

# Overview of the Microsoft Business Applications ISV Connect Program

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(V1.3)



## Introduction

The purpose of this document is to provide context and information about the launch of the new Microsoft Business Applications ISV Connect Program that starts in mid-July 2019, including program benefits, obligations, and logistics.

## Disclaimer

This overview document is intended to provide a high-level summary of the program which is governed by the Business Applications Addendum to the Microsoft Publisher Agreement. Please consult this Addendum for specific scenarios and more detailed information about the program. This overview does not represent an offer neither does it constitute a part of your agreement with Microsoft.

Participation in the program will be governed only by applicable Microsoft partner, publisher, and program agreements. All content provided herein is as-is and Microsoft makes no warranties, express or implied, regarding the information. All examples are for illustration purposes only and no association with any actual entities are intended.

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## Customer demand drives growth of ISV applications business

More than ever, organizations need to innovate and adapt to change rapidly. This is only possible when customers can unlock their business data—from customer history to transactional, observational, and analytical—and unify that data on a modern, intelligence-infused cloud platform.

Microsoft stands alone in its ability to help customers unlock this innovation by combining marketing, finance, sales, service, talent, retail, and operations applications with an analytics, application, and workflow platform that all relies on the Microsoft common data model. Furthermore, Microsoft makes it possible for customers to connect their data assets across Microsoft 365 (M365), Azure, LinkedIn, and 3rd party ecosystems to optimize the systems and solutions they already have in place.

Customers today look to independent software vendors (ISVs) to create solutions that help them reimagine products, intelligently engage with their customers, transform operations, and empower employees with democratized business apps. Based on our internal research, the business applications market is poised to be \$173B by 2020 and 57% of this market will be driven by ISVs<sup>1</sup>. While the overall business applications cloud market is growing at 21%, Microsoft is outpacing the growth at 51%<sup>2</sup>.

ISVs that build on Microsoft Dynamics 365 and PowerApps can offer their customers innovative apps they couldn't build elsewhere using connections to industry-leading cloud services on Azure and developer tools built just for them. The new Business Applications ISV Connect Program from Microsoft brings together platform and program benefits created especially for ISVs to support their success.

### Program designed for ISVs

Microsoft rebuilt Dynamics 365 to be an Azure, cloud-native app that uses the Common Data Service (CDS) to standardize data schemas across apps. We separated the applications from the platform as well as eliminated the traditional silos of ERP and CRM to create modular applications that align with core functions of any business.

Separating the first-party applications from the PowerApps platform, empowers ISVs like you with the ultimate flexibility. Now you can either extend our first-party applications (Dynamics 365 Marketing, Sales, Customer Service, Field Service, Retail, Talent, Finance and Operations), build unique standalone apps directly on PowerApps, Microsoft Flow and CDS, or connect your existing app to integrate with any of the first party applications and/or PowerApps using connectors. At this time, the program does not include Business Central, Power BI, AI Solutions, and Fraud protection from Power Platform.

We have simultaneously designed the Microsoft Business Applications ISV Connect Program to help you better serve our joint customers by providing enhanced tools and services for application development, improving your marketplace publishing experience, and committing to a more effective and predictable go-to-market engagement.

The Microsoft Business Applications ISV Connect Program lays the path to a stronger partnership through a revenue sharing model that ensures on-going platform investments, Pro Developer tooling enhancements, and go-to-market (GTM) support that better aligns with the Microsoft field for accelerated selling.

ISV SaaS applications run on top of the Azure infrastructure and the Business Application Platform, using business logic, data models, and schemas available within the CDS and the Dynamics 365. The revenue sharing

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<sup>1</sup> CY18 growth based on Microsoft commissioned research

<sup>2</sup> FY19 Q2 Microsoft [earnings report](#)

model allows us to re-invest in your business and the platform you rely on, as well as provide access to exclusive technical, marketing, and sales enablement resources.

After you enroll in the Microsoft Business Applications ISV Connect Program, you may access authorized customer tenants and use business application development tools for a 10% revenue sharing fee, regardless of your size or market history. In addition, you are eligible for go-to-market (GTM) benefits intended to help you grow your business.

