



Office 365

The IP Staircase

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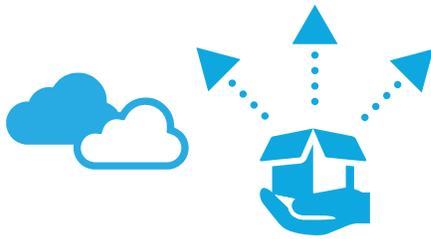
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The Cloud Challenge

Your financial future as a partner will depend on how well you can meet the strong and growing demand for cloud solutions. Meeting customer demand for cloud solutions cannot be achieved by a **business as usual** approach – customers aren't going to pay for the highly customized solutions of the past. Customers are effectively transferring the risk of IT investment to the product or service provider¹ and they want packaged, industry-specific solutions that drive more immediate and more tangible business value. In short, cloud customers buy business outcomes, not technology. Failing to face this reality can only result in a sharp decline in both revenue and margins, as your traditional offerings become increasingly commoditized.

To win in the cloud you must bundle and build packaged offerings that deliver tangible business outcomes. To drive strong margins², these packaged offerings ideally include your own Intellectual Property (IP) in some form.



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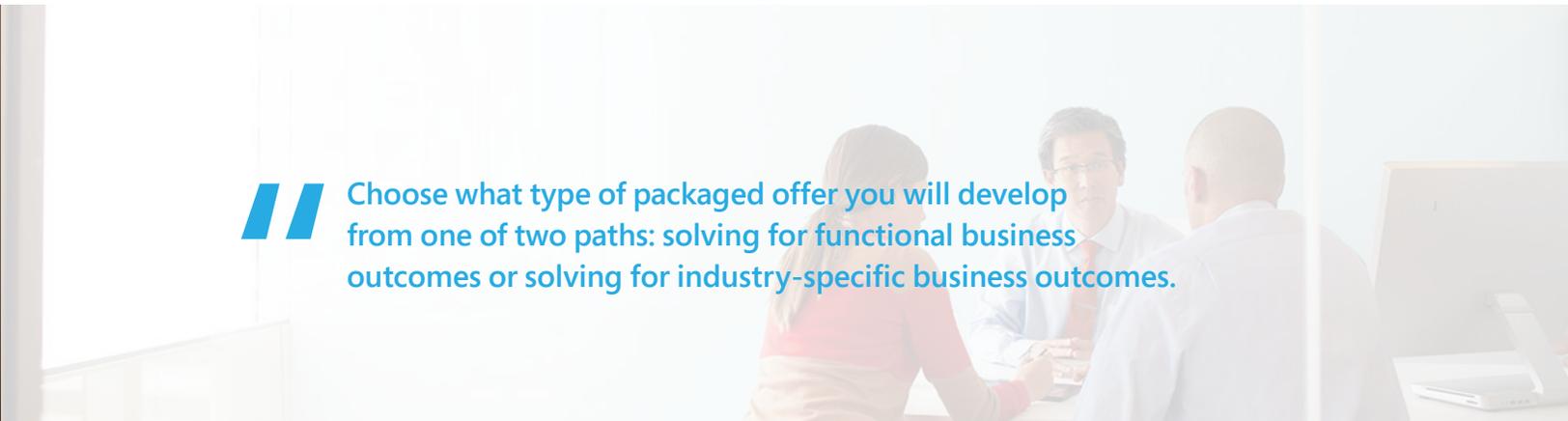
¹ for more detail, see Complexity Avalanche, by JB Wood, Technology Services Industry Association

² for more detail, refer to The Hierarchy of Margin, Managing the Cloud Financial Transition e-book

The Fork in the Road

Initially, you must choose what type of packaged offer you will develop and build out over time. One of two paths can be followed by creating a packaged offer that will:

1. Solve for *functional* business outcomes.
2. Solve for *industry-specific* business outcomes.



Choose what type of packaged offer you will develop from one of two paths: solving for functional business outcomes or solving for industry-specific business outcomes.

