



Packaged Offer Development Keys

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The Cloud Challenge

There is no question that customers demand cloud solutions that solve specific business issues, but partners often struggle to differentiate themselves to avoid both the revenue and margin declines that inevitably result from becoming a commodity. As more providers offer cloud solutions, taking a “me too” approach will simply not result in a viable long-term business model in the cloud.

To truly stand out and capture your fair share of cloud demand, you must develop new offerings that deliver more immediate and tangible business value to the customer. The cloud customer wants to buy packaged, industry-specific solutions. The IP Staircase e-book provides a framework for “what” solutions you can develop to best meet cloud demand, and this e-book provides guidance on “how” you can cost-effectively bring those solutions to market.

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Packaged Offer Development Keys

To ensure your cloud packaged offer will be one that customers truly want to buy, follow these steps:

Choose a Focus

Packaged offers by definition must have a focus. Your focus could either be in specific vertical markets, or you could concentrate on delivering increased efficiency for a particular business function. Either way, it's important that your solution delivers compelling business value.



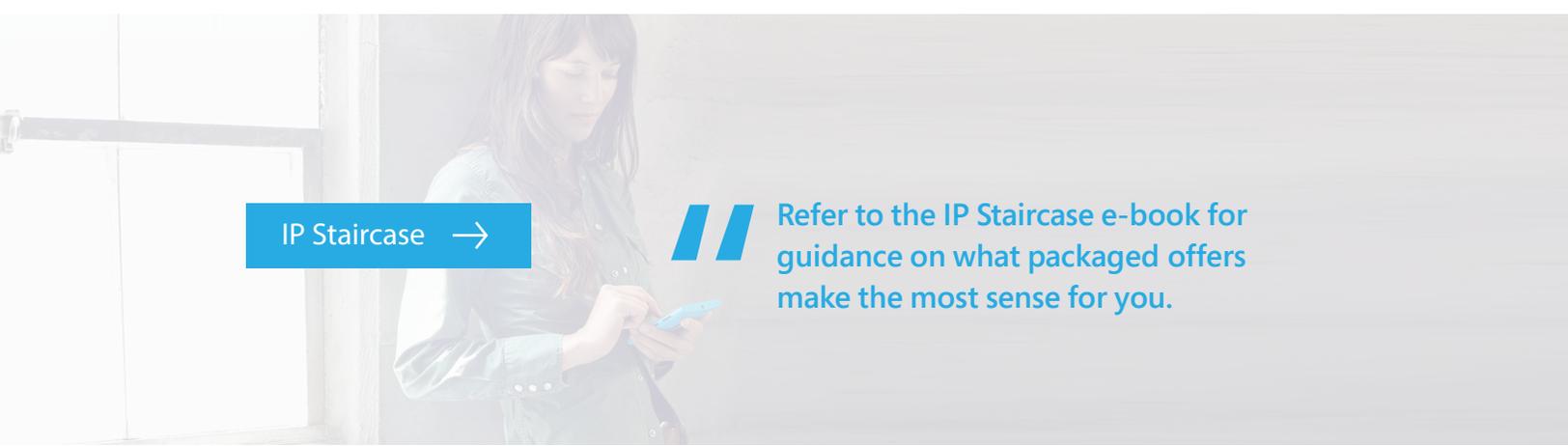
Every partner will have an “inherent” market focus – a set of capabilities and expertise that can be leveraged.



The good news is you already have an “inherent” market focus because of your past project work. This will have created a set of capabilities and expertise you can leverage.

To better understand what focus area makes the most sense for you as a partner, ask yourself the following questions:

1. *What kinds of customers have I dealt with the most, historically?* How do they naturally segment themselves? Have I concentrated in any particular industries? Or is my historical focus more on specific business functions (for example, human resources management, sales efficiency, procurement). Think in terms of the business outcomes you have delivered, not the technical bits and bytes. Define the top five customer types you have the most experience with.
2. *What have I sold to these individual customer segments?* Think not only in terms of Microsoft products but what you “wrap around” them. Break these out into project services, managed services, and any of the customizations you’ve done in previous project work.
3. *What could I “package” into cloud offerings?* Refer to the IP Staircase e-book for guidance on what packaged offers make the most sense for you.



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Solve a Pressing Business Issue

