

# Microsoft 365 Business Services

## The Partner Financial Opportunity

March 2018

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## Executive Summary

Security is a key issue for small business owners today, which Microsoft 365 Business perfectly addresses. Successful Partners maximize this opportunity by taking customers on a “digital” journey, so that over time they consume a broad range of Partner project services, managed services, and in some cases IP. Typically, managed services generate at least \$2 additional for every \$1 in Microsoft 365 Business revenue for the Partner, and in some cases far more. On top of this, they also earn healthy project fees.

## Introduction

Microsoft 365 Business combines the industry’s most recognized set of productivity and collaboration tools with world-class security capabilities. By delivering expanded security and device-related services, Partners serving small to medium businesses consequently have a significantly expanded financial opportunity.

To better understand the full financial opportunity, we interviewed leading SI’s and MSP’s in Europe and North America, serving customers ranging in size from 25 to 250 end users.

Based on these Partners’ offerings, this guidance has been produced to ensure you capture the full Microsoft 365 Business financial opportunity.

## Customer Demand

Security is a key issue for small business owners today. Successful Partners speak directly to this concern, and present offerings that:

- Keep company data secure and protected from malicious acts by both internal and external actors. With this data now stored on and accessed by a proliferation of mobile devices, this threat is higher than ever.
- Ensure only those authorized have access to sensitive data or

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*Successful Partners present offerings that deliver comprehensive data protection, identity and access control, and device management.*

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information. For example, financial data or strategic information must be heavily safeguarded. Particularly in the case of departing employees.

- Keep corrupted devices from contaminating a company's broader IT infrastructure.

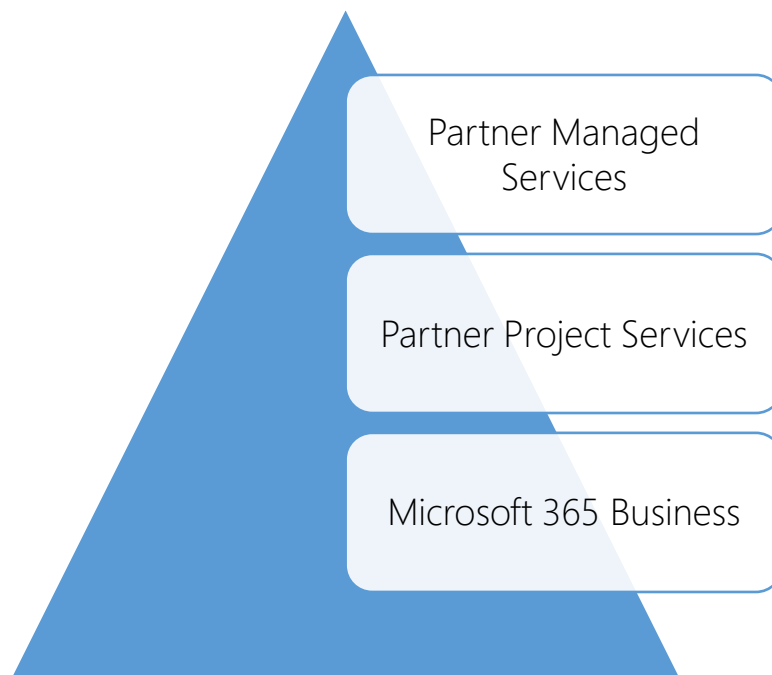
In sum, successful Partners provide the customer with comprehensive data protection, identity and access control, and device management. In a nutshell, they are enabling customers to work securely in a mobile world.

## Partner Offering

While Microsoft 365 Business provides a solid base, fully addressing the customer's need for security in a mobile world provides Partners with an expanded opportunity to sell both:

- project services, which deploy Microsoft 365 Business for the customer
- managed services, which support the customer on an ongoing basis

In short, the full Partner financial opportunity is realized by a Partner "building" a 3-layered offer based on Microsoft 365 Business, as follows.



The other key to maximizing their Microsoft 365 Business opportunity is for Partners to take customers on a “digital journey” over time, so they consume the full Partner offering.

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*The key to a Partner realizing the full financial opportunity is to take customers on a “digital journey” that results in them consuming the full Partner offering.*

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Generally, this “digital journey” has these 3 steps to it:



How a Partner best does this is described in the following section.

## Partner Offering Elements

Microsoft 365 Business opens the door for Partners to expand their services revenue. Several of these services a Partner will already offer, often supported by other 3<sup>rd</sup> party tools. Some will be net new. The guidance below relates to those commonly “attached” when selling Microsoft 365 Business.

### Project Services

The first work a Partner typically engages in is setup of the Microsoft 365 Business environment, and the customer migration to it. This is foundational, and indeed every Partner will do this today.

Leading Partners, however, do not stop there. They leverage the customer desire for security to

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*Partner project services deepen and extend customer engagements and are the first step in expanding the Partner footprint.*

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deepen their relationship, and promote their broader offering. Often, this takes the form of an

**IT Security Audit**, which identifies potential areas of risk in a customer’s IT infrastructure. This is a deep dive into a customer’s potential IT fail-points and vulnerability, and a chargeable event.

To broaden the scope of their customer engagements even further, some Partners use a **Cloud Roadmap** approach that engages customers in their entire digital transformation by developing a multi-stage plan to address the shortfalls identified in the **IT Security Audit**. This roadmap is then implemented, effectively locking in longer customer engagement cycles and consequently higher customer lifetime value.

