The Modern Microsoft Partner Series
What Solution Providers Need to Know to Thrive in the Cloud and Beyond
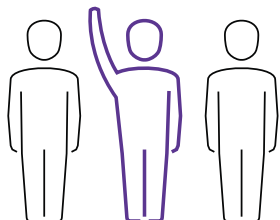
Part 2: Differentiate to Stand Out

An IDC eBook, Sponsored by Microsoft

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Introduction to the Modern Microsoft Partner Series

Regardless of whether you consider yourself a value added reseller, a systems integrator, IT consultant, managed service provider or independent software vendor, this eBook series has practical ideas for your business.

The Modern Microsoft Partner series is a collection of five eBooks designed to help IT solution providers on their journey to success in the cloud. The series is full of insights and best practices that cover a variety of critical business topics.

The first eBook, "The Booming Cloud Opportunity," sets up the series and focuses mainly on revealing the compelling evidence around the profitability potential in the cloud. This book, "Differentiate to Stand Out" provides advice and ideas from successful partners that are known for something unique. They are masters in either a technology, an industry, or a business process, often regardless of their geography.

The successful partner of the future will also have to differentiate his or her practice from the wide and growing variety of competitors in the market. The competition is no longer just other IT channel partners in your territory, but with IT partners worldwide, as well as vendors outside of IT such as operating technology companies (think about companies who deal with electrical, pumps, HVAC, etc.) and telco providers. There is also a growing influx of new solution providers coming from born in the cloud startups and even spinoff companies that started as internal customer IT projects.

Taken together, it's a complex competitive environment out there. The way to succeed is to define your own piece of the market and be the best possible solution provider in that niche.

The successful partner of the future will also have to differentiate his or her practice from the wide and growing variety of competitors in the market.

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The Modern Microsoft Partner Series

The Booming Cloud Opportunity

Undoubtedly, leading partners will be cloud partners in the future. The cloud is growing very fast and cloud-oriented partners are outperforming their peers.

Differentiate to Stand Out

Successful partners will be known for something. They are masters in a technology, or a vertical, or a business process, often regardless of their geography.

Modernize Sales and Marketing

Leaders will embrace modern techniques to reach customers, especially since the majority of B2B buyers are now making purchase decisions before even talking to a sales rep.

Optimize Your Operations

Profitable solution providers will take operations seriously, focusing on repeatable engagements through methodology, automation, and tools. They will be masters at metrics.

Deliver Customer Lifetime Value

In Cloud economics it is no longer about the deal or the initial sale, it is about customer lifetime value. The successful partner will maintain customers for life by ensuring their clients continually get value out of their solutions.

This e-book comes before the eBooks "Modernize your Sales and Marketing", "Optimize Your Operations" and "Deliver Lifetime Customer Value" because until you define your specific target market and respective solutions, it could be inefficient to design how you're going to sell and market those cloud solutions, optimize operations, and keep customers for life.

Some of you will already have employed some, or much, of the advice in this book and are ready to optimize, but we suspect you will still find a few golden nuggets in this eBook that you can use to improve your current practices.

If You Can't be Big, Specialize

Financial stability combined with vertical specialization and domain specialization are the biggest drivers of value in mergers or acquisitions.
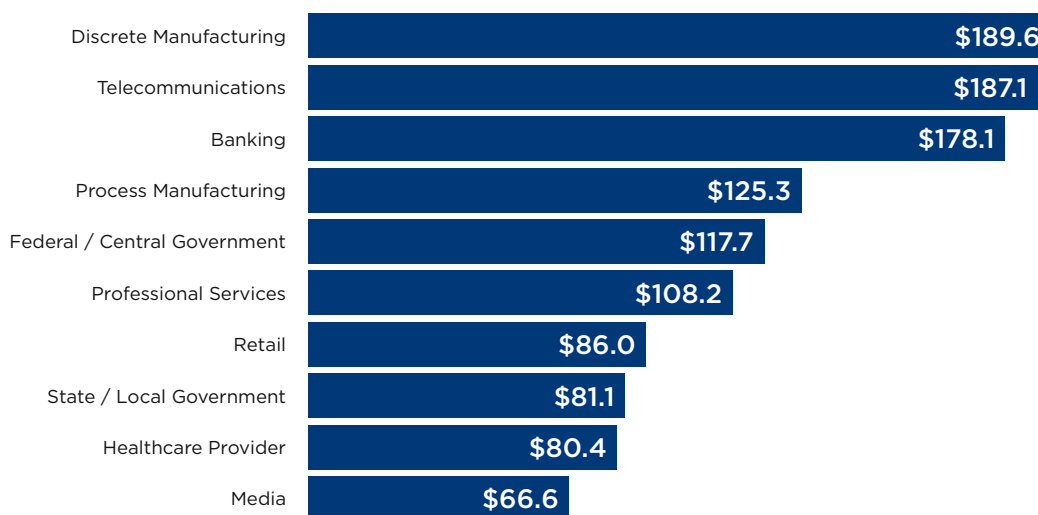
Mike Harvath, President and CEO, Revenue Rocket Consulting Group

