Microsoft

Microsoft Partner Network

# Define the Strategy

This guide accompanies the broader Cloud Practice Development Playbooks.

To download the playbooks or for more information, please visit **aka.ms/practiceplaybooks**.

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# About this Guide

As partners increase their digital maturity, the possibilities for delivering value expand. This guide is meant to accompany the broader set of Cloud Practice Development Playbooks with guidance on how to package that value into a solution offer. For some partners, it will require a shift from a demand-based approach to an offer-based approach to building and selling services. Rather than building one-off solutions for each customer, transforming partners have focused on a standard offering for every customer.

This new approach has caused partners to re-examine their business and pricing models. Understand how revenue streams differ among the four cloud business models, and how managed and IP services deliver the highest gross margins. See why pricing transparency is so important with cloud solution offers and learn how partners effectively price their solution offers and how to use the identified value of an offer to define the pricing strategy.

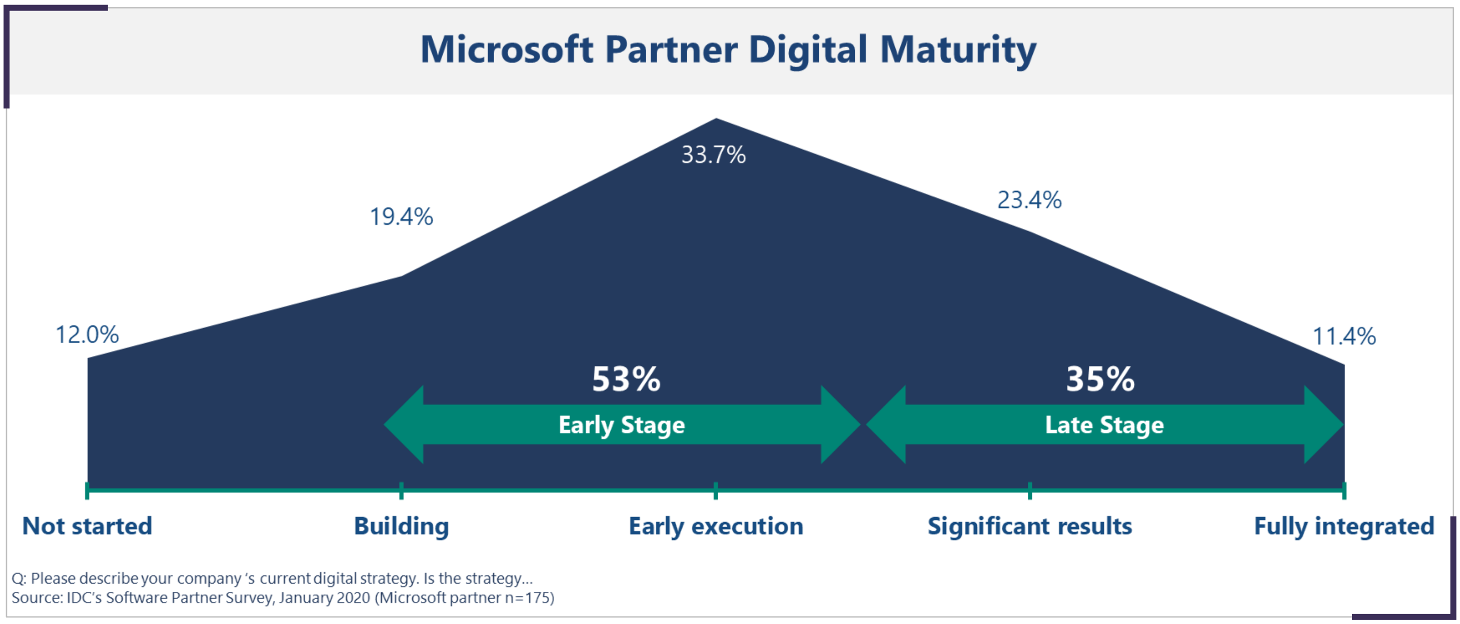
Partners are seeing great success in focusing their differentiation on specific markets and packaging their offers for vertical industries. To further differentiate, they produce their IP to offer unique value. That, in turn, opens opportunities to sell solutions through the partner channel. See how that motion naturally leads to partnership opportunities with other Microsoft partners.

# Digital Transformation Opportunity

The path to digital maturity has shown partners not only what is possible in transforming their own businesses, but has also created greater levels of trust with customers and revealed processes and technologies to accelerate their transformative business outcomes. Partners are executing their own digital transformations while using those experiences to be more adaptive and agile as they move their customers' transformations forward.

The eBook Digital Transformation 2.0: The Partner Journey to Disruption shows how Microsoft partners generally perform well across many challenges that arise when building a digital-forward business. Insights in the eBook derive from an IDC Software Partner Survey (January 2020) which shows 57% of partners had the ability to transform operations and 53% felt they had the right leadership to execute the changes needed. Nearly half had the ability to hire, develop, and retain a digital-savvy staff, while 46% were developing IP aligned with customer digital requirements, and 43% felt they had the ability to engage customers across the customer life cycle.

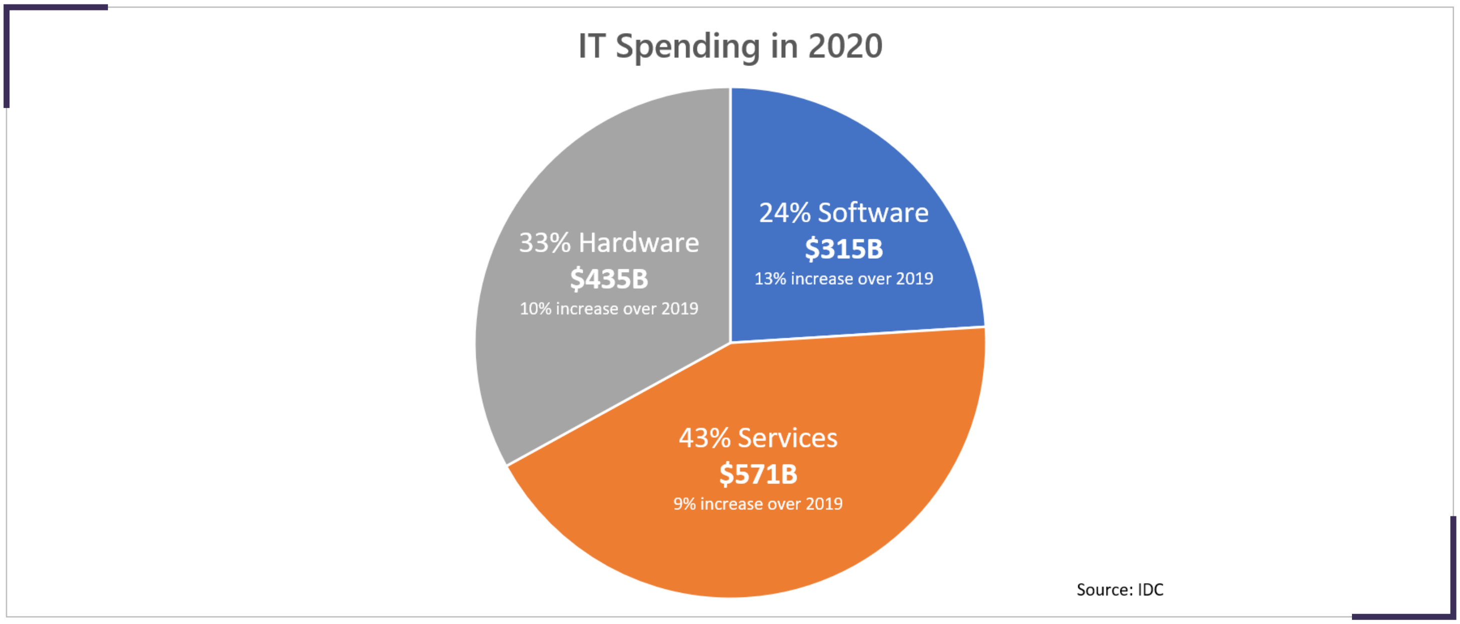
To assist partners in their transformation journey, Microsoft has developed the Partner Transformation Readiness Assessment. It helps establish a benchmark for current capabilities and recommends next steps and resources that align with a partner's business goals to fill the gaps.