## Managed Services

While project services are an important part of the Partner offering, the real key to fully monetizing the Microsoft 365 Business opportunity inevitably lies in delivering ongoing managed services. This is because managed services typically deliver higher margins, and are therefore a critical driver of long term profitability, but also because they are recurring in nature, while project services are not. This makes for greater revenue predictability, and produces higher company valuations, something every owner cares deeply about<sup>1</sup>.

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*Partner managed services expand a Partner’s financial opportunity by delivering higher margins and increased company valuations.*

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To provide an upsell path and fully exploit their financial opportunity, successful Partners also tend to offer different “tiers” or levels of managed services. Most often, there will be 3 such tiers:

A “basic” or mandatory managed service package, which contains the following elements, is recommended as a first step for all Partners:

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<sup>1</sup> For more detail on the impact of various revenue streams on company valuations, view the [CloudSped Realities on the Ground Study, 2017](#)

- Help desk and end user support – basic “call us if you need us” support for laptops, PC’s, tablets, and phones. Delivered via chat, phone, or Skype and available 24/7. Very often based on unlimited cases per month.
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- A “basic” managed service package is recommended for all Partners.*
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- Remote device monitoring and management – often including alarms on end users’ devices that cause the Partner to correct whatever problem has occurred.
  - Identity & access (AD) monitoring, management and remediation – adding and removing users, resetting passwords, and in some cases license management.
  - E-learning – typically FAQ’s, online tutorials, and self paced learning modules an end user can access in replacement of on-premise training.

An “advanced” managed service package helps build revenue further, as well as differentiate the Partner. It is recommended as an upsell, particularly to customers with more complex security requirements, and could contain any combination of following elements, depending on a Partner’s specific market conditions:

- Cyber-attack threat monitoring & prevention – often leveraging other 3<sup>rd</sup> party tools to provide complete protection against viruses, malware, ransomware, phishing, and spam.
  - Endpoint security monitoring and remediation – ensuring all laptops, PC’s, tablets, and mobile phones are protected with encryptions and advanced threat protection.
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- Security protocol monitoring, management, and remediation – utilizing compliance managers to ensure any regulatory requirements are not breached.
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- Security administration based on a customer’s remote portal score, and remote portal support for the customer.
  - Automated archiving, compliance monitoring and remediation, leveraging Azure.
  - Full backup and disaster recovery as a service, again leveraging Azure.

- Corrupt device quarantining, and application download prevention on jailbroken devices.
- Bring Your Own Device user control – ensuring that any outside devices do not corrupt the customer’s IT environment.

Finally, the “premium” managed service package truly cements the customer relationship, and maximizes the Partner financial opportunity. It is most suitable for customers who wish to totally outsource all elements of their IT infrastructure and can involve these elements, depending on a Partner’s capability to deliver them:

- Key business process automation – delivering reduced risk, better cost-efficiency, and greater management control using SharePoint Flow & Power Apps.
- Desktop as a Service – typically involving hosted desktops, virtual workspaces, and application hosting and management.
- Automated dashboards – leveraging BI and delivering reporting to the customer in terms of incidents logged and threats prevented. Can also include simplified control panels that are more readily managed by the customer.
- Device as a Service – the provision of laptops, PC’s and tablets for a monthly fee, and most often including support.

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*A “premium” managed service package truly cements the customer relationship, and maximizes the Partner opportunity.*

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## Own IP

Partner intellectual property results from a Partner “codifying” some business process and making it available as a “productized” offering. Examples would be recruiting or procurement workflows that are embedded in Microsoft software. Partner IP is monetizable if it can reduce risk, increase control, drive down costs, or increase efficiency for the customer. Some of the elements mentioned in the

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*Partner own IP can further build customer lifetime value, by reducing risk, increasing control, or driving down costs for the customer.*

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“premium” package just described (using SharePoint Flow & Power Apps) constitute IP, and can even further raise a Partner’s margin profile, because their delivery is not labor-based. In other words, once sold, there are very low ongoing costs for the Partner. And as the volume of IP sold increases, margins increase even more. Perhaps more importantly, own IP can be premium-priced, because of the business value it delivers

Finally, some Partners extend their offerings to include “as a service” elements for desktops and devices. For example, devices-as-a-service are effectively fully-supported lease programs offered by the Partner. This not only further expands their revenue footprint inside the customer over time, but it also more fully exploits the traditional role as “outsourced IT departments” that many Partners have built their businesses on.

## Revenue and Margins

Overall, the revenue and margin profile that leading Partners are experiencing with Microsoft 365 Business 365 is summarized below.

	Revenue	Margin
Microsoft 365 Business	\$20 seat/month	20%
Partner Project Services	\$35 - \$150 per converted seat	35 – 40 %
Partner Managed Services / Own IP	\$15 - \$175 per seat per month	40 – 50 %

Bottom line, leading Partners selling managed services typically generate at least \$2 additional for every \$1 in Microsoft 365 Business revenue, in some cases far more. They also earn healthy project fees. Build your offer leveraging the summary slide that accompanies this whitepaper

## Conclusion

The key to fully monetizing the Microsoft 365 Business opportunity, and ensuring long term Partner viability, lies fundamentally in 2 things:

1. Taking customers on a “digital” journey, so they consume the full Partner offering over time, including Partner project services, managed services, and ideally their own IP in some form.  

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*Leading Partners typically generate up to \$2 or more for every \$1 in Microsoft 365 Business revenue, as well as healthy project fees.*

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2. Offering “tiers” or levels of managed services, so that both revenue and margin potential is realized by being able to upsell a customer to higher packages.

Partners taking both these steps not only have healthy businesses today, but are perhaps more importantly are well positioned to fully monetize the customer’s digital transformation in the years to come.