Microsoft

Microsoft Partner Network

Optimize and Grow Guide

This content accompanies the broader Cloud Practice Development Playbooks.

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

Created in partnership with Microsoft by

NEURAL IMPACT
The Neuroscience of Emotional Engagement

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About this Guide

After partners bring their cloud solutions to the market, customer lifetime value continues with strategies to grow the business by optimizing both their operational efficiencies and their market growth opportunities. This guide is meant to accompany the broader set of Cloud Practice Development Playbooks with guidance on developing strategies and processes to continually optimize all facets of a cloud solution practice. Understand the bottom-line levers for driving scalability and cost efficiencies, and the growth strategies that drive profits to fund more growth activities.

To determine where to focus optimization efforts, partners need to benchmark their performance along with key metrics and measure continually to understand their strengths and gaps in execution. This guide provides the key metrics to track for the business and supplementary metrics that may be required for certain cloud business models. It calls out customer experience as a very important metric and provides four steps to improving customer experience and creating long-term loyalty.

Learn how to listen to the voice of the customer by continually collecting feedback and then use that feedback to identify opportunities to improve processes and automate tasks to optimize the solution delivery process. Oftentimes, those efforts will reveal repeatable, streamline processes that can be harvested as intellectual property to provide increased customer value.

To help create a strategic plan for growth, the guide uses an opportunity matrix to assess the risk/reward factors of four growth strategies: Market penetration, market development, product development, and diversification. It goes in the post-deployment nurture marketing and sales activities that are critical to securing renewal-based revenue streams, plus a renewal strategy to consider.

The guide ends by demonstrating the value of partnering, not just with Microsoft but with the entire partner ecosystem.

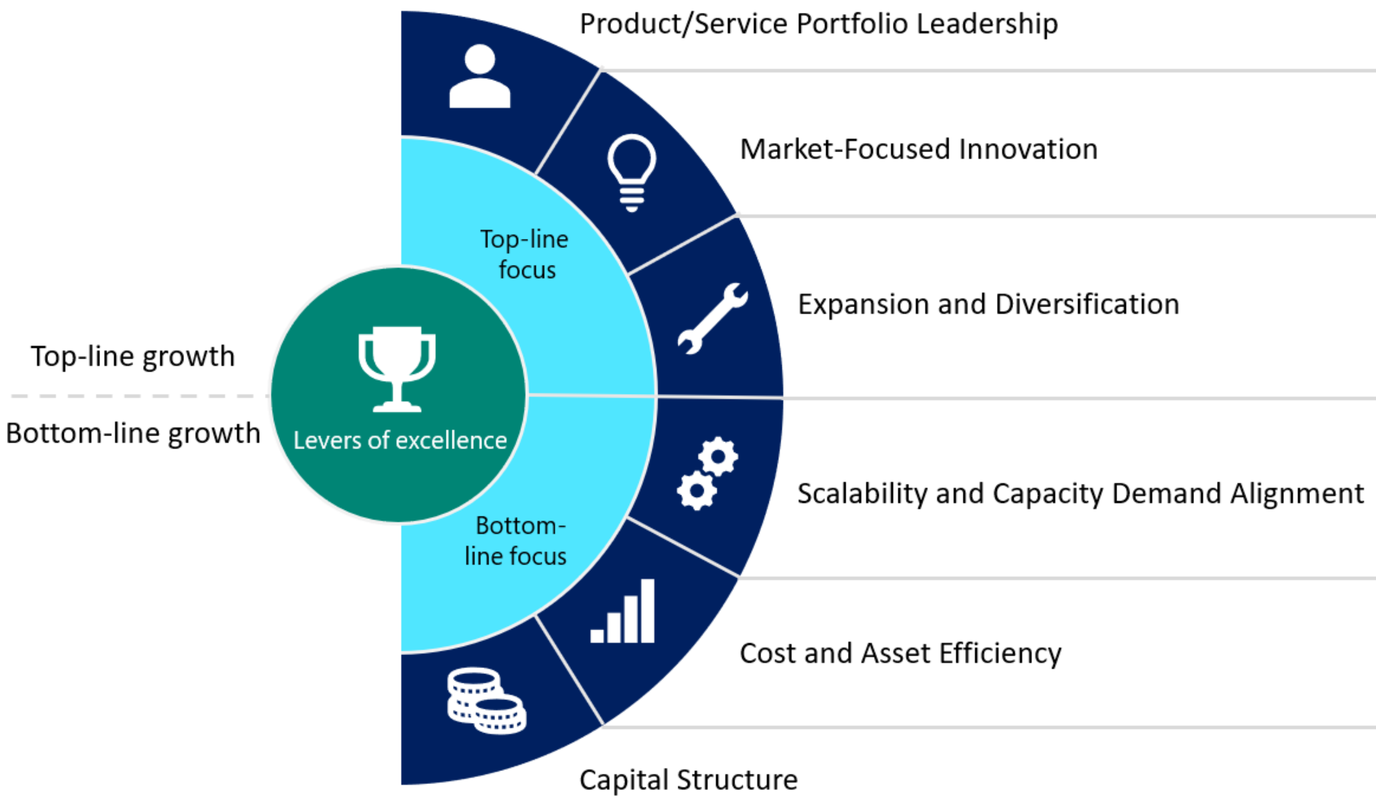
Optimize Through Bottom-Line Efficiencies

The most profitable companies focus on both top-and bottom-line growth.

OPTIMIZATION STRATEGIES OR INCREASE OPERATIONAL EFFICIENCIES

Optimization strategies enable companies to increase value by executing activities that result in operational excellence. A partner's bottom-line levers (see Figure 1) indicate how efficient they are spending and managing operational costs. They can generate incremental improvements and realize a greater profit through increased productivity and improved offer delivery by enhancing customer experience and through the reduction of expenses. Properly managed, these can add up to impactful results that increase the bottom-line and can drive company value.

Levers of Excellence to Drive Value



All partners want to have profitable businesses, and IDC's research shows that those heavily invested in the cloud do better than their peers with respect to profitability. But profit doesn't happen automatically just because of the cloud. Having the right processes and methods in place to drive the efficiencies that reduce costs while still delivering high-quality services is critical. When partners achieve that balance, increased profit is likely to follow.

However, it doesn't stop there. Efficiency and profit are fuels for growth. Profit provides the funding needed to invest in prerequisites for growth, whether it's expanding solutions, bringing new offers to the market, launching a new practice area, hiring special skills, acquiring a company, or opening new office locations. The bottom line enables top-line growth.

Measure Results

Measuring strengths and gaps is the key to ongoing success.

To determine if a cloud business is performing to the best of its ability, establish key performance indicators (KPIs) to measure success. In a cloud and SaaS world, new metrics exist, and others have shifted in priority and importance. Consider the following to ensure the right behavior is being rewarded:

- **Benchmark the current state.** Business transformation is challenging. Having a benchmark to gauge progress and success is critical to sustaining momentum. Use the Partner Transformation Readiness Assessment to measure the current state of transformation.
- **Take a disciplined and structured approach.** Financial discipline is key to the success of any business, but it needs to empower and inform decisions, not limit them.
- **Set and review targets.** Set targets and objectives for the next year or mid-year and review them along the way. Be willing to pivot or adjust goals and strategy against the results.
- **Align execution.** Ensure all internal teams are aligned against the same metrics. The behavior rewarded will be the behavior shown.
- **Benchmark against industry standards.** Benchmark the organization with competitors and peers. In isolation, it is difficult to know how well it is performing. Have clear key performance indicators (KPIs) to drive progress.