Partner expectations over the next two years were that average revenue would increase by 23% in resale and 27% in partner intellectual property (IP). In fact, 39% of Microsoft partners surveyed were investing 6% or more of their total revenue in developing IP.

Those partners in the later stages of digital maturity are the disruptors in their markets. They make larger investments in IP and have higher expectations for revenue growth.

As partners continue with their digital maturity, IDC forecasts that IT spending will amount to $1.3 trillion in 2020.




The most growth over the next five years, according to IDC, is expected to come from leading technologies such as big data, virtual reality, robotics, IoT, and AI. While spending on legacy technology will decrease by -1.7%, the compound annual growth rate for leading technologies will increase 17.2%.

Partners play a key role in helping businesses make the platform and cultural shifts needed, and such transformations are creating amazing partner multiples. In a 2020 IDC study, partners generated $9.58 in revenue for every $1 of Microsoft revenue generated. This increase in partner value is expected to grow to $10.04 for every dollar of Microsoft revenue in 2024.

Digital savvy partners have better insight for positioning the benefits of a modern cloud solution. That becomes important because as demonstrated in the next section, there are different considerations when defining and designing a transformative cloud solution offer.

# Define and Design the Solution Offer

## Defining the Value Proposition

The value proposition is what gets customers excited to do business. It enables them to match their needs with the offered services — ideally, in a way that differentiates the offer from the competition.

Defining the value proposition amounts to building a single phrase from these components:

| | |
|---|---|
| FOR… | Customers, companies, decisions makers |
| WHO… | Needs or problems to solve |
| THE SOLUTION… | Short phrase that describes the solution |
| DOES/INCLUDES… | What is the solution (seen by the customer) |
| AND ENABLES TO… | Benefits for the customers |
| UNLIKE… | Direct and indirect competition |
| THANKS TO… | Killer feature / Company top strength |



**FOR:** Define the target audience. Who would see the value? Those that do will make up the profiles of target customers and companies, and the decision makers within those companies. Try to make these definitions succinct and precise but avoid making them too generic. For example: Companies between 50 to 100 employees, instead of just small businesses. Also, note that the customer may have as many as three different roles: The one who uses the service; the one who decides on selecting the service; and the one who pays for the service. Sometimes all three roles are owned by one person, but sometimes the roles are spread across two or three people.

**WHO:** Describe the specific business process that this solution will help solve. Examples of this include, "improve sales conversation rate," or "spend less time getting to sales insights."

**THE SOLUTION:** Describe the solution being offered. This should be simple to understand and succinct. The easier it is for prospects to understand the solution, the faster the buy-in with lower cost of sales. For example: "A full dashboard service to show the topmost business indicators in real-time." In defining the solution, avoid being too generic (e.g., "a service to increase productivity") or too feature-centric (e.g., "an HTML5 dashboard powered by AJAX").

**DOES/INCLUDES:** Describe the features as the customer sees them. For example: "A globally accessible solution with advanced collaboration features" as opposed to "a digital workplace that powers the experience with external compute in datacenters hosted in 23 regions." Focus on the most important features and use terms that customers are familiar with from their industry.

**AND ENABLES:** Highlight the benefits of the solution. For an emerging market, the benefit should highlight the process improvement. For a mature market, consider highlighting the competitive advantage it provides the customer. For example: "No upfront investment", "free up IT resources to focus on the core business," and "flexible and scalable solution that grows with the business."

**UNLIKE:** Describe what the competition is doing and why the solution is the better one. For example: "Undisputed leader in TPC-H performance," or "a fraction of the cost of most standard analytic solutions with the fastest learning curve."

**THANKS TO:** Describe the "killer feature," or that one tangible argument a customer can use to justify the purchase that does not apply to any competitors. Examples of such differentiators include: "Delivered via a Microsoft Gold Certified Partner in cloud," or "the only solution to operate 100-percent in-country."

**HERE IS AN EXAMPLE OF A COMPLETED VALUE PROPOSITION PHRASE:**

| | |
|---|---|
| FOR... | Companies between 50–100 employees, business services/fast growing, CEO/MD/CFO |
| WHO... | Make sure their team is equipped with the right IT equipment, Focus on their core business |
| OUR SOLUTION... | All-in Digital Workplace service for employees |
| DOES/INCLUDES... | IT device, O365, integration, training, support for 79$/m/user |
| AND ENABLES TO... | No upfront charge, one-stop-shopping, evolution |
| UNLIKE... | Buying fragmented solutions with a big upfront fee to buy the equipment and fund integration services |
| THANKS TO... | Exclusive 24/7 services / Microsoft Gold Certification |



Take the time to create a one-phrase value proposition; it sits at the core of the solution offer.

## Define the Solution Offer

### A solution offer is how the value proposition is packaged.

Determine what it is that customers will buy and balance that with how selling that offer is good for the business. The key here is to think through this offer in advance of a customer need.

Most service providers sell using a demand-based approach. That means they are like the clothes tailor who makes every clothing article on-demand and custom to each individual need. Transforming partners are evolving this into an offer-based approach. In an offer-based approach, the tailor maintains an inventory of jackets that meet customer needs directly or with minimal adjustment.