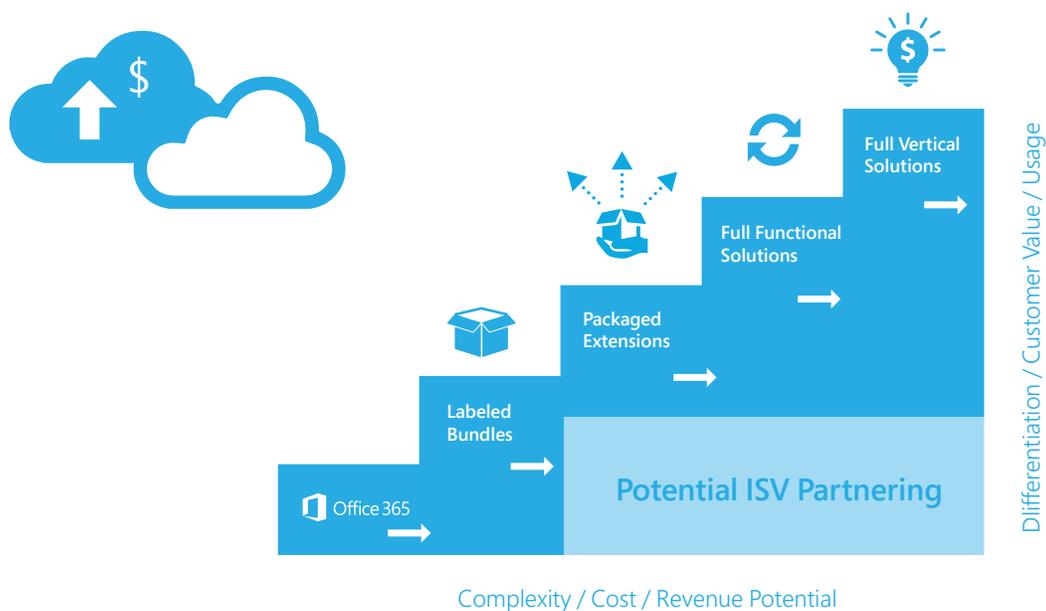
Whether your focus is functional or industry-specific, it's important to recognize that business outcomes for the customer fall broadly into three categories:

1. Risk reduction – how does your offering reduce the risk a customer business is exposed to, and by how much?
2. Cost control – what expenses does your offering reduce or eliminate entirely for the customer?
3. Revenue enhancement – how does your offering drive more business for the customer?

The ideal path for any partner will largely depend on your historical business focus, and what expertise you've gained. Have your past projects largely dealt with business processes that span industries (such as human resource management, for example), or have you developed strong domain expertise in a particular industry? Either way, the goal is to get maximum leverage from the experience you've gained over the years and use that knowledge to develop packaged offerings.