Top 5 Metrics for Cloud

No matter the type or size of the partner, there are five critical metrics to monitor:

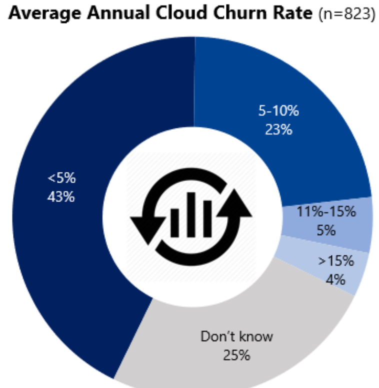
1. MONTHLY RECURRING REVENUE (MRR)

Arguably, this is the single most important metric for cloud business. It represents the amount of revenue every month. The sustainability of a business depends on how much repeatable revenue consistently comes in every month. Your MRR provides a baseline to measure business growth and success. This metric is becoming the key differentiator between traditional services and project-based providers and new modern cloud providers.

2. CHURN AND RENEWAL RATE

Churn is a critical metric that will help forecast and budget and is also correlated with customer satisfaction levels and value delivered. This metric represents the percentage of customers or users who discontinue their subscriptions in a given time period. The more customers that churn, the greater the investment needed to recoup the loss of business by finding and securing new ones. The renewal rate is the percentage of customers that renew their cloud subscriptions. Aim for less than 8-10% per year as the target churn rate. High churn rates lead to high customer acquisition costs.

Average Annual Cloud Churn Rate (n=823)



Source: Microsoft Business Applications Practice Development Study, MDC Research, March 2018

3. CUSTOMER ACQUISITION COST (CAC)

Customer acquisition cost (CAC) is the total cost of sales and marketing required to acquire a new customer. This metric shows whether sales and marketing are efficient and effective. This metric informs other metrics like ROI and CLV (customer lifetime value). Knowing the CAC can help allocate marketing and sales budgets and indicates if the sales and marketing strategies and tactics are driving interest and conversion.

4. AVERAGE REVENUE PER USER

The average revenue per user (ARPU) is the average amount of monthly revenue broken down per user. It helps track where customers find value in their solutions. ARPU is used to quantify customer personas and identify those that drive the maximum revenue impact. Tracking ARPC also can help identify best upsell and cross-sell opportunities as well as double down on the right prospecting channels and actions.

5. CUSTOMER LIFETIME VALUE (CLV)

This metric is the revenue from a single customer over the lifetime of their relationship. Understanding CLV helps identify high-value customers to focus on investment with more efficient strategies and more concise budgeting. CLV cuts through the clutter and shows exactly who and where the most valued customers are. This metric enables important business decisions about sales, marketing, product development, and customer support, as it assesses the financial value of each customer.

SUPPORTING METRICS FOR CLOUD

In addition to the key metrics outlined above, the business model, offering, and practice orientation may require partners to track supplementary metrics that could include some of the following:

	Staff utilization is the amount of time spent on billable work divided by the number of billable hours per person, per year (typically 1,500 - 1,700 hours, taking statutory holidays, vacation and training into account).
	Billable markup rate (BMUR) measures the profitability of billable resources. It is calculated by taking the hourly charge-out rate of the individual and dividing it by their loaded cost (salary, variable pay, benefits) per billable hour. Best-in-class partners score 2.5 on this metric, while 2.0 is the generally accepted baseline. As partner business models shift to subscription, this metric becomes less important or relevant as they will shift to monitoring offer margins vs. billable hours.
	Backlog is the total amount of work outstanding in days (including project work, support work, and ad hoc work with clients) divided by the total number of billable resources. Anything beyond 120 days indicates a strong pipeline of work; anything less than 30 days may be problematic.
	Services attach rate is the percentage of active customers paying for managed services in addition to core product offerings. Aim for a 70% or higher attach rate if managed services is a primary focal point for the business.
	Percent of revenue from recurring sources is a great metric for tracking a partner's digital transformation. Ideally, a partner starting their cloud journey should aim to have 15% of revenue from these sources by the end of year one, 33% by year two, and 45% or more by year three.
	Gross margin by offering is dependent on the type of service offered. For project services, strive for 30% or more gross margin; managed services should return at least 40% and IP over 50%.
	Efficiency factor is the measure of the completed work that can be repurposed, packaged, and resold as IP.

	Average calls per customer are the average number of calls per customer in a given month for managed services. It is reasonable to expect lots of calls in the early stages of the customer relationship, but over the long term, call volume should subside. This metric is a critical input required to effectively price subscription offers.
	Average case duration is the amount of time it takes to field the call, work, resolve, and document a case ticket.
	Services rep utilization is calculated as the average amount of hours spent annually per representative actively working cases, divided by the number of available hours.
	Lead-to-customer rate shows exactly how well a practice is generating sales-ready leads and improving over time. It outlines, on average, how many leads turn into paying customers. This metric shows whether the sales process and lead-nurturing methods are working or not.

These measures aren't new. In fact, they've been around for as long as service businesses have been in place. The challenge is to begin to more accurately calculate and frequently monitor them. A subscription business model demands a deep understanding of these core metrics prior to changing offers to subscriptions. Are these metrics being tracked on a regular basis? Are there processes and cadence in place for reviewing them? Driving these metrics up or down will be critical to cloud business success.

CREATING SCORECARDS

Set up scorecards that all employees pay attention to. Create a scorecard and financial impact actions that include:

GOOD	BETTER	BEST
• Track gross services margin across the business. • Review the ARPU monthly.	• Set a target for the gross managed services margin and ARPU for the year. • Track gross margin for all revenue streams (managed services, project services, re-sell, and IP), as well as ARPU. • Review the KPIs monthly to course-correct and optimize.	• Instrument the KPIs including gross margin, ARPU, service attach, delivery, and contract renewals. • Integrate these KPIs into the operational aspects.

Understanding Customer Lifetime Value

Customer lifetime value (CLV) is the revenue from a customer over the lifetime of the relationship.

As most businesses have experienced within the tech industry, a lifelong customer is of far greater value than any one-off transaction. It is no longer enough for companies to invest their time and resources in the constant generation of single transactional purchases. In a cloud world, it is critical to develop and nurture long-term relationships and offer solutions that engage and deliver value to customers over a long lifespan.

WHY CARE ABOUT CLV?

Sources; [Forrester Research; Bain and Company; Adobe Digital Index Loyalty Report]

Continuously pursuing and adding new customers to replace those lost or who have completed their purchase is costly and time-consuming. Focusing on customer lifetime value requires marketing, sales, and service efforts to focus on expanding and selling into existing customers versus exclusively seeking out new ones. This additional revenue from existing customers comes at a much lower acquisition cost; up to five times less. And, increasing customer retention by merely 5% can increase profits from 25-95%.

As research from loyalty program experts such as Smile.io (2019) shows, the top 10% of customers spend 3x per order than the normal customer base, and the top 1% spends 5x per order.

CLV allows partners to step back and look at not just one sale, one customer, but their entire customer base and make holistic data-driven decisions. Instead of thinking only about how many new customers to add each month, CLV can point to better ways to optimize customer acquisition spending for maximum return and value.

Customers aren't equal in the sense that some bring more revenue than others. According to statistics presented by Gartner, 80% of a company's future revenue will come from just 20% of existing customers. So, it's critical to identify the "All-Star" customers – the ones to focus on first and invest in; the ones with high potential lifetime value.

Understanding CLV can help segment customers based on value. And, it should help identify new customized offers for certain customers based on their potential value. With defined levels of customer value, partners can focus on converting customers from their current tier to a higher one.

Once profiles are built for the best customers, use those profiles to find others like them. This is called "look-alike marketing." It helps to narrow the focus when choosing a target market, what media will best reach them, and the content best suited for those specific types of customers. It also helps with referral marketing.