To switch from a demand-based approach to an offer-based approach, start thinking of services as a product. The solution offer includes the unique value defined in the value proposition, the services included, and the pricing. The key is that this solution offer is a standard offering — it is the same offer made to every customer.

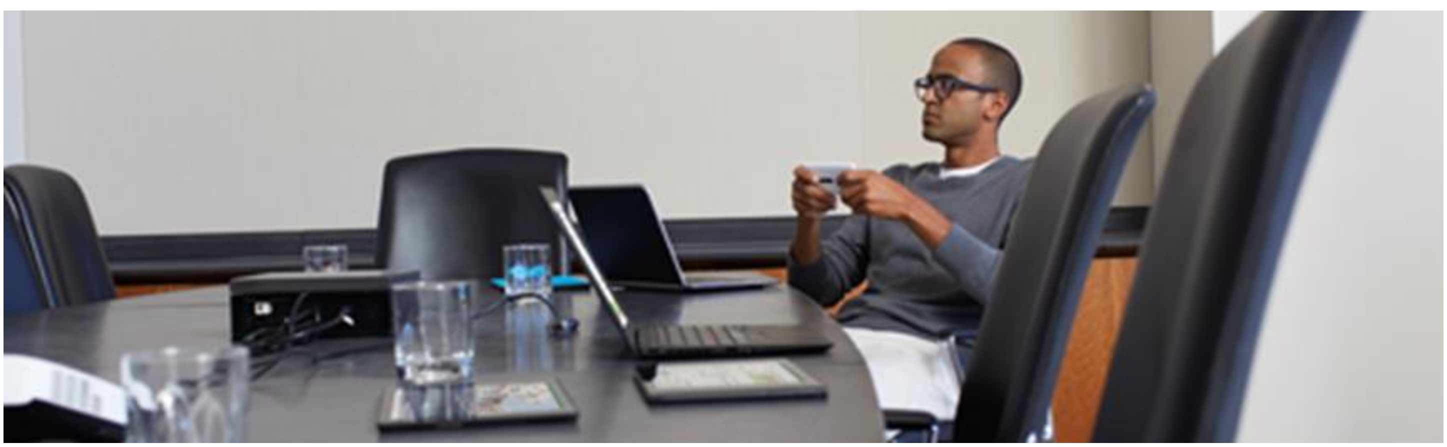
Why is the way a solution offer is packaged important? First, because most customers are now researching for solutions online and making significant decisions before they even talk to a salesperson. A well-defined solution offer can turn a lead into a qualified prospect, or even a customer, without any active intervention. A lack of a solution offer, wherein the lead needs to talk to a salesperson first, may mean the customer keeps searching and gravitates towards vendors that do provide a solution offer that meets the customer needs. Second, this packaging is important because the potential market for tailor-made offers is significantly smaller than those for ready-made offers, which may represent 90% of the market.

Third, by packaging the solution offer in advance, it means the pre-sale effort is done exactly once — no need to repeat it for every prospect. Fourth, because statistics show that the average gross margins for packaged IP (like those in a well-defined solution offer) can take project services margins from 15% to over 45%

#### Services Offered

Project services lead IT revenue and are the most commonly offered solutions to customers across all four cloud-based practices.

IP services are the least commonly offered to customers.



# Vertical Offerings

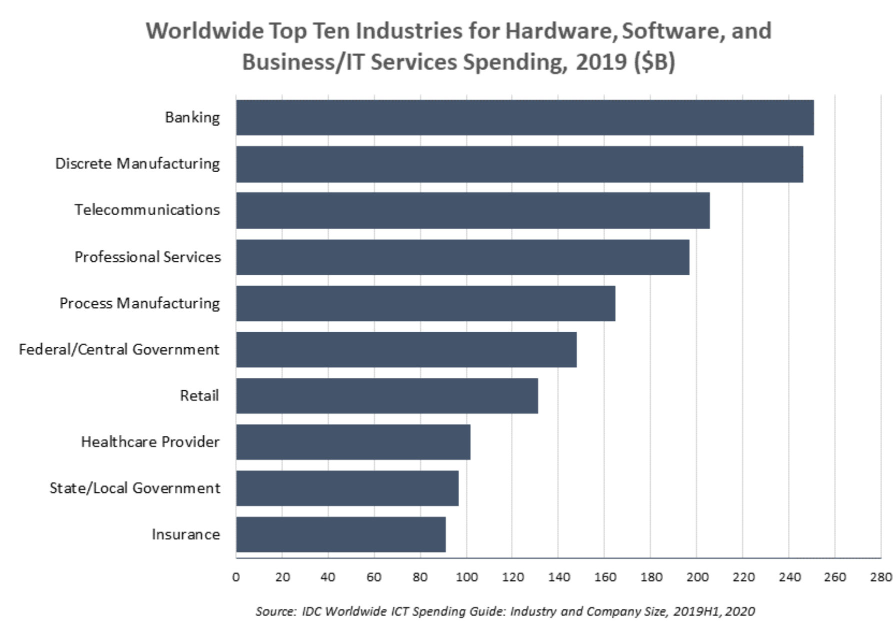
## Consider Verticalizing the Solution Offer

Targeting industries or verticals as a part of their go-to-market strategy is a key best practice among top performing partners. The following are examples of these types of specialization:

- Vertical specialization: manufacturing, banking, retail
- Functional process specialization: accounting, human resources, marketing campaign management
- Technology specialization: systems management, analytics, enterprise resource planning

Think about it this way, if there is lack of differentiation in the market owing to approaches like verticalization, then price becomes primary differentiator. This can erode margins and trap partners in a business they cannot afford to invest in as prices fall to win customers.

Once a primary vertical or set of verticals is identified, the focus is on establishing the company as an expert in the selected areas. This can be achieved through the hiring of subject matter experts, attendance and participation in industry events and online forums, blogging about the chosen topic, sharing customers stories oriented to each vertical and creating content that speaks to the specific needs of customers in each vertical. Partners also focus on a specific technology or become known as an early adopter and technology leader. But the real value comes from IP or expertise in an industry, vertical or business process. The combination of adding IP to a vertical or business process expertise makes that advantage even more powerful. For additional ideas, see the Transforming Products eBook from the Digital Transformation eBook series.




Research with partners suggests that it best to master one specialization before adding additional ones. It is easy to be distracted by saying “yes” to every request, and by diversifying into too many offerings. But in the long run, it is better to say “no” to those projects that are outside of the focus areas. Partners have shown benefit from having a strict focus on one key solution and growing by expanding one vertical at a time.

# Define Service Offerings

It is important to understand the cloud business models and that not all revenue streams are created equal.