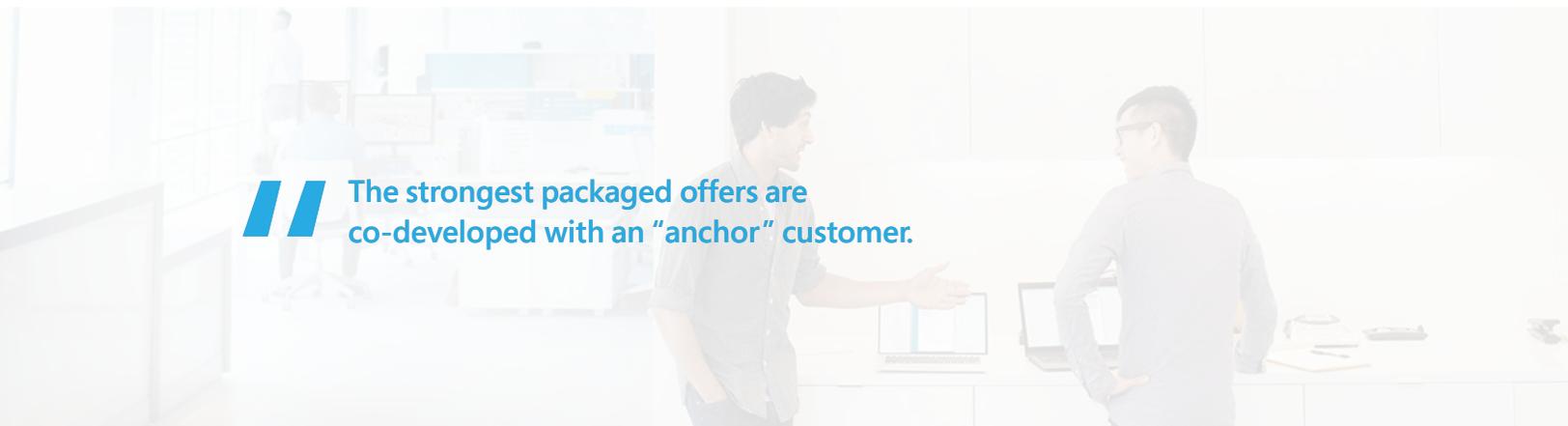
Customers don’t buy technology for the sake of buying technology; they buy business outcomes that matter to them. So you must think in terms of solving business challenges rather than technical issues. You need to clearly identify the business impact your packaged offer delivers to the end customer. Ideally, the business impact will be quantifiable as this presents the most compelling rationale for a customer to buy. Refer again to the IP Staircase e-book for examples of attractive packaged offers partners have created.

Work With an Anchor Customer

The strongest packaged offers are not developed in a vacuum. Instead, they are co-developed with an “anchor” customer. This approach serves three purposes:

1. It drives the development focus and ensures the packaged offer is market-relevant and solves pressing business issues.
2. It credentials the packaged offer and provides references, making it easier to sell to others.
3. It can lower the costs of bringing packaged offers to market because the customer partially pays for developing them.

Frequently, this anchor customer will be someone you have done work for in the past and therefore has previous project work that can be leveraged. But you might also come across a new customer with a specific business need that is unmet by existing solutions, and that represents an opportunity to exploit a niche that is especially uncrowded and attractive today.



// The strongest packaged offers are co-developed with an “anchor” customer.

Keep it Simple

The reality is that many “traditional” solutions are simply far too complex for the customer to use fully. As a result, they don't feel they are getting adequate business value from their IT investment. This phenomenon is referred to as the “consumption gap¹”, and it means that attempting to differentiate your offering on many features simply doesn't work in the cloud.

Successful packaged offers in the cloud must reflect the customer's desire for simple, elegant, easy-to-use solutions. Less is more. So keep your packaged offer simple and make sure it delivers tangible business results.

¹ source is Complexity Avalanche, by JB Wood

Match Investment With Opportunity

You should be confident there is an adequate financial payback from your efforts in developing your packaged offer. Market sizing is critical to ensuring that investments are only made if there is a sufficient market to target. The size of a viable market will vary for any individual partner and largely depends on what it will cost to develop your cloud offering, as well as the amount spent to acquire new customers. The greater those costs, the larger the target market needs to be. Once you have assessed both the anticipated costs of offer development and necessary sales and marketing infrastructure, you should use the Cloud Financial Modeling tool to ensure that your overall cloud business model holds water.

Microsoft also provides a very useful tool² in this regard, that can identify the actual market potential for your packaged offering.

// You must be confident there is an adequate financial payback for your cloud efforts.



Microsoft Small and Medium Business, Industry Analysis - 2016

Market Geography, United States
Top Performer Geography: United States
As on Date: Dec. 07, 2016

of Customers (Mid-Market)
\$ Spend: \$98,051
Growth (CAGR) 5%

of Customers (Small-Market)
\$ Spend: \$212,545
Growth (CAGR) 6%

Financial Services



Market



\$13.6

Professional Services



Market



\$29.6

Manufacturing



Market



\$10.7

Retail



Market



\$43.8

Health



Market



\$20.9

Government



Market



\$19.8

\$ in Millions

² ask your PSE for your own customized Industry Analysis

Track Development Costs

Developing packaged offers is not free. Hopefully you can defray some of these costs by working with an anchor customer or two, but the real costs of packaged offer development can only be managed if they are tracked. It is especially important to separate utilization on project work from product development costs.

Make sure you have a mechanism in place to accurately track and manage the true costs of packaged offer development. This is increasingly important as you climb the IP Staircase.



// You must track development costs so as to manage them effectively.

Partner to Accelerate

Often, the fastest route to market with packaged offers is by leveraging the work of others. By partnering with Independent Software Vendors (ISVs) for example, you can often acquire cloud customers faster and more cost-effectively. This approach can also lower the development cost and risk associated with developing packaged offers, as well as increase customer “stickiness” and long-term revenue potential.



// The fastest route to market with packaged offers is often by leveraging the work of others.

Bring Attractive Cloud Offers to Market Quickly

By using the **IP Staircase** as a framework for deciding what your cloud packaged offer will be, and by following the development keys just described, you can ensure you're bringing attractive cloud offers to market quickly. By using the **Cloud Financial Modeling Tool**, you'll ensure you're achieving a solid financial return for your efforts.



// The IP Staircase and the Packaged Offer Development Keys help ensure you bring attractive offers to market quickly.

Next Steps

If you haven't already, read the IP Staircase e-book to identify your own cloud packaged offer containing your own IP by completing the activities found at the end of the e-book.

Then, you can learn how to fund the upfront investments needed to transition to your new cloud business model in the Managing the Cloud Financial Transition e-book.

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[Managing the Cloud Financial Transition →](#)