Use CLV to optimize the business
✓ Identify "all-stars"
✓ Value-tier segmentation
✓ Conduct "look-alike" marketing
✓ Inform customer acquisition spend

CLV analysis will also indicate what makes sense to spend on customer acquisition. In a traditional on-premises world, marketing budgets could be estimated based on a target percentage of revenue, ideally 7-10%. In a cloud world, the acquisition costs may well exceed what partners make from a first sale, so this analysis will inform the amount to invest to acquire a new customer knowing there could be 2-5 years of revenue in the future, once acquired.

The key questions CLV analysis helps answer include:

- **Marketing:** What should the acquisition costs be?
- **Sales:** What types of customers should sales reps spend the most time trying to acquire?
- **Product:** How should products and services be tailored for the best customers?
- **Customer support:** How much can be spent to provide customer service?
- **Professional services:** What service offers will help customers optimize their usage and realize a high-value return on their investment?

CLV is also a good way to guide and reward the sales team. Pay them more for bringing in customers with high potential lifetime value and create a customer success manager role compensated on measures of both consumption and satisfaction. Measuring and monitoring CLV leads to:

- Better insight into the customers' cloud consumption and usage
- Qualification for MPN cloud competencies that will help grow the business
- Customers that reach their desired business outcomes
- Better insights for cross-sell/upsell and proactively engaging customers for extension opportunities

Increasing customer adoption rates also increase CLV, particularly with cloud customers. As more penetration into the customer organization is achieved, the more likely CLV will increase.

Customer Experience and Satisfaction

Exceptional customer satisfaction is determined by an exemplary customer experience (CX) and can be measured by the Net Promoter Score (NPS).

Customer Experience

Maximizing CLV is predicated on great customer experience, defined as the product of a series of interactions between an organization and its customers over the duration of their relationship. Good customer experience means building and responding to customer interactions in a way that meets or exceeds demands and expectations. It increases satisfaction in the short term and loyalty in the long run. Companies that focus on customer experience reduce churn and increase revenues – leading to higher profits.

It is no surprise that customer experience is on track to overtake both price and product as the key brand differentiator by 2020 (Walker 2020 Customers report).

FOUR STEPS TO IMPROVE CUSTOMER EXPERIENCE

Identify Product or Service Journeys	Define Personas and Key Interactions	Validate Perceptions and Define CX Metrics	Calculate CX ROI and Build Experiences
Collaborate within the organization to identify most urgent product/service journeys to fix.	Start with the segments and audiences to narrow down the persona groupings.	Using the voice of customer research, confirm with customer data points from the journey map.	Using industry or custom-created ROI formulas, prove that desired CX improvements will yield profits.
When deciding on the top journey keep in mind the business and customer metrics that need to improve.	Identify common attributes within each persona and their key interaction touchpoints.	Decide on the key metrics to measure.	With ROI confirmation, generate the list of improvement projects to improve CX.
Journey Mapping		Voice of the Customer	Quality of Experience

Understanding customers--where they stand and what motivates them to choose and then remain with you over a competitor--is the foundation for delivering superior customer experience. Great customer experience cannot be delivered if it is decoupled from the customer worldview. This means examining situations from a customer perspective rather than taking a technology-centric approach. Remember, the “brand” lives in the mind of the customer.

CX Metrics

Establish and derive key drivers of loyalty, satisfaction, and behavior from which to establish useful customer experience (CX) related metrics. This will involve every department in the business.

A critical part of CX improvements is taking the CX metrics and establishing an ROI calculation. Monitor and validate this continuously and use the insights to develop improved customer experiences as they pertain to activities that support Customer Lifetime Value.

Evaluate CX with the free self-assessment tool (https://mycxassessment.com) developed by Indigo Slate for Microsoft partners. Take the assessment, and the results will provide a set of best practices to help plan, design, engage, and measure better customer experience.

USEFUL CX RELATED METRICS

Customer Loyalty	Success Metrics	Revenue	Satisfaction	Employee	Marketing
Retention rate	Customer acquisition cost/rate	Revenue per user	Overall satisfaction	Revenue per employee	Market growth rate
Renewal rate	Reliability (as a vendor or business partner)	Conversion rate	Stars in reviews	Employee satisfaction	Market share
Buy more	Advocacy (recommend to others)	Customer lifetime value	Compete score vs. competitors	Average employee tenure	Brand equity
Customer effort score	First contact resolution	Share of wallet	Trust	Employee retention	Cost per lead

Collect Feedback

Satisfied customers have no reason to change cloud suppliers, but partners cannot tell how satisfied they are unless they ask them.

VOICE OF THE CUSTOMER

It is critical to have a mechanism in place to solicit feedback from customers on a regular basis, not a week before their renewal date. Try not to bombard them with requests to fill out surveys but do provide an ample opportunity for them to express how the practice is doing.

Consider using the Net Promoter Score (NPS) as a primary measure of satisfaction. The NPS is calculated based on responses to a single question: *How likely is it that you would recommend our company/product/service to a friend or colleague?*

Those who respond with a score of 9 or 10 are called promoters and are likely to remain customers for longer and make more referrals to other potential customers. Those who respond with a score of 0 to 6 are labeled detractors and are less likely to remain customers in the long term. Subtract the percentage of customers who are detractors from the percentage of promoters to arrive at the NPS score. Companies using this method strive for a score of 50 or higher.

In addition to soliciting a quantitative measure of satisfaction, provide customers with the opportunity to tell why they are satisfied or dissatisfied. Leverage technology, such as online chats, web communities, and feedback bots, to create a two-way dialogue with customers. Seek input on new features, host annual virtual customer conferences, and more.

Regardless of how customer satisfaction is measured, act on the feedback, and follow up with customers to demonstrate that their concerns are being addressed. If a customer is dissatisfied, get to the root cause and fix it. Then tell/show them how it was fixed.

SECRET SHOPPING: THINK LIKE A CUSTOMER

Partners can supplement existing customer feedback with their own experience of the customer journey as a secret shopper. Typically, secret shopping is thought of as something that retailers do — where they pay mystery shoppers to go into their stores to help the company make improvements. However, secret shopping can be a vital component of improving the overall customer experience. The information gathered when secret shopping and mapping the customer journey provides critical data that can be used to optimize in the future. Pretend to be a customer and call the practice. See how long it takes to respond and assess the quality of the sales journey.

With the core audience in mind, imagine the decision-making process a potential customer goes through in their buying journey as they research and compare available offers in the marketplace. Viewing the diagram below, a customer will fact-check down the pyramid in a familiar pattern beginning with social media comments, reading product reviews, browsing various websites (including competitive offers), talking with peers and influencers, and narrowing their options as they approach the bottom. As they move down the funnel (path of reference), they gain clarity while growing in the confidence and trust of the few remaining offers they are interested in.

Without someone on the team who goes through the same fact-checking process (secret shopping), partners are practicing what amounts to "blind marketing." This means they have no insight into what their prospective customer sees and hears along their purchasing journey. Secret shopping provides insight into how employees, from varying departments in the company, interact with customers. It can be difficult to know how employees conduct themselves when a manager or supervisor is not around.