**There are four ways to make money selling cloud:**
- ☑ Resale
- ☑ Project Services
- ☑ Managed Services
- ☑ Packaged IP

Partners that focus almost entirely on product revenue have the biggest barrier, and typically see margins in the range of 5–20%. This is because the margins for this revenue line are tied to vendor incentives. These partners are subject to changes in strategy and the desire to fund programs and have the least control over their own destiny.

Project services typically drive a range of approximately 35% gross margin, but this has been under pressure for some time. This is a result of little differentiation in the channel, which has caused billable price points to hold steady over the past five or more years. Concurrently, increasing salary and benefit costs of consultants and inflation have eroded profitability.

As a result, aggressive and entrepreneurial members of the channel have adapted and gone after the higher margin opportunities of managed services, which generate on average 45% gross margin and packaged IP, which often exceeds 70%.

It is these partners who are setting themselves up to be rewarded. The mergers and acquisitions space is quite active. The partners who gravitated toward the recurring revenue lines and realized healthy growth are being presented with much higher valuations. This can have a dramatic increase in the cash event of the company and overall shareholder value — far higher than what a traditional partner focused on product and billable services can realize.

A business plan is a critical asset that helps partners envision and think through the details of the practice, identify gaps to address, and explain the fundamentals of the practice to others. View the video on Cloud Business Plan Preparation and review the Cloud Business Plan Preparation presentation and template for details, profitability scenario overviews, and financial models.

# Define the Pricing Strategy

Pricing for cloud service offerings is no longer determined simply by cost plus margin. It is more about the value a customer receives over time.

Review this five-step approach to determine how to best price cloud-based solutions.

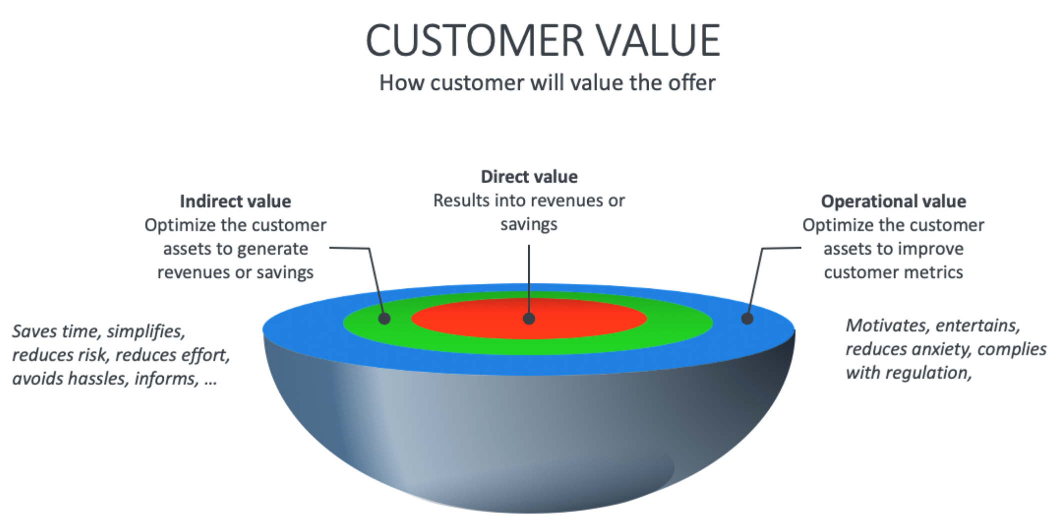
## Step 1: Evaluate the Customer Value of the Offer

Increasingly, the price of a partner's service is based on the expected return on value (ROV) — the added benefits (e.g., better per-unit price, improved service characteristics) customers get by being loyal customers (e.g., buying contracts with longer durations, making upfront payments, etc.). Customers will only pay as much as the value they estimate they will get from the offering.

Three value categories may be considered.

- **Direct value** is the value that a partner can measure in the customer accounting books, and it can be either incremental revenues or cost reductions. For example, selling an E-Commerce solution to a retailer may lead the partner to reach new customers and generate more revenues. Selling a Device as a Service may lead the customer to end his contract with a maintenance company and result in immediate and tangible savings.
- **Indirect value** is the value that is real and tangible but can hardly be seen in the customer company books. For example, by subscribing to Microsoft Dynamics 365, a customer sales team may increase its productivity by 20% although it may not result in immediate incremental revenues.
- **Operating value** suggests better results on key performance indicators defined by the customers such as reputation, employee retention rate, or product quality.

Estimating the value of an offer for the customer will enable partners to set a price range that should ideally be appreciated as a great return for their business.

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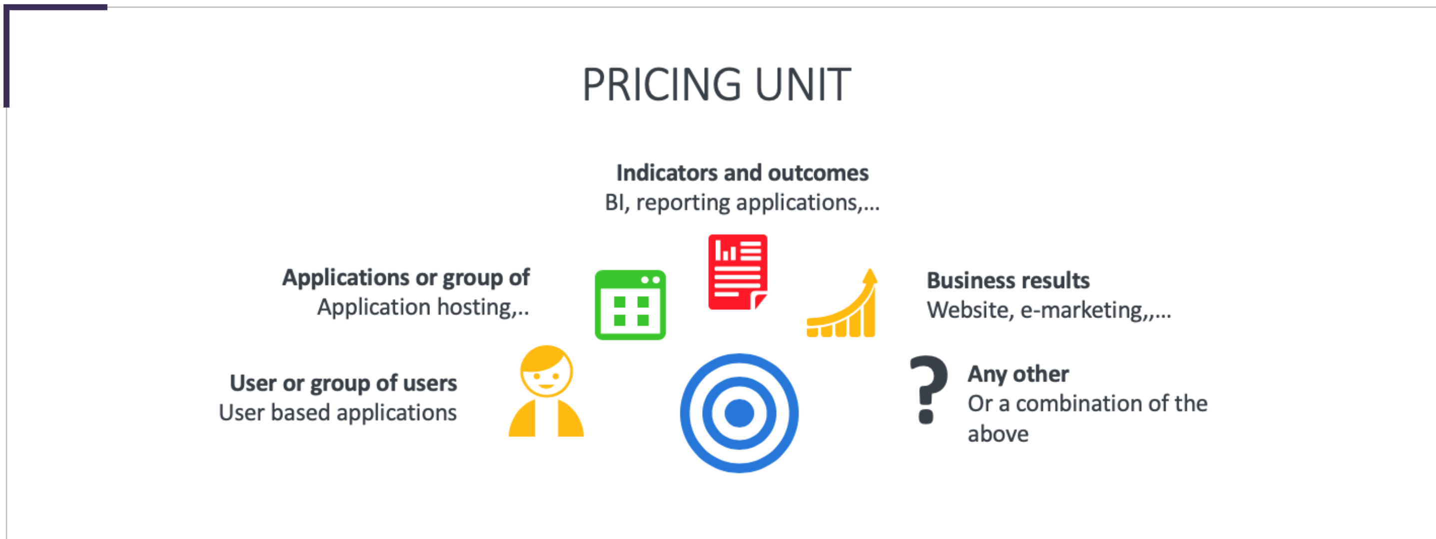
## Step 2: Select a Relevant Price Unit

As usage becomes the currency of the cloud era, a **price per user** is increasingly popular and applied for many solutions. Yet, it may not be applicable for all solutions where the user is not the main variable. It might be better to select a **price per application** instead, or a **price per group of indicators** for a BI solution, or even a **price per result**. Whatever unit is chosen, it should suggest a sense of freedom for the customer much as subscribers of mobile phone plans do not feel constrained by the number of calls they can make anymore.