The IP Staircase

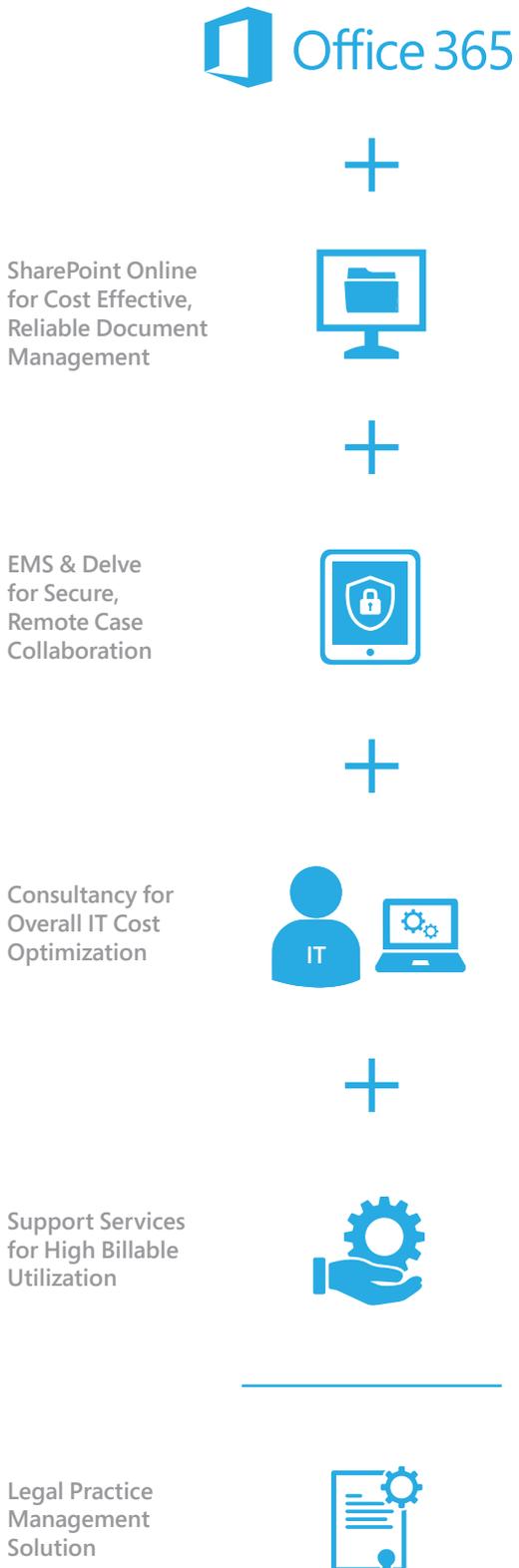
Once the initial “fork in the road” choice has been made, there is a progression to how you can think of packaged offers. Initially, packaged offers can be as simple as “labeled bundles” consisting of Office 365, consultancy, and support services. At the other end of the spectrum, there are full vertical solutions that combine many elements of the Microsoft stack with rich, partner-generated functionality. The IP Staircase that follows represents this progression:



As you proceed along the IP Staircase, the complexity of the packaged offer increases, as does the cost of developing it. At the same time, the potential for higher revenue exists as you advance along the IP Staircase because the packaged offer delivers greater business value to the customer. When the customer receives more business value, their usage of the packaged offer is enhanced, resulting in improved customer “stickiness”. The packaged offer is also more differentiated, which means it commands higher prices and delivers stronger margins to the partner. It becomes easier to sell, driving stronger revenue momentum and a lower cost of customer acquisition. Let’s look at each step of the IP Staircase in more detail.

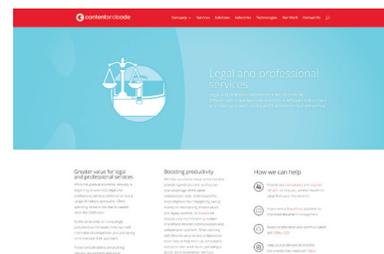
Labeled Bundles

Often, a partner will start their journey of delivering packaged offerings by simply combining various elements of Office 365 with their own consultancy and support services to form an offering that is specific to a vertical target market or functional business process. For example, Content and Code offers such a packaged offer for the legal industry.



Note the focus on business outcomes. SharePoint Online delivers cost-efficiency. EMS and Delve reduce risk by providing a secure platform for case collaboration between lawyers who often work remotely. Consultancy reduces overall IT infrastructure management cost. And finally, support services ensure that lawyers' billable hours are not lost because of system downtime. Billable hours are the "inventory" for any professional services organization, and an extremely perishable commodity.