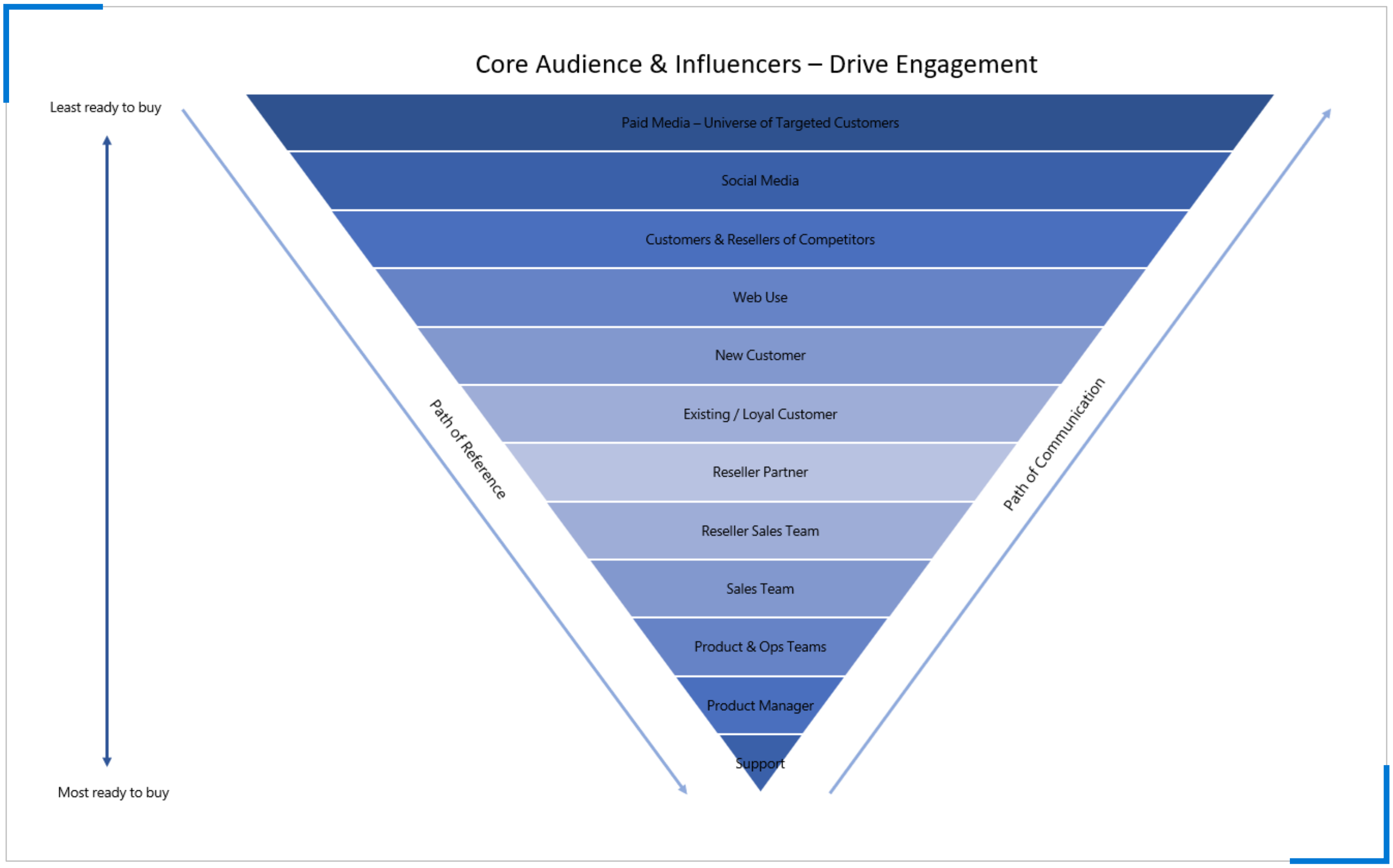
Notice that the pyramid includes new customers and existing customers, resellers and their sales agents, the sales team, and internal staff from product and operations to the executive team. Why? Because they are all talking to customers via a variety of venues — and prospective customers are listening.

The critical question is: Are all the voices saying the same thing? Specifically:

- Do they all clearly communicate the value proposition?
- Is their message consistent with the branding for the company and position offers?
- Are they strongly differentiating offers from the competition?

In other words, are they communicating a consistent message and story? If not, marketing can become a confusing array of inconsistent and imprecise statements about the value of the company and its products and services.

What they hear at the top should be what they hear at the bottom — and all the way through the buying journey.



Optimize and Grow from Feedback

Take the feedback collected from customers and the customer team to optimize delivery and look for opportunities to document and improve processes and automate tasks.

Work to identify opportunities to optimize efficiencies and reduce costs incurred in delivering solutions. Often, this will lead to opportunities for new IP creation or identification of target processes that can be made repeatable and leveraged with the next round of customers.

Intellectual Property

Many people automatically associate intellectual property (IP) with software, apps, and technology tools, but standardized and repeatable automation and streamlining of processes can also be a secret weapon. Document the steps involved in completing a job. Then create templates, checklists, videos, or other tools that streamline delivery. It is very common to get caught up in delivering projects and solutions and never get to the task of documenting what's been done and the lessons learned along the way.

Build in the time to take a breath and take stock of what worked well and what didn't. Free up resources and invest in increasing efficiencies and tools which streamline, simplify, and speed up delivery. Repeatable methods and processes increase margins. Make harvesting repeatable work products a standard task and hold staff accountable (or reward them) for doing so. In an on-premises, heavily project-services world, team members are rewarded for maximizing billable hours. In a subscription dominated world, partners want to deliver the same value and outcomes in less time, with fewer resources.

Think broadly about repeatable processes. Go back and look at the last 20, 30, or even 50 projects and see what they have in common. Do not be surprised by how many times a type of project or a specific task is completed repeatedly. Sometimes a few hours to build a script or tool can save hours on a project, and when something is done often enough, it can point out a latent specialization. Successful partners take this discovery to the next level by wrapping that depth of experience up as a "product" that can then be sold, marketed, or at least leveraged as a differentiated skill or service.

And remember to leverage the third-party tools and ISV solutions found in the Microsoft commercial marketplace.

Perform a Postmortem

A project postmortem, also called a project retrospective, is a process for evaluating the success (or failure) of a project's ability to meet business goals.

In a postmortem, involve both the technical project team and the customer success manager to determine what went well, what went wrong, and what could have been done better. Focus on the latter two for opportunities to improve the solution or process. A typical postmortem meeting begins with a restatement of the project's scope. Team members then share answers to the following questions:

- What worked well for the team?
- What did not work well for the team?
- What investment could avoid challenges or delays to the next project?

The facilitator may solicit quantitative data related to cost management or qualitative data, such as the perceived quality of the product. Ideally, the feedback gathered from a project postmortem will be used to ensure continuous improvement and streamline the management of future projects and services delivery. Postmortems are generally conducted at the end of the project process but are also useful at the end of each stage of a multi-phase project.

Growth Through Top-Line Strategies

Top-line growth is important as it indicates a thriving, growing business that provides products and services the market is willing to pay for.

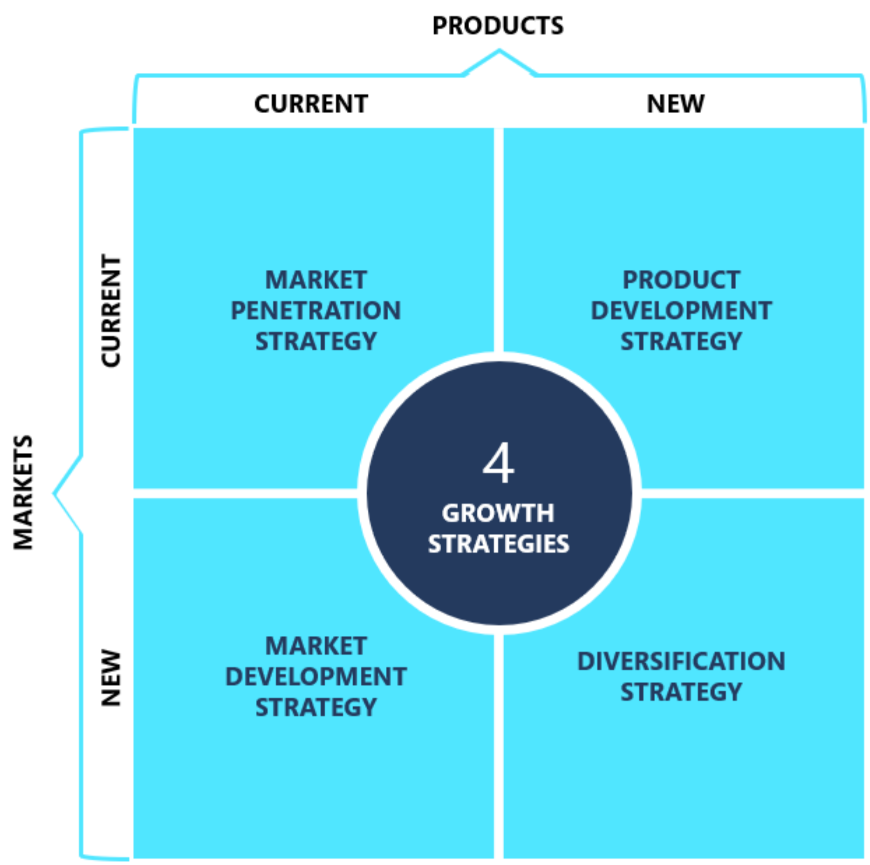
Top-line growth means increasing gross sales or revenue. A business needs consistent revenue growth to survive. Revenue stagnation may indicate problems with mature offerings that have not kept current with market demand. It also can point to problems with the customer acquisition process or the ability to source capital to fund expansion.

