

Microsoft
Partner
Network

Define and Design Your Solution Offer

This guide accompanies the broader Cloud Practice Development Playbooks. For more information on these playbooks or to download the full versions, please visit aka.ms/practiceplaybooks





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Define and Design the Solution Offer

Understand the Cloud Business Models

It's key to understand that not all revenue streams are 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, while 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's these partners who are setting themselves up to be rewarded. The mergers and acquisition space is quite active. The partners who have gravitated toward the recurring revenue lines and realizing 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.

Not all revenue streams are created equal

AVERAGE GROSS MARGINS



Source: IDC eBook, sponsored by Microsoft, The Modern Microsoft Partner Series, Part 2: Differentiate to Stand Out, 2016

Defining Your Value Proposition

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

Microsoft has created a streamlined process for defining your value proposition as a part of the Microsoft Partner Crossover program. In short, defining your value proposition amounts to building a single phrase from these components:

FOR...	Customers, companies, decisions makers
WHO...	Needs or problems to solve
OUR 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

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FOR: Define the target audience of your value proposition. Who would see the value? These are the profiles of your 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, you might say, “Companies between 50 to 100 employees,” instead of just “SMB”. Also, note that the customer may have as many as three different roles. The customer can be the one who uses your service, the one who decides on selecting your services, and the one who pays for your 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 you want to help. This is the customer’s need. Examples of this include, “improve sales conversation rate,” or “spend less time getting to sales insights.”

OUR SOLUTION: Describe the solution you are offering to your customer. It is critical that this is simple to understand and succinct. The easier it is for prospects to understand your solution, the faster you will sell it, and the lower your cost of sales will be. For example, “A full dashboard service to provide your topmost business indicators in real-time.” In defining your solution, avoid being too generic (e.g., “a service to increase your productivity”) or too feature-centric (e.g., “an HTML5 dashboard powered by AJAX”).

DOES/INCLUDES: Describe the features as the customer sees them, not as you have designed 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 your customers are familiar with from their particular industry.

AND ENABLES: Highlight the benefits of your 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 your IT resources to focus on your core business,” and “flexible and scalable solution that grows with your business.”

UNLIKE: Describe what the competition is doing and why your solution is the best 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 of your product that does not apply to any of your 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 employee
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

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

Define Your Solution Offer

A solution offer is how you package your value proposition.



You determine what it is you think customers will buy and balance that with how selling that offer is good for your 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 customer need. What you want to do is evolve this into an offer-based approach. In contrast to the tailor, in the offer-based approach, you have an inventory of jackets you can offer to customers that meets their needs directly or with minimal adjustment. To switch from a demand-based approach to an offer-based approach, it is critical to think of your services as a product. This solution offer includes the unique value you have defined in your value proposition, the services included, and the way you price the benefits available to your customer. The key is that this solution offer is a standard offering — it is the same offer you can make to every customer.

Why is the way you package a solution offer important? First, because most customers are now shopping for their solutions 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 on your part. 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 (e.g., 10% of the market) than those for ready-made offers (which may represent 90% of the market). Third, by packaging your solution offer in advance, it means your pre-sale effort is done exactly once — you don't need to repeat it for every prospect. Fourth, because statistics show that the average gross margins for packaged IP (like those that capture 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; nearly half do not offer IP services across all 4 practices.