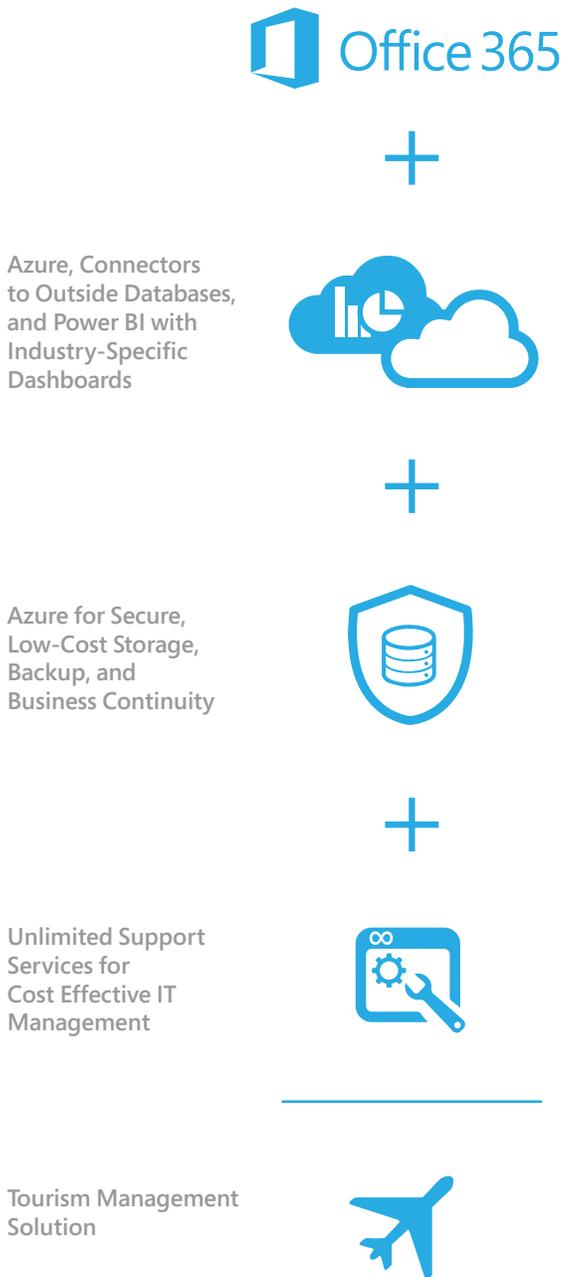
By packaging an offer this way, the business decision maker has a clear idea of the tangible business results they gain from buying the solution. They can readily justify its purchase as a result, and you acquire more customers faster, and at a lower cost. Because the business outcomes are attractive to the customer, usage rises and churn decreases, producing a subscription revenue stream well out into the future.



Check out Content and Code →

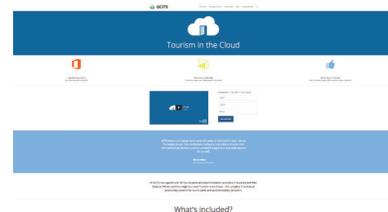
Packaged Extensions

Taking a step up the staircase, you can “extend” the functionality that your solution delivers by connecting Office 365 with other elements of the Microsoft stack, as well as your own support. Often, this can be as simple as completing one small piece of the puzzle, whether you consider yourself a developer or not. For example, GCITS built their own connectors with outside databases, incorporated Power BI with industry-specific dashboards, and provided unlimited support into a compelling packaged offer for the tourism industry.