Competition is tough, and it is getting tougher. Unless you have critical size, it is recommended that you specialize by vertical (e.g. manufacturing, banking, retail, etc.), functional process (e.g. accounting, HR, marketing campaign management, etc.), or by technology (e.g. systems management, analytics, ERP, etc.). Even the biggest solution providers out there would probably benefit from specialization.

There is a general lack of differentiation in the market, leaving price as the primary differentiator. This can erode partners' margins and trap them in a business they can't afford to invest in. The good news is that since most partners have not yet differentiated, if you are beginning your differentiation journey now, you will be ahead of the curve.

IT solution providers can no longer afford to be 'all-things to all-people'. The pressure on pricing, and therefore margins, is too extreme, and it is not what customers want. They want to work with experts who deeply understand their business. Being the best integrator in a local region is no longer a competitive advantage. Today, customers can easily find specialized domain experts with a simple web search. The work is moving to the experts wherever they are, rather than the experts moving to the work. Becoming an expert, especially a vertical expert, is a tremendous opportunity as demonstrated in the figure below of worldwide IT spending by vertical.

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

Industry	Spending
Discrete Manufacturing	$189.6
Telecommunications	$187.1
Banking	$178.1
Process Manufacturing	$125.3
Federal / Central Government	$117.7
Professional Services	$108.2
Retail	$86.0
State / Local Government	$81.1
Healthcare Provider	$80.4
Media	$66.6

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

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How to Differentiate

There are two primary approaches to setting your business apart from the competition, by creating intellectual property (IP) or by pursuing a specialization strategy.

IDC research uncovered a positive relationship between **Recurring Revenue** and activity in **Industry Verticals.**

Creating IP: Productizing IP and creating repeatable processes has been a very successful strategy for many partners. Some partners are achieving gross margins in excess of 70% by productizing IP and selling it to their customers on a recurring revenue basis. Productizing IP helps you create stickiness with customers and opens up opportunities to sell your solutions through the partner channel. If you don't want to create your own IP, you can also look to the partner ecosystem for incremental solutions that can be bundled with Microsoft's offerings to round out your total solution.

Specializing: A great way to protect margins and stand out from the competition is to identify one or more industries or even functional processes to focus on. Then establish your company as an expert in your selected area(s). 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.

Once you have established a specialization make sure that you get your message out through digital marketing. Leverage your website, blogs, thought leadership content, industry forums, social media, and SEO/SEM to communicate your capabilities and leadership in your area of specialization. You can no longer leave marketing on the back burner.

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Focus and Specialize

" Good business leaders create a vision, articulate a vision, passionately own the vision, and relentlessly drive it to completion. "

Jack Welch, Former CEO, GE

Keep It Simple and Focus

We are selling only one solution. We have a 100% channel go-to market, simplicity in our go-to market, simplicity in product road map. It's all very simple and focused.

Andre Huynen, Marketing & Channel Director, Awingu

The partners we spoke with felt that the key to a successful differentiation strategy is focus. A horizontal "all things to all people" approach is very difficult to pull off in today's well-connected economy, unless you are of a significant size.

And if you are not a large solution provider, it is best to not over engineer your business model, or make it too complex. Try not to take on too much at once. It's just too hard for your employees.

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. Find what you are good at and stick to it, and turn it into an advantage. Awingu, an ISV partner based in Belgium, has benefitted by their strict focus on one key solution and have found growth opportunities by expanding one vertical at a time.