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## Step 3: Understand the Value of Subscriptions

A subscription can be charged on a per-user, per-device, per-request, or some type of flat subscription fee.

Partners using this model will substitute upfront fees for a variable but continuous revenue stream. The lower upfront costs and pay-as-you-go model is attractive to customers, but this requires partners to ensure satisfaction and quality of service to maintain the customer lifetime value.

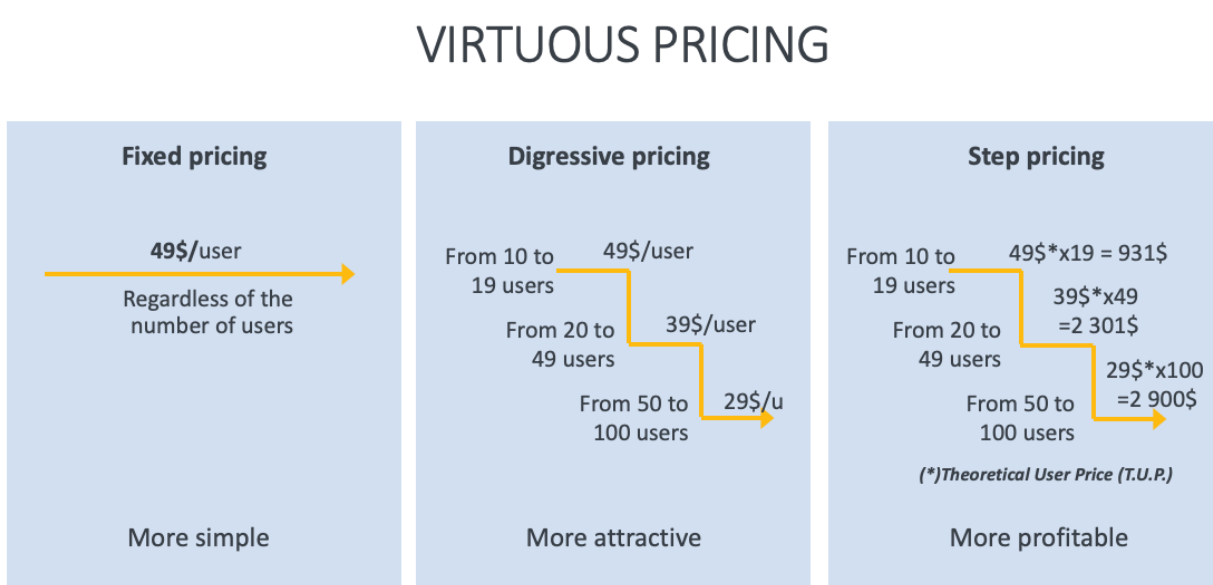
This approach can still allow room for premium services for niche or high-end offerings based on a partner's intellectual property. Such a tiered approach has become popular as partners envision more forms of value, often extracted from data already present in customer systems. This approach can yield higher margins to reinvest in developing more premium offerings.

Your initial offering might simply be a stepping stone into a whole ecosystem to increase adoption and consumption.

As value-based pricing continued to evolve in the cloud era, more consumption-based models emerge. The most common way to drive consumption is to offer subscriptions.

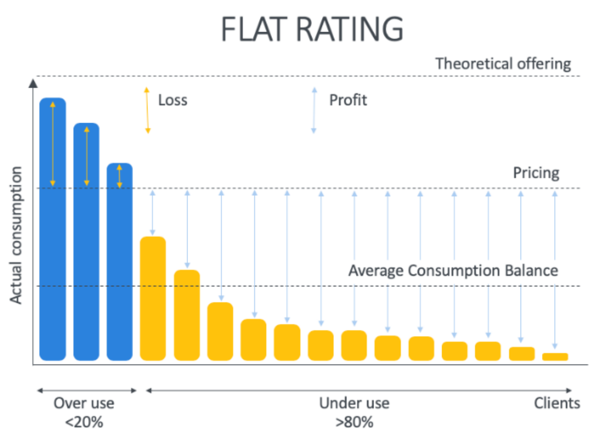
## Step 4: Define Price and the Variation Model

- **Standard pricing** is the consequence of the product and aligns to the accepted industry/application standard. Think of this as reference pricing; as in customers have seen similar products sold for this amount, so partners price their offer so that it is similar. What is the standard price for a mobile phone app? $0.99. If a partner charges more, he is breaking from the industry accepted, standard pricing. This is an old way to look at pricing. Buyers today will accept this model, but they do not prefer it and it provides minimal help in getting your offer purchased.
- **Virtuous pricing** is about using the price as a sales weapon. The goal of virtuous pricing is to create a virtuous sales cycle within customers, where each sale encourages the next sale within the customer organization. It fosters product adoption and proliferation. A fixed price per user is not virtuous pricing. With a fixed price, a partner has a simple pricing structure (which is important), but there is nothing to encourage more aggressive purchasing by the customer.
- **Digressive pricing** drops the per-unit price with the purchase of more units. Customers get a discount per unit price the more they buy. This can help create a virtuous sales cycle within the customer because now the customer is looking for way to bring their cost per unit (e.g., user) down. For example, assume one line of business has already purchased 19 users at $49 per user. Now, there are discussions within another line of business at the same customer organization to purchase a similar product from a competitor or buy from the current partner. The existing customer is incentivized to lobby on the existing partner's behalf because if the other line of business purchases that partner's product, their cost per user will drop to $39 per user. And the cycle can continue as each new group evaluates the solution offering.
- **Step pricing** adjusts digressive pricing slightly to make it significantly more profitable. This method sets the price for each step as the top number of users in the range. Building on the example from digressive pricing, what happens when a customer purchases 15 users? They would pay for the equivalent of 19 users since that is the price for this range of units. Why is this more profitable? Because the customer is effectively paying for the 4 users they are not using (yet)—which goes straight into the partner's profits. Moreover, the virtuous sales cycle has been amplified because the customer wants to get as close to the maximum number of users for the step as possible to get the lowest possible cost per unit.