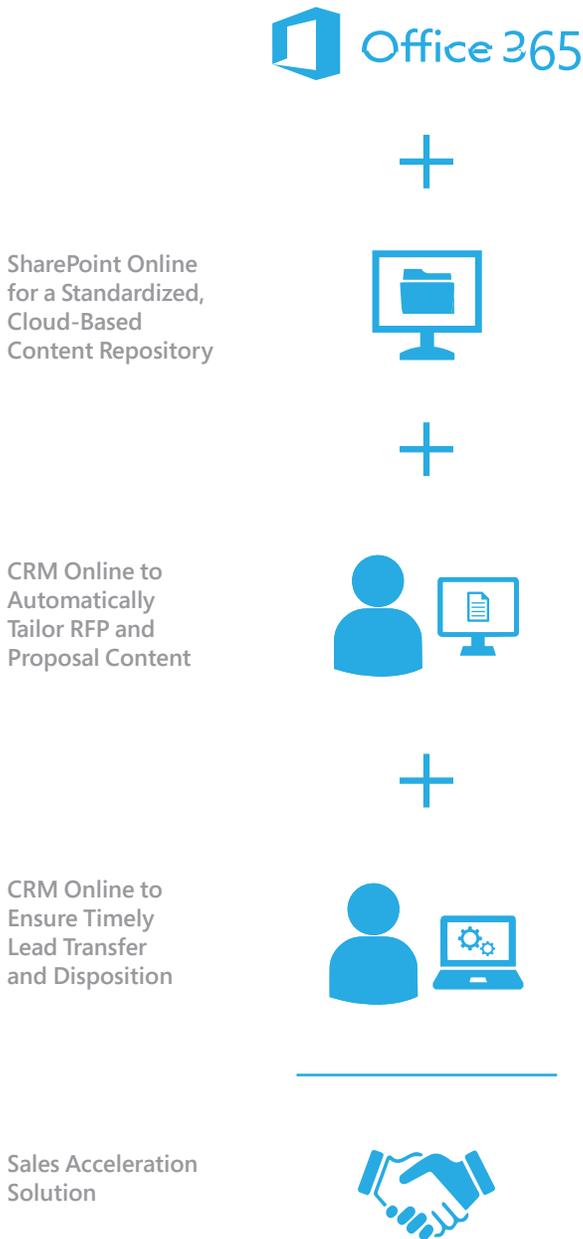
What’s in it for the customer? Connecting Azure and Power BI to drive real-time operational dashboards that everyone can access means revenue is increased while costs are controlled. Azure-based business continuity eliminates the risk associated with onsite servers becoming compromised or lost outright. Unlimited support not only reduces overall IT management costs and downtimes but provides the customer a “peace of mind” that they willingly pay for.

Again, the business decision maker sees clear business results from the offering. You get significantly higher customer adds and strong revenue momentum that does not have to be replaced each year because it is subscription-based.



Full Functional Solutions

Although the last two examples have been industry-specific, some partner solutions “solve” for increased functional efficiency rather than for specific industries. Functional solutions can link together even more Microsoft core offerings. For example, Qorus combines Office 365, SharePoint Online, and CRM Online into a packaged offer for managing proposals and RFP responses.



SharePoint Online for a Standardized, Cloud-Based Content Repository

CRM Online to Automatically Tailor RFP and Proposal Content

CRM Online to Ensure Timely Lead Transfer and Disposition

Sales Acceleration Solution

While this packaged offer is not industry-specific, it still delivers meaningful business outcomes. A cloud-based document repository increases customer deal win rates, shortens RFP response times and ensures high-quality proposals get sent out to drive superior revenue growth. CRM Online allows quick and cost-effective tailoring of proposals to each individual sales opportunity, increasing win rates and the number of RFPs responded to, while decreasing RFP response costs. Most importantly, real-time lead disposition tracking enhances revenue growth and decreases sales costs by ensuring an effective sales methodology is consistently followed.

Partners providing this type of solution benefit from strong revenue growth and higher margins from a more differentiated offering that contains significant partner IP that can be premium-priced. Additionally, you could leverage your work by building industry-specific “skins” for your functional offerings. All under the hood stays the same but forms, fields, and labels change to reflect specific industry language. You can sell more and earn even higher margins as a result.



Full Vertical Solutions

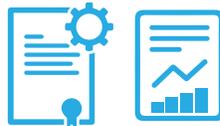
The most valuable packaged offers of all are those that represent complete vertical solutions. Although they involve more complexity and development cost, the client receives the greatest business value and this delivers the strongest possible ongoing revenue stream for you, as well as the highest margin potential. For example, CloudFirst has developed a turnkey offering for the franchising industry by knitting together Office 365, Azure, CRM Online, and Skype for Business. From the service counter to the boardroom, everyone in an entire franchise ecosystem has everything they need to drive superior revenue growth, reduce financial and operating risk to the lowest possible levels, and streamline operations into the lowest cost structure imaginable.