Without a strategic plan for growth, the impact will be felt on the bottom line. A good, strong, healthy top line will provide the time and resources to work on operational issues, such as scaling sales and marketing, repairing costs or efficiency issues, and provide funding for new product development.

STRATEGIC GROWTH MATRIX

Partners can consider growth strategies with the widely used Ansoff matrix that provides a simple framework to consider four different options. The Ansoff Matrix is a 2x2 matrix in which a company enters a new or existing market with either new or existing products. Fundamentally, growth is determined along two dimensions: varying what is sold (product growth) and who it is sold to (market growth).

Strategic Opportunity Matrix



Each of these quadrants has different characteristics with varying degrees of associated difficulty and risk. They also require different competencies from the organization. Diversification is seen as the highest risk as it involves both the development of new offerings and competencies as well as moving into new, unknown markets. Conversely, market penetration has the lowest risk and effort required because partners are already familiar with both the offering and the target market.

When deciding which strategy to pursue, consider which competencies, skills, or knowledge are required to be successful with each approach and how these align with internal strengths and weaknesses, as well as the opportunities and threats in the competitive market. Next, assess the tolerance of risk, resources, and anticipated returns. Most partners indicate it takes at least one year to launch and become competent in a new practice area.

Market Penetration

This is the lowest risk growth strategy of the four and is best suited for partners who are in startup mode or those unwilling or unable to invest in riskier growth strategies. This approach means growing market share by making current offerings more attractive to the existing target market. Focus on better operationalization relating to product positioning, pricing, user experience, and marketing to carve out more market share. This can be accomplished by changing the pricing strategy, packaging fixed-price subscription offers, more outreach with awareness campaigns, fine-tuning the messaging, or engaging in nurture campaigns to educate users and drive higher usage. It often includes making slight adjustments to the offer to boost attractiveness or stickiness, expanding the channel to enhance availability, finding unique ways to deliver further value through loyalty programs, power-user features, strategic alliances, and more. Focus on current products and services to current markets with the goal of increasing market share.

Market Development

At some point, a higher risk, higher reward strategy may be needed to accelerate growth, and market development actions may be a beneficial next step. Under this strategy, partners expand by leveraging their product and services knowledge to reach customers in new markets. Effectively, they are selling their current offerings to previously unexplored markets.

This can be achieved by targeting a different but closely related vertical or industry segment. This can also cover look-alike markets that could benefit from the same basic offer but in a different vertical. For example, a quality, health, safety, and environment management (QHSE) solution in oil and gas could be expanded with little product modification to the construction industry.

However, this will require adjusting the value proposition and the marketing and sales messaging and assets to connect with this new vertical. Consider look-alike marketing and procure prospect lists that align with similar prospect profiles in the original vertical. Be prepared to offer a free engagement assessment, advice, or proof of offering to break into a new industry.

Alternatively, focus on a different segment. For example, if the current focus is on the enterprise market, product and marketing adjustments might be made to optimize the solution for the SMB segment or vice versa.

Finally, growth may be found with expansion into new geographies, either nationally or internationally.

When evaluating new market segments, you will need to consider whether you have the time, resources, and capabilities to undertake expansion; product competitiveness in the new market; whether the potential new market has an attractive profitability and growth profile; and potential response of that new market's incumbent key competitors.

Use existing products and services to capture new markets. This could involve expanding your industry solution into Europe, Australia, or Canada.

Product Development

In today's hyper-competitive marketplace, partners can run into market saturation for a single product and service offering, resulting in plateaued or faltering revenues and profits. When there is little or no opportunity for new growth in existing markets, it may be time to embrace product evolution or product diversification. With a product development strategy, new products/services are identified, or existing ones are modified to appear new to the existing customer base.

The advantage of this strategy is that partners already have an insight into what the current market needs. They can leverage their brand equity and brand recognition. They have built trust so that customers are more open to taking on new projects or targeting new workloads for automation, migration, or optimization. Moreover, marketing and sales are focused on upselling and cross-selling and leveraging the proven distribution channels.

Alternatively, if innovation expertise is limited, work with existing application or service partners within the Microsoft ecosystem to develop a more compelling, more complete solution that offers the potential to deepen the technology footprint and increase usage within current customers. It may be quicker and easier to leverage other ISV solutions and bring them to your existing customers to expand your footprint and value delivered.

Expanding the offer portfolio with the development of new IP, services, product, and processes requires deeper specialization and a commitment to innovation and developing repeatable motions, selecting strategic arenas, developing product road maps, and allocating resources. It also requires discipline relating to product management, product marketing, and operational excellence in services delivery. Conduct a self-assessment to determine core competencies before making any expansion decisions. Create new products and services that can be sold into existing markets. This could include creating a new power app or AI solution and selling it to the healthcare industry to complement a core Dynamics solution.

Diversification

As a partner business matures, there may come a point at which a diversification strategy makes sense. This means targeting completely new markets with new offerings to increase reach and drive revenue. This growth strategy comes with the highest risk due to the inherent challenges associated with developing new products and a lack of experience in new markets. It also requires good cash flow to sustain the transition, significant human and financial investments, and perhaps a reallocation of resources from core focus areas.

Diversification will incur significant product development and sales and marketing costs. It may require significant changes to the technology, IP, or service development and delivery for new market specificity. It can also require additional skills, management, and operational resources. If these demands exceed the potential revenue and profit gains, diversification can put your growth objectives at risk.

Create completely new opportunities by developing new products and services that will be introduced in new markets. This could involve developing and launching a new professional services industry-specific solution and moving down the market into the SMB space.

Marketing and Sales Activities

Investing in a marketing process that converges with sales is critical to the success of developing relationships and solutions that engage customers for life. In the cloud, closing the transaction is just the beginning of the relationship. After that, we have to drive consumption, increase the user-base, and ensure customers realize value from their technology investments. Building and nurturing positive customer outcomes post-deployment is critical to secure recurring and renewal-based revenue streams as well as additional optimization service revenue.

Post-deployment nurture

Retaining a happy customer is less expensive than acquiring a new one. Filling the bucket is great, but not if it is leaking at a rapid rate. Today's SaaS buyer can more easily turn off solutions or switch providers and, with their access to social media and online forums, can share their less than stellar experiences with peers. In a cloud business model, high customer churn can have disastrous consequences.

Post-implementation, partners want happy and satisfied clients and to ensure that they are generating value from, and fully utilizing their investment. Customers want to pay as they go and only as long as they are getting value for their investment. Post-purchase customer nurture campaigns can help. Automate customer onboarding communications to welcome them, provide contact and support information, optimization tips, related case studies, and relay key highlights of the offering.