## Step 5: Evaluate Creative Pricing Models

- **Flat rating** pricing is one of the most powerful business pricing strategies. It is leveraged by banks, insurance, etc., every time a customer pays premiums. While it can have varying levels of sophistication, the model can be described and implemented in a simple fashion. The basic idea is that a partner provides a certain quantity of value for a set cost that all customers pay. Some customers may come close to (or even exceed) using the full value of what they pay for, while the rest are nowhere close. A well-crafted model identifies the average consumption across all customers and creates a situation where more than 80% of the customers are using less than what they are paying for (and ideally less than the average consumption) and fewer than 20% are using more. Set the price above the average consumption. By doing so, the 80% of clients who use less than what they pay for, drive the profit. The further they are below the average consumption, the more profit they generate. For the 20% who use more than they pay for, the partner might take a loss on them individually. However, in the aggregate, the long tail more than covers the cost of heavy consumers, and these heavy consumers are likely to be a partner's biggest champions. So, there are tangential benefits to supporting their cost. Models built around flat rate pricing have shown between 1.5 and 3 times as much profit as traditional models.

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- **Penetration pricing** is a strategy where the price is set intentionally low to reach a broader set of customers, enlarge market share, or exploit economies of scale. It is often used as initial pricing to attract customers to new products/services. The disadvantage of the strategy is that it can set long-term price expectations, and the low price may not be sustainable long enough to garner the sought-after market share. To counter that concern, partners often use low-cost offers to drive consumption and build loyalty while upselling with higher-priced services that also increase value to the customer.
- **Freemium and tiered pricing** is a strategy often used in a tiered model that delivers a base level product or service for free, but a premium is charged for upgraded additional features or services that expand the functionality of the service. This business model has been used in the software and video game industries. It is also used as a land-and-expand strategy where individual users can sign up free, but when an organization wants to maintain control of a product service there is a charge to do so. It requires a conversion rate from free to paid that covers all costs during the customer lifecycle. By selling a product or service for a low or no upfront cost (perhaps even at a loss) and then offering compelling features to add more value to your solution, the higher revenue from the follow-on sales can more than offset the upfront loss. This is becoming popular with IoT offerings where partners sell end-to-end solutions where the add-on devices or software is compatible with their hardware.

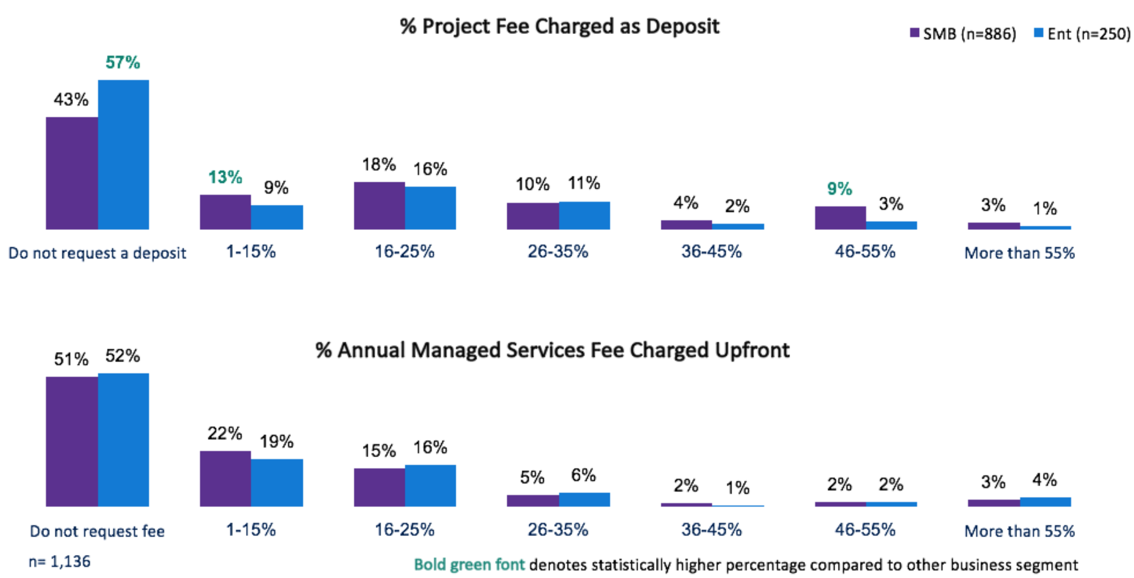
- **Cost-plus pricing** is a specific markup added to a product's/service's unit cost. It is often used to determine negotiated prices for managed services provider (MSP) procurement contracts. Government contract pricing is often done on a cost-plus model. It can ensure that a practice is not operating at a loss but takes no account of demand and perceived value. Fixed costs can also change, which affects the price and profit.
- **Market-based pricing**, also known as competition-based pricing, is an index-based model to align rates with prevailing market conditions and customer expectations for similar products/services. But focusing on the competition assumes very little product differentiation and may take focus away from costs and reduce margins.

## Upfront Fees

### Another consideration of pricing strategy is whether to charge upfront.

Reasons for doing so include providing some working capital to get resources going in the early days of practice, mitigating the risk that a customer abandons a project without any payment, and assuring the customer is as invested in a project. It can also serve to minimize the financial impact to a practice when the customer has requested longer payment terms.

In a 2016 survey of 1,136 Azure partners, only about half charged an upfront fee for project or managed services. When an upfront fee was requested, it was typically less than 25% of the total project or managed services fee.