The beauty of the cloud is that any size partner can capture any size deal.

The Bottom Line

- Take the time to critically evaluate your current business. Determine your most competitive skills and build on those capabilities.

- Many partners have done this in an offsite with their senior staff, while others have included the entire company. The key is to have an open enough forum so that a wide range of perspectives are discussed. What do you want to be in 2 or 5 years' time? What will you be known in the marketplace for?

- If your business is fragmented, prioritize and rank the markets you have participated in and the areas that differentiate you that provide the most value to you and your customers.

- Invest only in the highest ranked areas. Don't be afraid to divest of key offerings or markets that no longer make the grade. Some top solution providers we interviewed also suggested that it's okay to fire a client if they are no longer profitable.

Microsoft

The Deeper Your Specialization, the Fewer Your Competitors

We work with a core group of clients, and there are really no competitors. We really don't have competitors!

There are 13,000 manufacturers in the state of Georgia. Of those there's 3,000 that fit our category of type of business and size. We further focus on firms that have a high level of information management in their business, that have complex operational, and repetitive operational workflows.

**Kevin Seefried,
Founder and President,
TwinEngines**

Our interviews indicated that the more specialized you make your business, the fewer direct competitors you will have. With fewer competitors, your margins will increase due to reduced price competition. Deep specialization allows you to gain a knowledge of the unique needs of a target market. As you build up expertise in a market, you are able to further differentiate your business and provide clearer benefits to the customer. You could even become known worldwide for that technical or vertical or functional process expertise! For instance, DocuSign is a leading Microsoft partner that focuses deeply on electronic signatures, across all industries and workflows, all over the world.

The deeper you build your skills and market understanding, the more competitors you eliminate and the greater your influence. Your goal should be to be perceived as an "insider" in the market, which eliminates all competitors who are not insiders. As you gain market expertise, see if you can further refine your specialization to a more specific customer profile.

According to Functional Executives, business **funds 61%** of technology projects

Microsoft

Industry vertical focus is a much more important strategy as partners move into the highest segment of cloud revenue.

This kind of "hyper-specialization" provides Georgia-based TwinEngines many advantages. It allows the company to leverage learning from one manufacturing client and apply it to the next. Their deep understanding of the clients' needs has also allowed TwinEngines to sell their project services "as-a-service", charging $5,000 to $10,000 or more per month on an ongoing basis. They have effectively become part of their client's team, a true insider.

This deeper understanding of a market drives credibility and opportunity, and positions you as a business strategy consultant. This coupled with your independent viewpoint and IT expertise makes you a highly valuable resource.

A VERTICAL FOCUS IS "IMPORTANT" OR "VERY IMPORTANT"

55.9%
< 50% Cloud Revenue

82.1%
50%+ Cloud Revenue
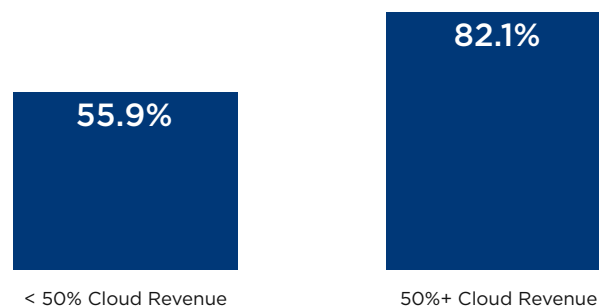
Q: How important is having a vertical industry focus to your growth strategy?
Source: IDC Survey, n=242, 2016

The Bottom Line

- Find a market that you have had success in and define what makes that market unique. Is the market a vertical, a function or a process?

- Build a Target Market Profile for that focus, including a market "needs and requirements" section. Keep a central record of this market profile so that all employees can access it and provide input.

- For each project you complete in your target market, look for learning and common requirements to add to the target profile. Continually refine your Target Market Profile as you gain experience.