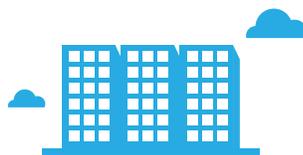
Azure, EMS, and CRM Online Basic Cloud Infrastructure



Skype for Business for Cloud PBX and Video Conferencing

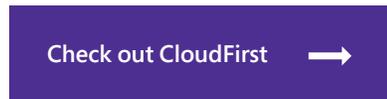


Partner IP for Territory Portal and Franchise Code Compliance, Brand Sentiment Management, RealTime Performance Reporting, Intellectual Property Protection, Workflow Automation



Franchise Management Solution

No matter where on the IP Staircase your packaged offer is located, the business outcomes you deliver form the core of how you position your offering for maximum revenue potential.



Partnering with ISVs

Although demand for cloud solutions is currently strong and growing you must recognize that the time to capitalize on the cloud is now. The very nature of a subscription-based revenue stream is that once you obtain a customer they will continue to pay as long as they remain satisfied with what they receive. This makes retaining a subscription customer cheaper than winning it away from an existing supplier. The fact is, the partner who gets the customer first is always at an advantage when it comes to the cloud. The goal is to put a “fence” around as big a customer base as possible, in as short a time as possible.

Partnering with ISVs allows you to deliver stronger offerings to a chosen market, faster. It also can lower the development cost and risk associated with bringing a packaged offer to market, as well as increase customer “stickiness” and long-term revenue potential.



If you’re building packaged extensions, functional solutions, or vertical solutions, leveraging the work of others is a way to accelerate your success in the cloud. As you build your packaged offers, make sure you are not reinventing the wheel, but partnering with those who can provide increased market momentum and enhanced commercial success in the cloud.

The IP Staircase Ensures Success in the Cloud

The journey from a services-heavy business model delivering highly customized solutions to one based on packaged offers is not necessarily an easy one, or something that happens overnight. But it is a necessary journey if you want to truly capitalize on cloud demand and avoid declining revenue and margins. Following the IP Staircase can ensure you are delivering a compelling value proposition to your customers as well as reduce the risk associated with adapting your business model to succeed in a cloud-first world.



// Use the IP Staircase to ensure you deliver the compelling value proposition needed to succeed in the cloud.

Next Steps

The IP Staircase is a useful framework for defining and building the cloud offerings that make the most sense for you as an individual partner, but only if you use it.

Start by examining your past project work and considering the following:

- What kind of customer have I historically dealt with the most?
- What have I sold them over time? This includes not only the core Microsoft offerings, but your own project services, managed services, and potentially your own IP.

Essentially, the idea is to segment your past projects as either runners, repeaters, or strangers³. Strangers are projects that are highly customized and have limited broader application. Repeaters are projects that have some elements that can be leveraged in other engagements. Runners are truly standardized processes that can be repeated without modification across many customers. The goal is to identify which “repeaters” can become “runners”.

Once you have identified your potential IP, consider doing the following to accelerate your time to market and reduce risk:

- 1.** Write a case study outlining the business issues that drove the implementation of your solution, and the business outcomes it delivered.
- 2.** Publish this case study on your website, show it to similar customers, and perhaps run specific marketing campaigns to gauge the likely market interest in your solution.
- 3.** If there is strong market interest, draft initial “product specifications” for your solution and refer to Packaged Offer Development Keys e-book for further guidance on how to cost-effectively develop and bring your offering to market.

[Packaged Offer Development Keys →](#)

³ source is <http://www.inspira-uk.com/blog/runners-repeaters-and-strangers/>