They might need recommendations on how to best use the solution or want to learn from other people who have used it. Partners are better positioned to teach customers about the product. No one has more data on what makes customers successful. And no one stands to lose more from getting the customer experience wrong.

Direct Marketing News found that "engagement/relationship strength has 12 times more influence on retention and repeat purchases than satisfaction."

Many partners are effective at acquiring new customers. Very few have a strong post-live nurture or relationship-building strategy. It is important to develop and formalize customer lifecycle programs. Here are several post-deployment nurture strategies to boost growth opportunities:

ONBOARDING NURTURE

Onboard customers quickly and ensure a dedicated onboarding and deployment process across welcome, administration, implementation, adoption, and training. The first 14 days are critical. Customers must incorporate the solution into their daily business activities to realize value and cement adoption. Keep project scopes small and target one to two compelling KPIs or measurable business impacts that can be immediately realized and measured. This success will fund additional investment and scope expansion. Build trust and demonstrate value as soon as possible. Your communications should include all contact and support information and relay key highlights of your offering; prepare touchpoint emails that allow clients to learn about the product or service they purchased, and how to get support through multiple sources including forums and online resources.

EDUCATION AND LESSON-BASED NURTURE

This is one of the most effective ways of engaging with and rapport building with customers. This can help establish trust and keep the company top of mind while communicating in a non-promotional way. Help customers engage and learn from other users who are solving similar problems in creative ways. Lesson-based nurture can provide educational tips and tricks, use cases, or product tutorials that can help them fully adopt the solution. Show thought leadership and demonstrate domain expertise.

PRODUCT, SERVICE, AND NEWS NURTURE

Keep your customers fully informed with product and news and updates. Use customer newsletters to provide periodic updates from the company about its products or services. For example, the company might have reached a pivotal milestone or launched a new or updated product. How will it affect customers? Did current clients help shape the news release? Be sure to have a dedicated private virtual customer area where customers can visit and feel special.

Nurture motions can keep customers educated on industry trends and best practices and give them the opportunity to take advantage of other offerings, upgrade options, and promotional discounts. Find ways to reward good customers.

MILESTONE NURTURE

One small way of delighting your customers is by celebrating their customer anniversary and showing appreciation. If you have telemetry data and can track their success, consider triggering emails to be sent out when a customer reaches a particular goal. Help them sell success internally. Internal project champions want to demonstrate proof of impact and benefit, too.

LEGACY NURTURE

Conversely, nurturing can be triggered by low usage. Automate this through legacy customer campaigns. These communications might include information about some underused or overlooked features or resources that can help them see better results with their technology investment.

Overall, by deploying simple touchpoints through email, social, video, direct mail, or in-person, customers will feel like they are important and valued, and it will keep them engaged with the company.

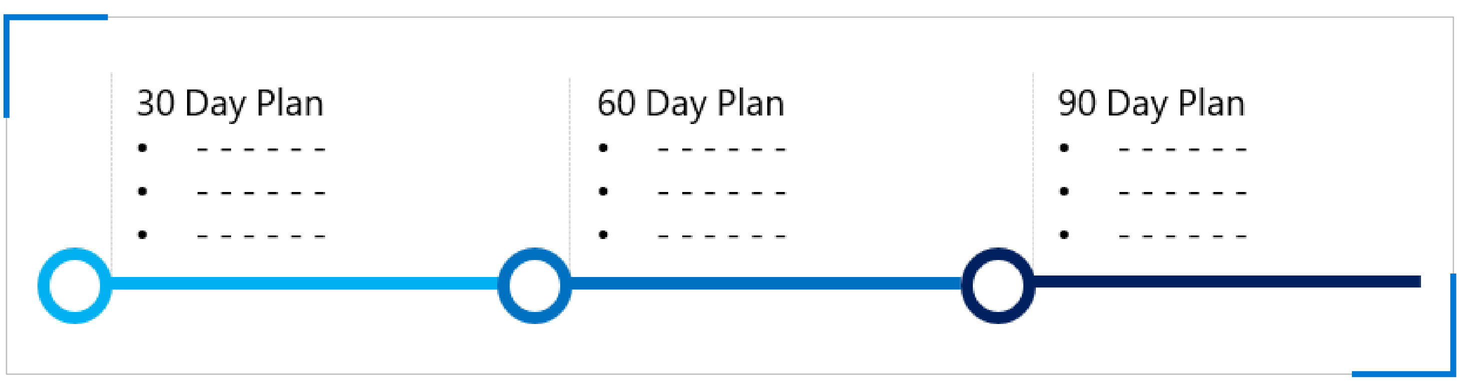
Post deployment nurture programs

1. Customer onboarding
2. Education: lesson-based nurture
3. Product/service/news updates
4. Milestone nurture
5. Legacy customer nurture

Renewal Strategy

Pre-renewal communications can help remove any obstacles at renewal time and minimize the risk of customer churn. Automated outreach communications should include several activities 90, 60, 30 days before the renewal date. The customer success manager should spearhead this program and ensure that the customer is satisfied and that the solution has delivered on the brand promise and has high levels of utilization. Have exact timeframes in which those activities are measured, evaluated, and assessed. At the same time, highlight any upgrade options and promotional discounts or offers to secure earlier and possibly a larger ongoing commitment. Don't be afraid to let them know if they are not getting value from any licenses and offer to remove them. This earns trust and social capital, and customers will be happy to add those licenses back when they grow or expand in the future.

Harvard Business School found that *"increasing customer retention rates by 5% increases profits by 25% to 95%."*

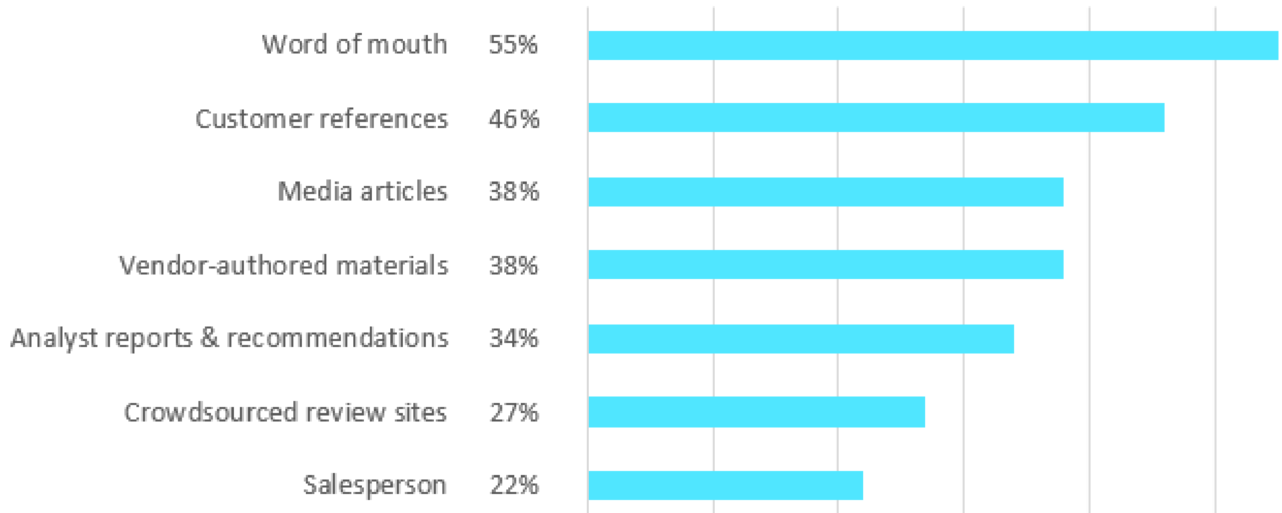


Advocacy and Referral Marketing

The best customers can become the best promoters, recommending solutions and services to their industry and peers. Identify and recruit the biggest fans to be spokespeople. They are customers who are passionate and excited about what they have achieved and accomplished. Remember, the customer is the hero, and the best chance of attracting new prospects is when they offer credible, relatable, social proof of success. Ask them to act as a reference and to contribute to mutually beneficial testimonials, case studies, and social media amplification. Perhaps a brand advocate can speak at an in-person event or online webinar – this also offers good visibility and coverage for them personally.