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Differentiate By Providing Detailed Use Cases

> We talk to a lot of companies that have desk-less workers, like in retail with people who work on the store floor or in manufacturing where people are on the assembly line. Nearly all of them have a personal mobile device. One compelling use case we can offer is for these companies is to deliver internal communications to those personal devices, away from the break room bulletin board. It's a simple story, but it gets people engaged in a way that they can see themselves using it every day.
>
> **Ken Clements,**
> **VP Marketing, Sitrion**

A best practice is to communicate the value of your hyper specialized solutions with "use cases" (or customer scenarios) that the prospect can instantly relate to and understand. Hearing one powerful use case can inspire a prospect to imagine their own. Use cases should demonstrate very specific solutions to a problem that the prospect frequently encounters.

This approach is particularly compelling for line of business and vertical market decision makers who are looking for outcomes, not a technology. It is also a powerful approach for new technologies or market opportunities. Consider how Internet of Things (IoT) use cases are becoming uncovered and then inspiring customers to think about their own opportunities.

Beginning a new customer relationship with a highly specific or micro-vertical use case solution can be a wedge to establishing an ongoing relationship with that customer. Even if it is a small project, it can demonstrate your understanding of their business and be a good foundation for expansion. Sitrion is a great example of a firm that leverages specific use cases to help prospects understand their social and mobile technology solutions. The company has found that telling a simple story around one use case can help the customer to imagine many more ideas for themselves.

The Bottom Line

- Identify the most compelling use case for each user group in your Target Market Profile.
- Look for examples of actual customer stories that demonstrate the use case selected in the previous step. Communicate those use case stories in digital media to attract curious prospects searching online (and they are going online first, by the way!).
- Lead with these use cases in initial customer interactions.

Microsoft

Tactics for Targeting Verticals

Vertically focused partners often have vertically enabled sales teams and marketing efforts.

TOP FIVE TACTICS FOR TARGETING VERTICALS

We participate in industry or vertical events and conferences	50.0%
We partner with other channel partners to enhance our total solution	45.9%
Our sales force is specialized by industry or vertical	45.0%
We optimize our website to attract customers from within an industry or vertical and invest in SEO/paid search as a part of the strategy	37.6%
We have hired subject matter experts from within the industry or vertical	35.5%

Source: IDC Survey, n=242, 2016

Tactics for Targeting Business Functions

The majority of partners offering solutions tailored for a specific business function have a salesforce trained in consultative selling.

TOP 5 TACTICS FOR TARGETING BUSINESS FUNCTIONS

Our salesforce is trained in consultative selling to our target business functions	57.4%
We partner with other channel partners to enhance our total solution	48.7%
We participate in events and conferences for professionals within our target business functions	47.2%
We optimize our website to align with target business functions and invest in SEO	33.0%
We participate in social media and internet forums within our target business functions	30.5%

Source: IDC Survey, n=242, 2016

Microsoft

A Deep Understanding in One Vertical May Lead to Competency in Others

Initially, we had very good footprints and traction in public. And from there, we gradually expanded, and today we cover almost all verticals.

Andre Huynen, Marketing & Channel Director, Awingu

We have been saying throughout this eBook to focus, specialize and differentiate. But some advanced partners, like Belgium-based Microsoft partner Awingu, have found that if you have developed a significant practice in one vertical market, you may be able to extend that advantage to other verticals efficiently.

Each vertical market is unique and requires the building of a deep understanding of that markets' specific requirements and needs. But sometimes the strategy, organizational structure, sales process, development process and even some of the code used in one vertical market may translate to others.

Don't spread yourself too thin. The advantage of a vertical strategy is to become a knowledgeable "insider" in a very specific market. But begin thinking about adding another market when processes in your first are running smoothly, you have become an insider, and when gross margins and revenue growth are consistently meeting goals.

When ready to add a new vertical, a great strategy is to look for verticals that are similar or adjacent before moving far afield. For example, if you serve accountants you may consider risk managers or actuaries as an expansion strategy. Awingu has used this strategy and over time has been able to develop competency in a wide range of vertical markets.

The Bottom Line

- Look for vertical markets that have similar characteristics to your primary focus. If there are similar use cases and business practices, you probably have a good target expansion.

- Be careful of over-reaching. Optimize one vertical practice before moving to the next.

Intellectual Property (IP) as Your Differentiator

"

Don't be an ostrich. Cloud makes software your competitive advantage. We have packaged repeatable projects that are focused around rapidly demonstrating value within the cloud and identifying the big transformational opportunities.

