are still possible.
- Focus on total value, not just seat count.



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Final Thoughts

Microsoft's July 2026 price increases mark a pivotal shift in how organizations must approach Microsoft 365 licensing. The removal of volume-based discounts and the introduction of AI-driven features signal that Microsoft is repositioning its M365 Suites as a premium offering. While the hikes—ranging from 5% to 33%—will strain budgets, they also underscore the importance of proactive strategy.

The most effective response is not simply cost-cutting, but **portfolio optimization**: right-sizing licenses, aligning tiers to user needs, and leveraging partner channels or alternative agreement models for flexibility. Negotiation remains viable, but the focus must shift from seat counts to total organizational value, including commitments to Azure, security, and compliance. Unified Support adds another layer of costs and third-party options are continuing to emerge as viable alternatives.

Ultimately, this is an opportunity to reframe licensing as a strategic asset rather than a transactional expense. Organizations that prepare now—through audits, tier adjustments, and partner engagement—will enter FY26–27 with stronger leverage, reduced waste, and a clearer path to balancing innovation with fiscal discipline.