Additionally, 84% of B2B decision-makers start with a referral, so this level of social proof is critical. Consider a referral program that offers some level of incentive or reward for new business. Offering monthly analytics as a service can also help with case studies and to quantify business impacts. When customers subscribe to services that measure their target outcomes and KPIs, it provides partners with the quantifiable proof for marketing without the normal struggles associated with asking customers for metrics or case studies long after deployment to quantify improvements and benefits.

What sources of information do you rely on when making purchase decisions for business software?



Source: [HubSpot State of Inbound 2018]

84% of B2B decision-makers start with a referral

5 KEYS TO SUCCESSFUL REFERRAL MARKETING

Implementing a referral strategy to increase referrals and sales isn't difficult. Here are some ideas:

1. **Provide exceptional customer experience.** Valuable products and services, exceptional customer service, and positive buying experience are fundamental to any referral campaign. Think about the services and support offered, look at them from a customer perspective, and ask what is worth sharing with co-workers or friends. Seek to delight and surprise. Go the extra mile.
2. **Make sure that referral sources know the practice and the best types of clients.** One of the drawbacks of referral marketing is that referral sources are telling the story for the partner. To ensure they know the complete story, formalize the referral program with a simple one-sheet document that includes a profile of the ideal customer, so they send the most qualified leads. Template questions can be helpful.
3. **Pay attention to analytics.** Partners are often not even aware that they are getting referrals. Some referrals are coming directly, and others are done online. A structured referral program can reach out to referral sources and thank them for their help. In exchange, perhaps offer to refer business back to them, or highlight them in marketing communications, or offer to share a small percentage of the profit, or allow them to earn points or credit toward future purchases. Be creative.
4. **Make it easy for customers to refer the brand.** There are many ways to make it as easy to share and refer the brand. In some cases, companies have added a “share” function to their main website navigation. Add social sharing badges to every page on the website.
5. **Capitalize on influencers.** They can be a goldmine for referral traffic and sales. The key is to find influencers with a following that is as close as possible to the target market. Influencer marketing can be as easy as reaching out to a popular blogger, a group lead on LinkedIn, or a popular writer on Twitter, and asking if they do sponsored postings or if they would like the product to review.

   Referral marketing is a powerful and important component of every business. Implementing some basic tactics can help encourage and facilitate the referral process, which can be a major source of new sales.

Land and Expand

Current customers are the easiest to expand. They are an already-owned source of growth. Increasing the scope of services provided to existing customers is called the land and expand strategy.

In order to upsell and cross-sell successfully, look for opportunities for incremental offerings with a goal of driving stronger usage of the products and services. With telemetry data, partners identify areas for deeper and wider usage, optimization, or more efficiency for their solutions and services. They can monitor their usage and consumption via the Cloud Services Dashboard if they are the digital partner of record on their customer's Microsoft subscriptions. Identify key customer milestones that trigger an outreach, such as when significant thresholds or performance goals have been reached. Being successful at "land and expand" takes effort and energy, insight, and dialogue.

Partners find the land and expand approach happens almost naturally with an AI and analytics practice. For instance, AgileThought, a full-service digital transformation and software consulting firm saw a way to offer clients a powerful means of extracting greater value from data and automating processes, to go beyond understanding past trends, to predicting future behaviors. Using analytics, AI, and machine learning on the Microsoft platform, AgileThought's global team of 2,500 professionals solves dynamic business problems by inferring from the past how customers are interacting with their systems and data.

AgileThought's projects typically start small and build, success upon success, to achieve clients' business visions and continually gauge their returns on their digital transformation investments.

ACCOUNT-BASED MARKETING (ABM)

This is the practice of defining and focusing joint sales and marketing efforts on accounts that have been identified as high quality, strategic, and valuable to secure. It is a powerful strategy that can help spread activation of the beachhead implementation within an organization by furthering exposure to different departments, business units, regions, plants, and other locations. Leverage relationships with IT professionals to gain introductions to LOB managers, and more.

A natural progression from social selling is for sales and marketing to align their efforts and focus joint resources on targeted accounts within a specific market and use social media platforms at the heart of an integrated ABM campaign.

The average B2B buying decision involves no less than five decision-makers, and social media offers marketers a place to get to know key stakeholders in the absence of face-to-face communications.

If decision-makers are active on social media, then follow them and start to listen and observe and try to understand what types of third-party content they respond to and share. What mediums or content formats do they like and share? What problems do they discuss? By doing this, partners can create content in formats that have the highest potential to engage and resonate with customers.

Post content to social sites that speaks directly to their challenges and explains how the offering can help – perhaps this is a case study that includes a company from their industry, or a video interview with a happy customer, and perhaps tag the stakeholders in the post when it is published. Reply to stakeholders' posts with thoughtful and helpful (not sales) comments and think about writing and posting content that is catered exclusively to them. Be a thought leader. Share knowledge and expertise, rather than focusing on selling.

Tools such as LinkedIn Account Targeting and TweetDeck allow marketers to proactively choose who should see their display ads and curated content. After uploading a list of target companies, this tool then matches them against the 13+ million company pages on LinkedIn. It can even allow display ads to only reach the people who work at specific companies and even to specific roles therein.

Twitter can be used to create lists of the target accounts to follow. Mark that list as private and automatically receive tweets from important stakeholders. Tweetdeck allows the creation of specific views of activity from target accounts, making it easier to monitor them and adjust the approach dynamically.

ABM – Key Steps
1. Start by listening to the key accounts and identified stakeholders
2. Determine what content topics and formats they respond to
3. Publish content that aligns with their pain points
4. Use tools like LinkedIn, Account Targeting, and TweetDeck

Grow Partnership

With horizontal intellectual property or unique skills, partners may be able to differentiate by working with partners with vertical expertise. For instance, a partner might be needed for an introduction to the right decision-maker in a vertical or to take on the sales consultant role. The partnership might extend to scoping the requirements for a vertical or to jointly build a vertical-specific version of the practice's IP. Don't lose opportunities by competing in areas where domain expertise is lacking. Better to partner and win.