GTM benefits are assigned to an app based on program classification which is determined by revenue sharing fees paid (please refer to [the example below for detail](#)). Apps classified as Standard tier are eligible for two GTM benefit levels. The different levels provide cumulative benefits that address common needs of apps of a particular size. They are included for no additional cost with the 10% revenue sharing fee you pay to access the platform.

If your annual revenue through the program exceeds \$1.25M (i.e. revenue sharing fees paid in 12 months are \$250k or more) and your apps meet specific criteria, you may be invited to join the Premium tier. This tier offers two levels of cumulative marketing and co-selling benefits for an additional 10% revenue sharing fee (i.e. for a total of 20% revenue-sharing fee).

As you grow and increase your success with Microsoft, we will increase our reinvestment with you. This is done to ensure both of us are committed to mutual success and ultimately to customer success.

## The Microsoft Business Applications ISV Connect Program

The Microsoft Business Applications ISV Connect Program has been designed to better align with mutual success of your company and Microsoft, including coordinated sales efforts within enterprise and mid-market field teams to enable joint selling in select scenarios. The new program is built around a revenue sharing model to help offset the cost of running ISV SaaS offerings on the Dynamics 365 platform and to enable continued investment in ISVs through new technical, marketing, and sales enablement benefits.

One of the goals of the new program is to ensure only certified applications, that meet a certain quality bar, are part of the ISV ecosystem available through AppSource. This will give customers confidence that any ISV app on AppSource is a Microsoft certified app.

All new and existing Dynamics 365 and PowerApps applications must enroll in the program, be certified (or recertified), and listed on AppSource. The program applies to apps that use or extend the following Business Application workloads: Dynamics 365 for Customer Service, Field Service, Sales, Talent, Marketing, Retail, Finance and Operations, and PowerApps. All apps that build on, extend to, or connect with Dynamics 365 applications, PowerApps or CDS by deploying in the customer's tenant through a package/solution or API equivalent must participate in the program.

Please refer to the definitions section of the Business Application Addendum (<https://aka.ms/BizAppsISVAddendum>) for more information about apps covered by the program.

### ISVs will be prompted to join the program

New and existing ISVs with applicable Dynamics 365 apps and PowerApps will be presented with and prompted to accept the program's terms as part of the app publishing workflow. Every ISV that wishes to publish and transact on AppSource will be required to participate in the program prior to submitting applications for certification or recertification.

Once enrolled in the program, your primary contact will receive an e-mail notification from the Microsoft Partner Go-to-Market (GTM) team. This team will be charged with taking the necessary steps to help your organization access the marketing benefits available to your business.

## ISVs may also apply for Cloud Embed license benefits

As an ISV participating in the Microsoft Business Applications ISV Connect Program, if you meet the Cloud Embed program's eligibility requirements, you may also join that program and include OEM licenses as part of your app. The Cloud Embed program has evolved into an OEM-only licensing model that offers Dynamics 365 and PowerApps licenses at a discount to help you build on the Power Platform and extend first-party solutions.

Joining the ISV Cloud Embed program allows you to acquire Dynamics 365 and PowerApps licenses to create unified solutions that include those licenses and your own business IP. This can be particularly useful when your customers don't have existing Dynamics 365 or PowerApps licenses already. For your customers who do run their own underlying Dynamics 365 and PowerApps solutions which they procured directly from Microsoft (e.g., via an Enterprise Agreement), an embedded license is not required.

For details on OEM licensing discounts and how licensing fees affect revenue sharing calculations, please contact your Microsoft Partner Development Manager (PDM) or the Cloud Enablement desk.

## Business Applications Connect ISVs receive technical and marketing benefits

Tools and services available through the program are continuously designed to help you easily build and enhance your apps and grow your business. These tools and services are made possible, in part, by the revenue sharing fees.

Benefits and fees are determined by the revenue sharing fees you paid during the prior 12 months. All ISVs will be automatically registered in the Standard tier when they join the program with the option to opt out at any time.