Vertical Offerings

Consider Verticalizing Your Solution Offer

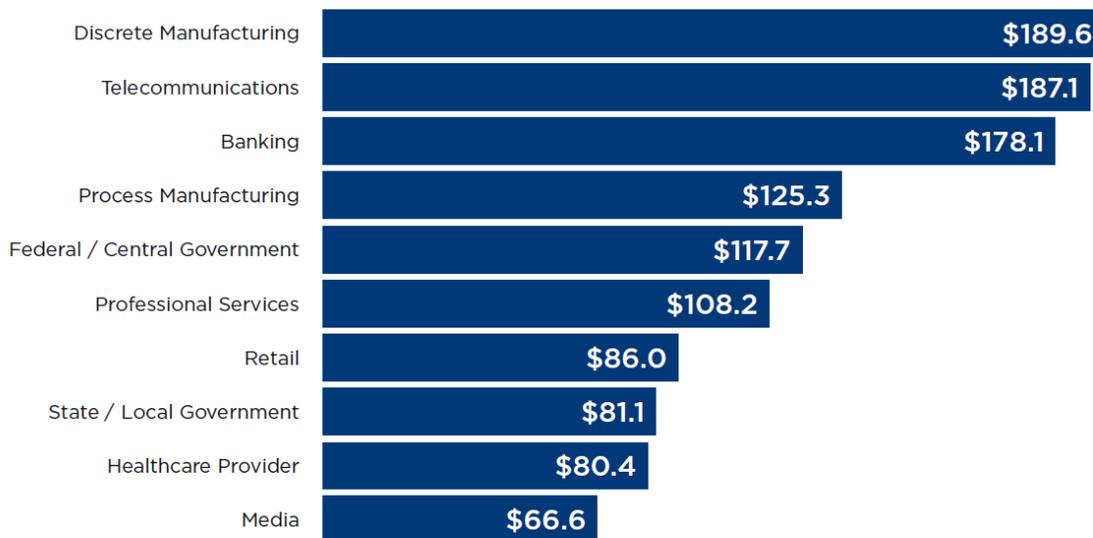
Through our research we found that a key best practice among top performing partners is that they are targeting industries or verticals as a part of their go to market strategy. The following are examples of these types of specialization:

- 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 between you and your competition. This can erode your margins and trap you in a business they can't afford to invest in as prices race to the bottom to win customers.

Once you have identified a primary vertical or set of verticals to focus on, it will be important for you to establish your company as an expert in your 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. You can also focus on a specific technology or be 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 [Differentiate to Stand Out](#) eBook.

2016 TOP 10 VERTICAL INDUSTRIES WORLDWIDE IT SPENDING (BILLIONS, USD)



Source: IDC #257386, Worldwide Vertical Markets IT Spending 2014-2019 Forecast.

Our research with partners suggest mastering one specialization before adding additional ones. We understand that 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 your focus. Partners have shown benefit from having a strict focus on one key solution and growing by expanding one vertical at a time.

Identify Partnership Opportunities

Partner to Partner

Build smart partner relationships and focus on what you do best.

It is tempting to want to do everything related to your business, but the fact remains you will never have enough time. This is a primary reason to seek out compatible partners that can help you to:

- Complete your solution
- Build credibility
- Partners for infrastructure
- Leverage joint marketing
- Add-on to sales
- Broaden your customer base

Finding the right type of partnerships is key to finding success in today's competitive market. Some partner combinations meld together well to create success. To help you find the right mix, here's an example of a partner recipe we know works:

ISV + channel-based MSP partners = international success

[Find out what's in it for the Partners and customer and the secret of success.](#)

Make connections with Dynasource.com

It's hard to beat the value of partner-to-partner conversations and networking. Luckily, there are communities to help you expand your network and make an even bigger impact on your business.

[Dynasource](#) is a global, two-sided marketplace that allows partners to connect with other firms that have

complementary expertise and capabilities. If you have excess capacity, increase your billability and profitability by finding partners that can drive utilization of your staff. If you lack the capacity, Dynasource can help you connect with partners that have the expertise to enable and expand your solutions. If your customers are looking for a solution that is outside your particular expertise, you can use Dynasource to find an expert that can provide that solution. By connecting through Dynasource and working together, you can meet customer demand for needs across the Microsoft portfolio and grow your business.

TRANSFORM THROUGH COLLABORATION:

After you've created a profile on Dynasource, you can search the Dynasource Microsoft Partner Community for qualified resources that can collaborate with your team on an opportunity. This allows you to transform your cloud business and expand your offerings at a pace that works for you.

INCREASE DEMAND FOR YOUR RESOURCES:

Business is not always predictable, but retaining quality staff is essential to your success. With Dynasource, you can make your resources and capabilities available to partners who can utilize them today, making your workforce agile and billable.

GET STARTED NOW:

To join Dynasource, all you'll need is general information about your business. Once you create a profile, you can search for other resources and jobs, as well as create and post your own. You can control the availability of your resources and what level of information you would like to share about your capabilities. With the Dynasource premium membership, you can request connections with other members and resources.

RESOURCES:

- [Smart Partner-to-Partner Relationships](#)
- [Selling thru Partners](#)