Source: Microsoft Cloud Practice Development Study, MDC Research, November 2016

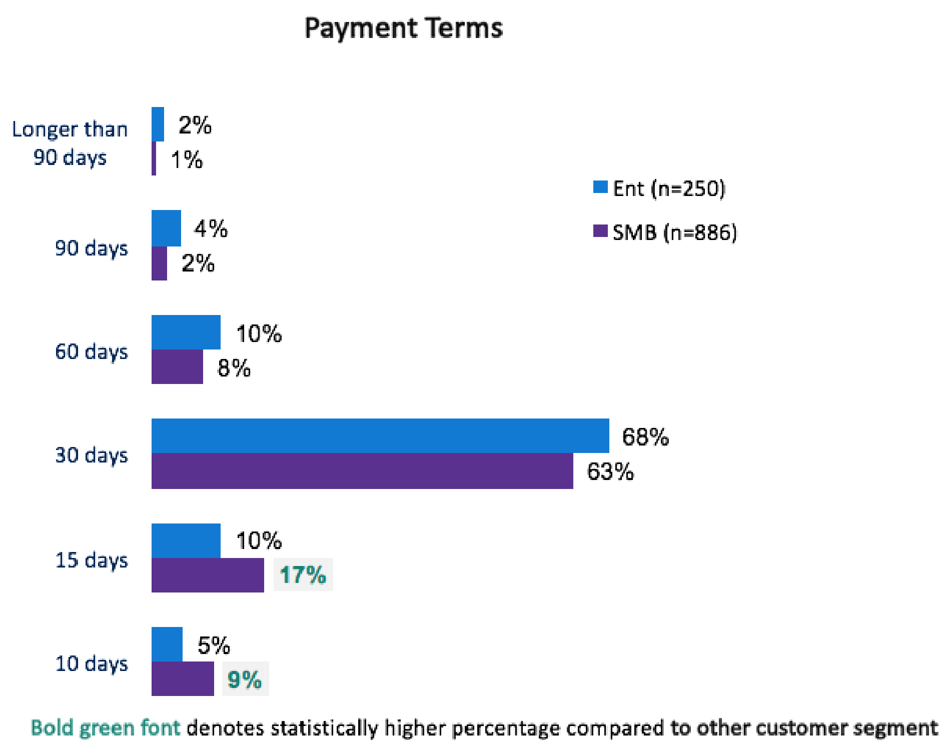
## Payment Terms

### The final consideration for pricing strategy is the payment terms.

This is defined as the duration of time between when the customer is invoiced for service rendered and when payment is received from the customer.

Payment terms are measured in days; for example, 10 days, 15 days, 30 days, or 90 days. These are usually expressed as NET 10, NET 15, NET 30 or NET 90 payment terms. In addition, partners might consider offering the customer a discount for prompt payment on the shortest payment option. For example, NET 2/10/30 is used to describe terms where a 2% discount is provided for payment received within 10 days of invoicing, otherwise the full invoice amount is due in 30 days.

The Microsoft Cloud Practice Development Study found that the most common payment terms used was NET 30, and that for SMB customers shorter payment terms were preferred.




Source: Microsoft Cloud Practice Development Study, MDC Research, November 2016

## Pricing Transparency

When prospects visit a partner website, they are looking for information, and one of the first things they want to know is how much a solution will cost. However, price is often revealed only after speaking to a sales representative. In a cloud subscription model, this will not be effective. The price is part of the value proposition that should be disclosed upfront.

With a subscription model, selling is performed throughout the customer lifecycle with opportunities to up-sell and cross-sell with new workloads, and price should be visible for each new engagement. As partners move away from time-and-materials pricing and have fixed-price subscription offers to choose from, customers want to see their options for very specific outcomes and the price for each option.

This is important because subscription offers typically carry smaller prices paid at prescribed intervals. Each follow-on sale becomes easier, with a shorter time to decision because customers know if they are not receiving the expected value, they can turn off the service.

| BUSINESS TYPE | WEB DESIGN COST | ANNUAL SITE MAINTENANCE COSTS |
|---|---|---|
| Information or Small Business Website | 8-16 webpages<br>$2,000 - $9,000 | 8-16 webpages<br>$400 - $1,200 |
| Corporate Website | 25-75 webpages<br>$10,000 - $35,000 | 25-75 webpages<br>$10,000 - $15,000 |
| Ecommerce Website | 100 – 1,000 products<br>$5,000 - $55,000 | 100 – 1,000 products<br>$15,000 - $30,000 |
| Database Driven Website or Website Application | 20-2,000 web pages<br>$6,000 - $75,000 | 20-2,000 web pages<br>$30,000 - $60,000 |

Pricing transparency can help create a bias toward a company. When partners display their price, even if the offer is expensive, if it delivers value and a customer contacts the sales team, that customer is already qualified and the sales conversation can be more productive. Partners used to time-and-materials billing are often reluctant to commit to a set price, but the price revealed does not have to be exact; it can be a “starts from” price or a price range.

Pricing is something partners should be proud to share. Show pricing early, removing any customer concerns.

# Understanding Intellectual Property

The idea of coming up with "productized" IP may sound daunting. However, many partners found that they already had IP, it just was not packaged that way. A custom solution that was successful for one client may benefit more customers with the same problem.

Review the most successful projects to see if there are repeatable elements that can be productized. Repeatable elements can be a partner's own vertical or process best practices, or their focus on common customer pain points. Start small. IP can be a simple template or just a few lines of code that automates a function in a way that the market typically needs. Productizing IP and creating repeatable processes has been a very successful strategy for many partners. Some partners are achieving gross margins of more than 70% by productizing IP and selling it to their customers on a recurring revenue basis.

Productizing IP helps create stickiness with customers and opens opportunities to sell solutions through the partner channel. Partners that do not or cannot create their own IP can look to the partner ecosystem for incremental solutions that can be bundled with Microsoft's offerings to round out a total solution. There are multiple opportunities for building intellectual property that can be used to expedite engagements, or even as an entire engagement. With the ability to create fully automated solutions, partners can challenge their creative side to build solutions that save their customers money and are differentiated from competitors.

Consider these tips to start productizing IP and go to market:

- **Define the solution.** When partners were asked how they determined what IP to build, the answer was largely the same. Most of their customers were asking for the same thing or something very similar. And rather than continuing to do high-cost custom work for every customer, they decided to productize what their customers were asking for. They bring together sales, marketing, technical, and delivery teams to brainstorm and define what their solution will look like.
- **Determine what will differentiate the solution from others in the market.** It is important that partners think about their differentiation strategy. How is their solution uniquely better than similar solutions in the industry?
- **Market the solution.** As IP becomes a differentiator, it can be packaged, marketed, and sold to customers or other partners as part of their solutions. Partners can also form a co-sell relationship with Microsoft to extend their reach and drive shared business success.
- **Maintain rights to the IP.** As partners make the transition from project or custom services to packaged IP, it is critical they revise their customer agreements to maintain the IP rights to the solutions.
- **Establish a recurring revenue model.** The beauty of deploying IP in the cloud is that partners can light up the recurring revenue model, which will have a positive impact on the valuation of their business and even help cash flows in the future. Microsoft is helping partners that build repeatable solutions to promote their services via commercial marketplaces, such as AppSource, which makes their solution available to 100 million users worldwide.
- **Consider a channel strategy.** One of the advantages of productizing IP is that it opens selling the solution through channel partners. As a partner practice scales, it may want to set up a partner program to ensure partners are adequately supported and delivering the agreed-upon quality of service.
- **Consider a sourcing strategy.** To create IP, it is not necessary for partners to have their own development organization. There are thousands of companies in the world that do software development as a service. But remember to secure rights to any IP in this case.
- **Selling and supporting IP.** As with the managed service model, selling IP requires a support staff, but it is different than typical service deployment in that support becomes less costly as the IP service scales. Ensure that existing contracts can support this move and that a software licensing agreement is created and amended to contracts.