"

Alex Brown, CEO, 10th Magnitude

Microsoft

Find your Hidden Intellectual Property (IP) and Keep Innovating

We have heard that challenge over and over again, from so many customers that we really decided to develop IP around it. We were the first one in the market.

Anil Singh, Founder and CEO, Hanu Software

The idea of coming up with "productized" IP may sound daunting. But many partners have found that they already had IP, it just wasn't packaged up as IP. If you did something custom that was successful for one client, there may be more customers that would benefit from solving the same problem.

Review your most successful projects to see if there are repeatable elements that you can productize. Repeatable elements can be about your own vertical or process best practices, or else they can focus on common customer pain points. Start small. Your IP can be a simple template or just a few lines of code that automates a particular function in a way your market typically needs.

Repeatable elements can be about your own vertical or process best practices, or else they can focus on common customer pain points. Start small.

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That solution was asked for from a client, then another client and then another client. So we decided to create a product.

Ishai Ram,
Vice President, SELA

Another option is to build on top of someone else's IP.   If you have figured out what you need to build, look to the Microsoft ecosystem for solutions that are already developed. Even if the solution is not exactly what you need, you may be able to customize it faster and at a lower cost than if you started from scratch.

Partners have found it is important to establish a culture of innovation and R&D in their companies. No matter what strategy you choose, you have to always keep looking for opportunities to differentiate. In the cloud world, solutions become commoditized and/or disrupted by new solutions quickly. If your whole business relies on a single element of IP and it is disrupted, you're in trouble. But if your culture encourages continuous IP innovation, you may even be your own disrupter. SELA Group's software development and consultancy practice is a great example of this sort of innovation culture, which is keeping them highly competitive.

The Bottom Line

- Review your projects over the last year. What made them successful? Look for commonalities between those projects.
- Look for elements that might help other customers that are repeatable.
- Start small. Build modules that can be plugged together based on the needs of the customer.

Partners have found it is important to establish a culture of innovation and R&D in their companies.

Microsoft

Productize vs. Customize

Our products are customized for each vertical. We typically don't do customer-specific customization, we do vertical-specific customization. There are modules which can be added or removed according to the customer.

**Balkrishna Heroor,
CEO & Principal Consultant,
Mactores**

For those solution providers with development capability, one best practice is to avoid expensive custom implementations of your intellectual property (IP) by building vertical versions or modules of your software. When it's possible, productizing solutions by vertical market can accommodate much of what a custom implementation would provide, while saving the customer and you a lot of money. It is commonly accepted tech industry economics that implementations utilizing IP typically produce higher profit margins than custom implementations. The higher the percent of the deliverable that is productized IP, the higher the overall margin.

If you are seeing the same customization requests over and over in a vertical market, figure out how you can build it into reusable productized code. IP allows you to deliver value more quickly and consistently. Hanu Software has built solutions to meet industry specific demands: Hanu in Pharma, Hanu in Education, and Hanu in Media. Mactores has also enhanced their efficiency by creating vertical modules for their horizontal solution.

GROSS PROFIT BY ACTIVITY

15%	35%	45%	70%
Resale	Professional Services	Managed Services	Packaged IP
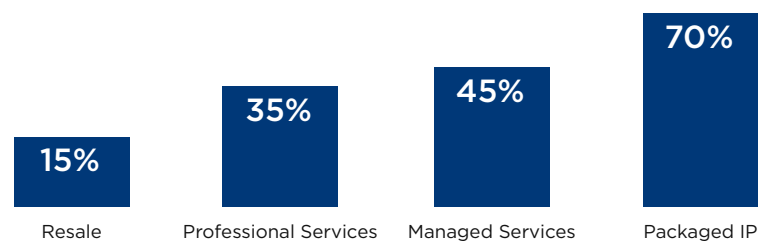
Source: IDC 2016, n=726

The Bottom Line

- Review your customer base to identify frequent vertical customer types.
- Interview your team, you might already have unique knowledge in your company you don't know about. Hire staff that has a deep understanding of a particular market or use case.
- Then review customizations you have to done for each vertical market. Prioritize the identified opportunities and focus first on one or two verticals. Build modules for the most common customizations in the most common verticals.
- Start small and build and test your process before trying to solve all of the opportunities identified.