Current benefits information for the program is available in the Program Policies (at <https://aka.ms/BizAppsISVPolicies>).

### **Example scenario for determining benefit tier and revenue sharing fee**

Contoso Software has two applications:

- Contoso Attendance earned \$100,000 through the program in the prior 12 months
- Contoso Materials earned \$1,800,000 during the same time frame through the program.

The Contoso Attendance app would be classified as Standard tier, while the Contoso Materials app would be classified as Premium tier. The total revenue sharing fees paid by the ISV would be: 10% of \$100k + 20% of \$1,800k = \$370k.

	Standard tier 10% of revenues	
	Total to Microsoft	
Technical & platform benefits <sup>1</sup>	<\$50k <sup>2</sup>	≥\$50k <sup>2</sup>
Common, pre-packaged elements of Dynamics 365 workloads and PowerApps business logic, entities, and workflows <sup>3</sup>	×	×
PowerApps UI framework and controls <sup>3</sup>	×	×
ISV Studio app and customer insights	×	×
New Pro Developer tooling to enable quick application development	×	×
Technical support for app onboarding to AppSource, including security and performance certification	×	×
Authorized access and deployment to customer tenants on the Microsoft Business Applications platform	×	×
Product licenses for development/test environments and Test Drive (for AppSource) [planned future benefit – details will follow]	×	×
Go-to-market benefits <sup>4</sup>	<\$50k <sup>2</sup>	≥\$50k <sup>2</sup>
AppSource best practices and templates to customize your engagements <sup>5</sup>	×	×
App listing showcasing your solution to Microsoft sellers and marketers	×	×
Personalized support for improving your solution listing on Microsoft AppSource	×	×
Feature your app on the Microsoft AppSource blog, which is promoted on social media	×	×
Microsoft co-branded templates for a customer-facing presentation, one-pager, and case study, including personalized editorial review of assets <sup>5</sup>		×
Marketing and sales enablement workshop to build your GTM content <sup>5</sup>		×
90-minute phone or web conference consultation to drive improvements in your channel program <sup>5</sup>		×
Coaching program to improve social selling through LinkedIn and other social connectors <sup>5</sup>		×

<sup>1</sup> Individual technical benefits apply only to apps with an architecture supported by the applicable benefit. Not all technical benefits will apply to each app.

<sup>2</sup> ISV revenue sharing fees (due to Microsoft during prior 12 months) required for indicated benefits.

<sup>3</sup> These features are only available within customer environments and cannot be used as IUR or for internal production environments.

<sup>4</sup> Go-to-market benefits do not apply to Unpaid Apps.

<sup>5</sup> Benefit provided per ISV, not per app.

*The above table reflects Microsoft's preliminary view of benefits to be offered and is subject to change without notice. Benefits remain under development and are ultimately subject to contract terms that govern access to benefits.*

## Additional marketing benefits for premium tier

If your apps reach a combined revenue over \$1.25M in AppSource (and you have paid more than \$250,000 in revenue sharing fees during the prior 12 months), you may be invited by Microsoft to join the Premium tier. Premium tier apps receive additional marketing benefits in exchange for an additional 10% revenue sharing fee (for a total of 20%).

Additional go-to-market benefits <sup>4</sup> (includes Technical <sup>1</sup> and GTM benefits provided for Standard tier)	Premium tier 20% of revenues	
	Total to Microsoft	
	≥\$250k <sup>2</sup>	≥\$750k <sup>2</sup>
Co-selling support from the Microsoft sales field	×	×
Joint account planning with select Microsoft sales field	×	×
Agency created Co-sell Ready bill of materials including field-ready marketing assets	×	×
Prioritized app listing in the Microsoft seller-facing catalog	×	×
Mini commercial highlighting your solution benefits	×	×
Press release template and editorial review for a partner-drafted press release	×	×
Virtual workshop covering every aspect of developing a productive channel <sup>5</sup>	×	×
In-person workshop designed to help you turn awareness of your solution into purchase <sup>5</sup>	×	×
End-to-end channel development program to help you expand your business through partnerships <sup>5</sup>		×
Secret shopper assessment and improvement plan for customer buying experience <sup>5</sup>		×
Account based tele lead generation campaign <sup>5</sup>		×
In-person global expansion consultation to help you scale your business <sup>5</sup>		×
Seller webinar featuring your business and/or solution promoted to the Microsoft sales field		×
End-to-end lead generation campaign featuring a single solution aimed at driving demand within highly relevant target accounts		×

<sup>1</sup> Individual technical benefits apply only to apps with an architecture supported by the applicable benefit. Not all technical benefits will apply to each app.