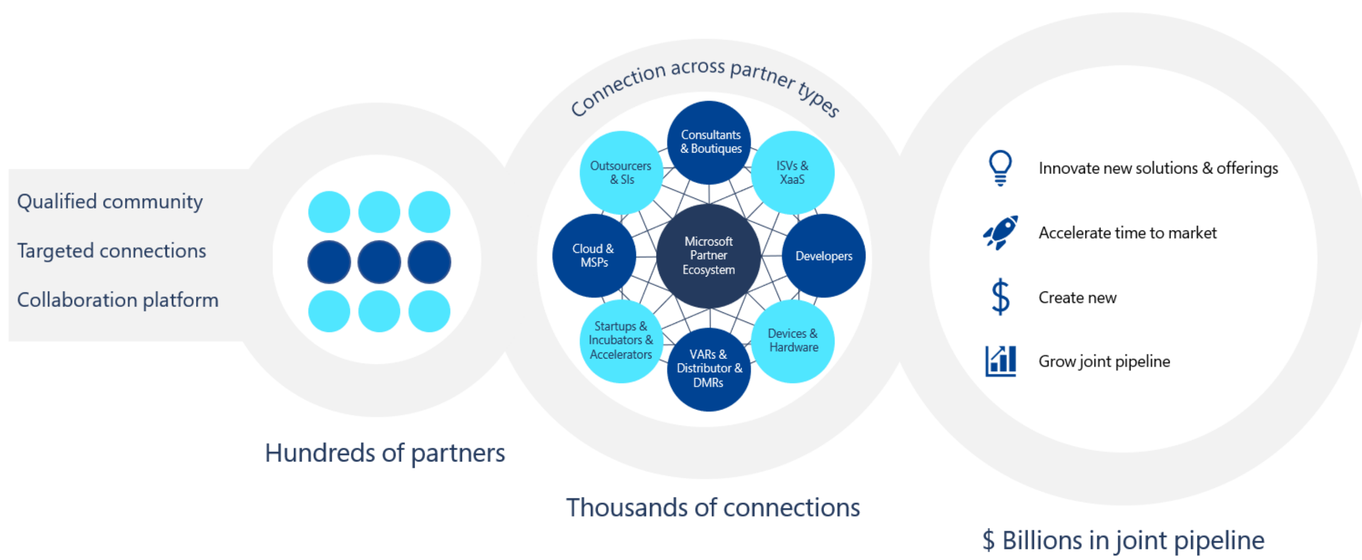
There are many ways that a partner-to-partner (P2P) relationship may help a practice specialize and separate partnerships may be needed for each vertical focus. If one or two verticals become dominant, consider developing internal expertise.

Some partners position themselves as a trusted technology and business advisor, which can lead to introductions to most functional leaders in a customer organization, creating a great base for expansion. Partners also use their own digital transformation experience as the basis for the best practices for their customers. Start by identifying small, incremental initiatives that will make a visible impact. If this kind of project is new to the practice, recruit a 'friendly' customer for a proof-of-concept.

Successful partners can create differentiation by being on the bleeding edge of technology. Partners known as early adopters get more projects that deploy new technologies. To differentiate in this manner, invest upfront to have a basic understanding of the new technologies.

Working with other partners can also be an effective method of expanding geographic reach or to provide ongoing customer support more efficiently. In most scenarios, working with others allows partners to focus on their core advantages and benefit from their partner's understanding of local competitors and cultural differences.

The Multiplier Effect of Partnering



THE VALUE OF PARTNERING

95% of Microsoft's commercial revenue goes through partners and there is a total addressable market of $4 trillion globally (AMR Research 2017). Microsoft has thousands of partners specializing across the technology and industry spectrum. Linking up to this network makes it possible to access a vastly greater customer ecosystem, including new markets that might not have been previously addressable. The right partnerships open doors to unlimited opportunities.

Partnering can increase a partner's capacity to scale and ability to respond. With the market moving in the direction of specialization, and the jack of all trades becoming obsolete, this necessitates leveraging partners, equally specialized, to fill the gaps. It is increasingly difficult to be a master of everything.

Collaborating on sales and go-to-market activities can also reduce the cost of selling in new markets and increase the efficiency of solution delivery, leading to bigger profits.

Reach more customers	Increase growth	Joint selling revenue	Velocity + size IP joint deals	Azure revenue
3x-5x	**10-20%**	**$8B+**	**3x** faster	**40%**
Increase in joint pipeline	Increase in margin	Annual IP co-sell partner revenue	close **6x** larger	of Azure revenue is driven by ISV solutions

ASSESS PARTNER READINESS

Partnerships are formed for diverse reasons, and each has a "life" of its own. There are several different dimensions to considering the readiness to partner, or the readiness of an organization to partner with. To help understand those dimensions better, use the International Association of Microsoft Channel Partners' (IAMCP) P2P Maturity Model, which offers a framework of 10 business functions and four levels of maturity to consider when organizations look to partner on a deal, a campaign, or a business. It offers a practical how-to approach, featuring a self-assessment tool and resources to master the skills for developing successful partnerships.

Ten Business Functions Defined

Joint Business Planning	Leads and Pipeline	Agreement	Sales Compensation	Market Messaging
Geography	Resource Utilization	Readiness and Certification	Product and Customer Support	Customer Relationships and Satisfaction

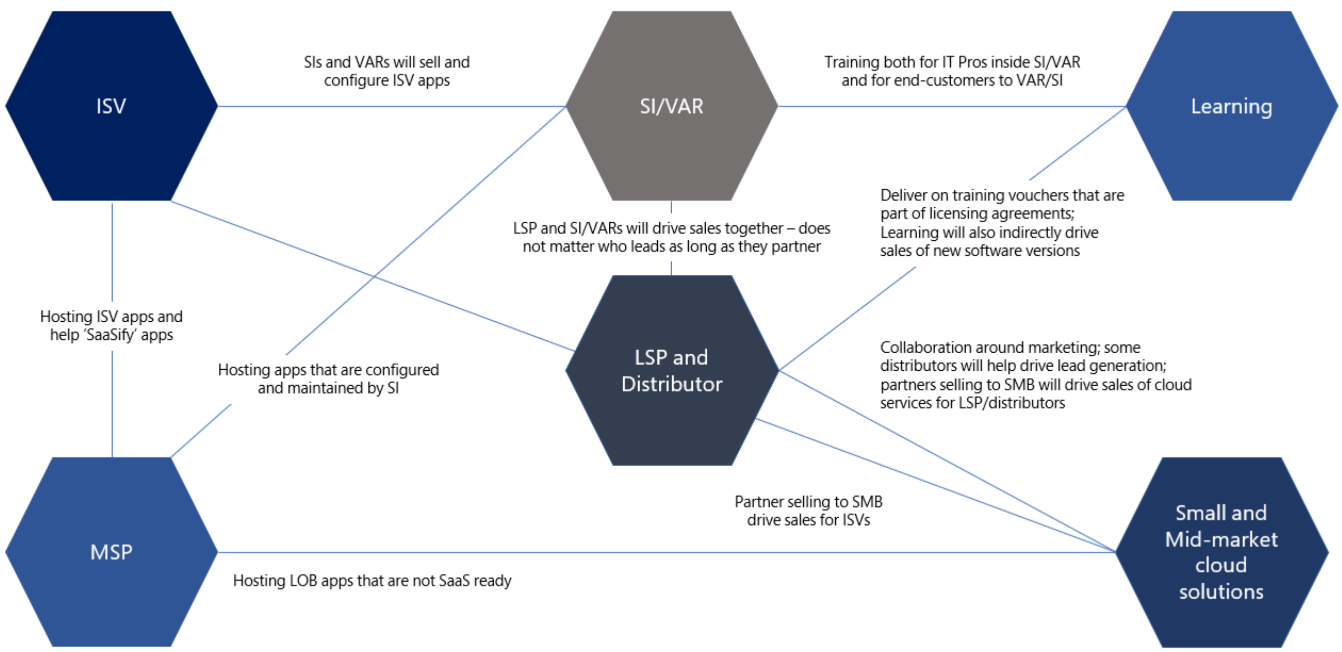
IAMCP also offers the P2P Maturity Model Playbook and online training sessions.

Also test partnership readiness using Microsoft's Partner-to-Partner Readiness Assessment: https://p2pmaturitymodel.com/. This assessment is intended to help ISVs and general partners to determine their eligibility to connect with other partners within the Microsoft Partner Network ecosystem. Forging new partnerships can accelerate time to value for customers. Microsoft Partner Network (MPN) ID is required to use the assessment.

BUILD RELATIONSHIPS THROUGH COMMUNITY

Partnering takes time and trust, but finding the right partner can produce incredible results. To facilitate meaningful connections and help find the right partners, Microsoft has launched the Microsoft Partner Community site. Use it to network, build and strengthen relationships with other partners and Microsoft subject matter experts, and access resources to make peer interactions more successful.

The Multiplier Effect of Partnering



Source: International Association of Microsoft Channel Partners