For additional ideas see the Transforming Products eBook from the Digital Transformation eBook series.

# Identify Partnership Opportunities

## Partner to Partner

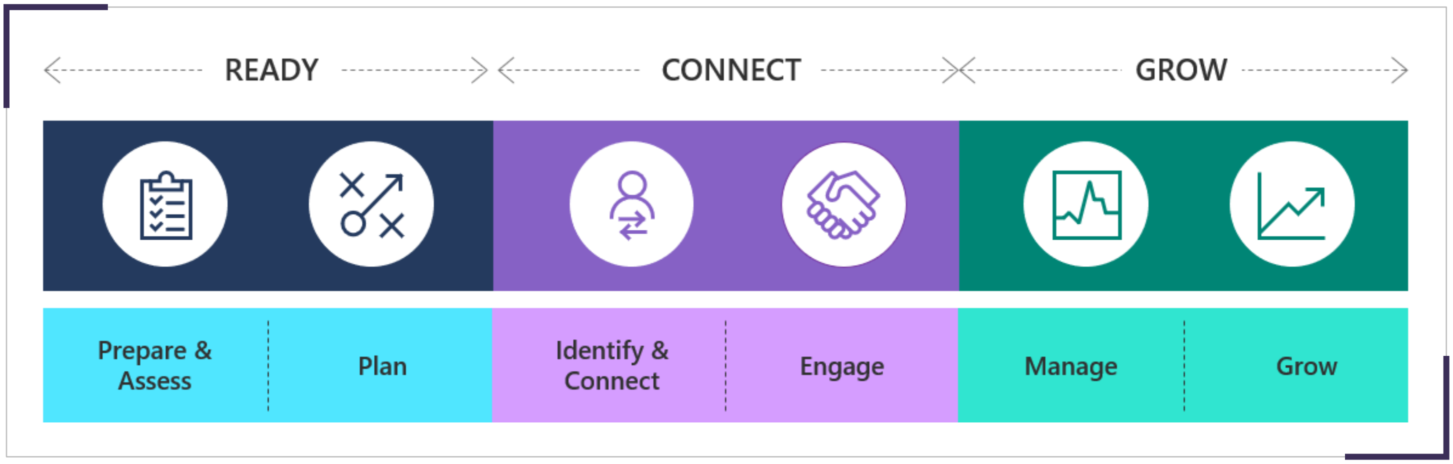
### Facilitate growth opportunities and fill solution and talent gaps through partnerships

Learning how to develop successful partnerships with others in the Microsoft Partner ecosystem can drive efficiencies, revenue, and profits. Digital transformation is changing the way partners approach their marketplaces. It requires the delivery of integrated solutions to address unique customer needs, the capacity to scale and reduce the cost of selling into new markets.

Partnering together successfully starts with defining the value of the business and the goals. That means answering questions such as: What is the mission statement regarding partnerships? How will partners benefit from and monetize the solutions provided? What gaps in the offerings could be filled by strategic partners? What are the steps to engage with partners in a structured way?

### PARTNER-TO-PARTNER SUCCESS FORMULA

To help partners capture these opportunities, Microsoft has collected the strategies, best practices, and resources for successful partner-to-partner (P2P) collaboration. The partnering success formula is a three-stage framework for establishing and managing effective partnerships:




See the full partnering success formula here: https://aka.ms/p2pguide.

- **Ready –** At this stage partners are laying the groundwork for P2P success, defining the value of a partnership, assessing the investment, value chain, solution and talent gaps, and go-to-market partnering plan.
- **Connect –** This is where strategic partners are identified and come together to go to market and effectively manage the partnership. The discussion gets more granular at this stage on how to sell and close deals, with an understanding of how to review the business.
- **Grow –** Maximizing the partner opportunity means constantly pushing for better results and seeking new and better partnerships to drive deeper penetration into the existing customer base and expand the customer base with joint offerings and investments. At this stage, partners are executing joint marketing strategies to expand market reach, generate leads, and increase customer loyalty and retention.

### THE ISV + CHANNEL-BASED MSP COMBINATION

With a little help from a channel-based MSP, an ISV partner can earn greater reach for its IP solutions. Likewise, a partnership with ISV can lead to an expanded partner channel for channel-based MSPs. Some partner combinations meld together well to create success.

### ACCELERATING DIGITAL TRANSFORMATION

New business models, subscription pricing, and resource gaps can make partnering essential to scale and respond to these changing market conditions. Microsoft has linked up its network of partners, making it possible to access the greater partner ecosystem, reduce the cost of selling, increase efficiency and solution delivery, and drive profits.

See the Partner-to-Partner Guide for more details.

# Join the Microsoft Partner Network

## Partnering with Microsoft

One of the first steps in building a practice is to join the Microsoft Partner Network. Members gain access to valuable resources like training materials, whitepapers, and the marketing materials described in this playbook. It is also where partners register their employees for access to Microsoft Partner competencies, as well as their partner benefits.

### TO BECOME A MICROSOFT PARTNER

The Microsoft Partner Network provides three types of memberships. Each type encompasses a set of benefits to help grow a partner business. Participate in the program at the level that suits the unique needs of the business, more access and benefits, and develop the relationship with Microsoft and other Microsoft partners.

**Network Member**: Receive a set of no-cost introductory benefits to help save time and money and use the resources to help build the business and discover the next steps.

**Microsoft Action Pack Subscription (MAPs)**: This affordable yearly subscription is for businesses looking to begin, build, and grow their Microsoft practice in the cloud-first, mobile-first world through a wide range of software and benefits.

**Competency**: Get rewarded for success with increased support, software, and training.

### PARTNER PROGRAM GO-TO-MARKET BENEFITS

One of the key benefits of partnering with Microsoft is the rich set of go-to-market services designed to help increase awareness, generate qualified leads, and expand the business through partnerships. The benefits increase as partners attain competency and publish their solutions in AppSource or Azure Marketplace. The table below provides a summary of those services. Find more details on www.microsoftgotomarket.com.

### SELLING WITH MICROSOFT

There are many ways to sell with Microsoft, like publishing a solution or services to AppSource or Azure Marketplace, pursuing partner-to-partner relationships through cloud solution providers, and selling through Microsoft's inside sales and enterprise field sellers. Co-sell is a selling motion that enables Microsoft and its partners to drive joint revenue and customer success.

To learn more about selling with Microsoft and how to become co-sell ready, visit https://partner.microsoft.com/reach-customers/selling-with-microsoft.