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<sup>3</sup> These features are only available within customer environments and cannot be used as IUR or for internal production environments.

<sup>4</sup> Go-to-market benefits do not apply to Unpaid Apps.

<sup>5</sup> Benefit provided per ISV, not per app.

## New tools and capabilities for Business Applications ISV Connect partners

New capabilities made available through the Business Applications ISV Connect Program simplify and streamline your experience, making it easier for you to consistently build higher-quality applications. A tentative timeline for continued improvements scheduled for AppSource, Partner Center, and Marketplace [can be found here](#).

### 4.1 Technical content available through a self-guided web experience

New technical content is available online as part of an ISV, self-guided experience. It provides materials that cover how to successfully build, publish, and market your business applications solutions. Key resources include Getting Started guides for Build, Extend, and Connect development patterns, as well as, step-by-step AppSource publishing instructions.

The new portal also serves as a community hub for Business Applications Connect ISVs to share market insights, training, expertise, and partner community content in a single location.

<https://partner.microsoft.com/solutions/business-applications/isv-overview>.

### 4.2 Learning paths and courses

Courses for current products are being re-created on Microsoft Learn at <https://microsoft.com/learn>. This free, interactive learning environment combines short step-by-step tutorials, interactive coding/scripting environments, and task-based achievements that help you advance your technical skills.

### 4.3 Self-service capability for pre-certifying applications

New self-service, quality-check tools help reduce errors and accelerate the publication process. You can independently verify that your Dynamics 365 applications, as well as PowerApps applications, will run through the AppSource onboarding process and be certified promptly.

If you are creating apps with Dynamics 365 for Finance and Operations, the existing Customization Analysis Report will be retired and replaced with an application checker tool. The application checker tool will become part of the developer compile experience and will highlight errors, warnings, etc. The application checker tool is available in v10.0.2 and with Platform Update 26.

### 4.3 Streamlined process for app ingestion, publishing, and delivery through Partner Center portal

ISV activities, which were formerly spread across Cloud Partner Portal (CPP), AppSource, DevCenter, Microsoft Sales Connect (MSC), and others, are being streamlined into a unified solution through Partner Center.

The new process includes registration, application certification, publishing (replacing Content Partner Portal), lead sharing (replacing Partner Sales Connect), and closed deal registration—all through a single portal. This reduces complexity for you and makes it easier for Microsoft sellers to collaborate with you.

### 4.4a Marketplace activity consolidated to AppSource

AppSource now serves as the single marketplace for business-specific solutions built for the Microsoft Cloud. Here, you can take advantage of improved search, filtering, and social amplification to better promote your applications.

### 4.4b Business Applications AppSource support

As part of the program, you will be able to call into the Business Applications moderated weekly AppSource support calls to talk with engineers and business unit managers to ask about technical issues and provide program feedback.

### 4.5 ISV Studio dashboard with adoption metrics and telemetry

Enhancements made to the ISV Studio provides a SaaS-like experience for you by offering a consolidated view into how your apps are performing across your installed base.

The view includes key adoption metrics such as number of tenants and install successes/failures. This is intended to help you more easily identify and act on bottlenecks that may be affecting customer adoption. Over time it will include additional capabilities such as app telemetry and usage

- As of July 2019, this tool is available in public preview for Dynamics 365 Customer Service, Field Service, Talent, Marketing, and Sales.
- Dynamics 365 Finance and Operations telemetry data enters private preview in July and will be incorporated into the public preview in August.

#### 4.6 Industry accelerators for jumpstarting common app builds

Industry accelerators work with Dynamics 365 entities and the Common Data Service (CDS) to speed up and simplify the use of industry-specific entities. User guides, learning videos, and a dedicated demo environment have been established to help your developers get started using accelerators. New accelerators were recently launched, including:

- Healthcare (V2) plus integration with Azure FHIR Server, Azure Blueprint, and Microsoft Teams
- Nonprofit (V2)
- K-12 Education (V1) plus integration with Microsoft's Student Data Sync
- Automotive (V1)
- Retail Financial Services (V1)
- Commercial Financial Services (V1)

Accelerators are available on AppSource and GitHub as open source materials at:

<https://github.com/microsoft/dynamics-365-industry-accelerators>.

For more information about accelerators visit: <https://aka.ms/AcceleratorProgramOverview> and <https://aka.ms/CDMengage>.

# FAQs for the Business Applications ISV Connect Program

## **Which applications are covered by the program?**

This program covers most ISV applications that build on or connect to PowerApps; extend or connect to cloud-based Dynamics 365 Marketing, Sales, Customer Service, Field Service, Retail, Talent, or Dynamics 365 Finance and Operations. Currently, Dynamics 365 Business Central, Power BI, and on-premises solutions are not included, although some of these may be added in future versions of the program.

## **What is the revenue sharing percentage?**

The revenue sharing percentage for the Standard and Premium tiers is 10% and 20%, respectively. It is assigned by app, not ISV.

## **How is the revenue sharing fee calculated?**

The revenue sharing fee is the revenue share percentage multiplied by the total solution value charged by ISVs to their customers for applications that are deployed on Dynamics 365 or PowerApps tenants. Within 30 days of a transaction, ISVs must self-report transaction information using Partner Center deal registration in the portal. Some amounts may be excluded from the reported total solution value. For details, please review the next question.

## **What items are included in the total solution value?**

In reporting the total solution value from which the revenue sharing fee is determined, ISVs may exclude: (i) directly associated CSP license fees paid to Microsoft, (ii) sales commissions or agency fees collected by Microsoft for direct sales from the Microsoft Marketplace, (iii) non-recurring customization fees, and (iv) reimbursables. For clarity, purchases by customers directly from Microsoft (e.g., via Enterprise Agreements) are not part of the ISV's revenues and therefore not included in total solution value.

## **What happens if my agreement with a customer changes?**

If the total solution value or customer contract duration changes as a result of early termination, contract extensions, usage changes, or other amendments, updated amounts should be reported to Microsoft. While the revenue sharing fee due for any period that has been billed (or is in the billing process) will not be reduced for a change, the revenue sharing fee for subsequent periods will be adjusted to reflect the revised information.

## **When are revenue sharing fees due?**

Generally, revenue sharing fees are due to Microsoft pro-rata over the life of the ISV/customer agreement. For example, revenue sharing fees associated with a 3-year, \$100,000/year license in the Standard tier would be invoiced by Microsoft in advance at  $\$100k * 10\% * \frac{1}{4} = \$2,500$  every 90 days.

## **Do revenue sharing fees apply to pre-existing agreements?**

Following application certification/registration, revenue sharing fees apply to new and renewing ISV/customer agreements. However, for the renewal of ISV/customer agreements signed before July 1, 2019 (and registered by December 1, 2019), generally fees are waived until July 1, 2020 (or, if later, the first renewal or contract change after July 15, 2019). On these deals, when the revenue sharing fee begins, its rate will be 10%. Section 5.b of the Addendum provides greater detail.

## **Where is the program available?**

Generally, the Program is available globally except where prohibited by laws. However, at this time for ISVs located in China, Hong Kong, India, or Brazil, revenue sharing fees do not apply and co-selling and marketing benefits are not provided through this program. We expect to add some of these markets going forward. Please review Section 5 (Territory) in the Program Policies for the latest list of supported countries. The program is intended for ISVs located in countries where Dynamics 365 and PowerApps are available, although initially it may not be available to ISVs in certain markets with unique tax or currency requirements.