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Microsoft

Own Your Code

Our contracts give our clients a perpetual use license. So, they're fully able to take the code, use it, change it, get rid of us, go their own way... but we own it at all times. A lot of our clients have gotten sold over time. And, we end up being part of that puzzle because we write code that gives competitive advantage. A lot of the reason people are acquiring these businesses is the system we run.

**Kevin Seefried,
Founder and President,
TwinEngines**

TwinEngines and several other partners have found that developing your own intellectual property (IP) provides defensible differentiation that increases your profitability, your company valuation, and allows you to provide your customer more value. To achieve this, you need to maintain ownership of the code. For those of you who have traditionally turned your code over to your customers, you may think this sounds impossible. But an increasing number customers are more than willing to let you own the code in exchange for ongoing maintenance and updates.

For those customers who want to maintain control of the code, try providing them a perpetual license to your own "product". With a perpetual license, they can do what they want with the code and maintain it themselves. In exchange, you may have to discount your price, but that is cheap when you consider what you can do with the code down the road. Try to minimize "work for hire" contracts where you have to give up ownership of the code.

For those customers who want to maintain control of the code, try providing them a perpetual license to your own "product".

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Partners that retain the code often offer customers an ongoing, annuity-based maintenance, support and upgrade service. This frees the customer from the unpredictable ongoing cost of internal development and the need for internal support. This approach also supports most businesses' desire to get more from their budgets for less and increases expense predictability. Another customer benefit of not owning the code is automatic upgrades which provides the customer with your continuous innovation.

Partners that retain their code find that often their customers actually help fund their IP development. If you are always thinking about your own IP, you may be able to structure projects so that they benefit the customer and your own IP development. If you begin projects identifying code that is generally applicable for your target market versus code that is specific to the current customer, you will be well on your way to customer funded IP.

The Bottom Line

- Develop a perpetual license agreement that clearly identifies IP ownership. It can be as simple as completing an online form at LegalZoom or finding a free template online.
- Begin retaining the ownership of code on small projects with receptive clients.
- Make sure you can effectively explain the trade-offs and benefits of a project where the customer licenses your IP versus one where it's work-for-hire.
- Build a product versioning and release process. Test your new process with small implementation.

Microsoft

An Online Marketplace App Earns You Credibility

The dynamic has changed in the industry, we've put our bet on the fact that it's going to consolidate. And that IP is the way to go.

**David Verschaffelt,
Director,
Atmospheric**

Hanu Software has found that having intellectual property (IP) provides them additional credibility with customers and within the Microsoft partner ecosystem. There is nothing like a successful online marketplace app to help you stand out from the crowd of competitors and to prove your capabilities to your customers. Marketplaces also function as partner-to-partner listings, allowing your app to be considered in broader range of projects across the ecosystem.

Marketplaces provide exposure and product access that can be used as a resource for demonstrations. Productized IP allows you to demonstrate a solution much more rapidly than competitors who do not have such a product. Consider the Azure marketplace or other appropriate marketplaces. Participating in these sites will broaden your reach and provide additional partner resources and programs that can help you grow your business. Microsoft is generating a lot of traffic to these sites. Don't miss out.

The Bottom Line

- Once you have a packaged product, ensure that you meet the Azure marketplace criteria.
- Identify other marketplaces that can reach your target audience and customize your app as needed.
- Investigate the requirements and apply for inclusion in the marketplaces identified.
- Take advantage of the Azure ISV programs that help you build your business and get your app noticed.

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Microsoft

Consider Outsourcing the Development of Your IP

When Microsoft started talking about IP saying you need your own value-added IP, I thought, "what are they talking about? We don't have any developers or any coders in house." Then, we identified that we needed to build IP. Now we're actually actively looking to contract product development people, coders, and developers.

**David Verschaffelt,
Director,
Atmospheric**

Several partners interviewed said that it can be hard to turn your work products into packaged intellectual property (IP). If it's code, you need to make it bullet-proof and ready for multiple customer delivery with regularly scheduled updates. This requires special expertise in the commercial development process which many service-oriented partners do not have. Or if it's a methodology, you need to document all the steps in excruciating detail, covering all likely scenarios. This requires special business analysis and technical writing skills that many partners may not have in house. It's also hard to carve away the time required to run an IP project because it takes resources away from running the day-to-day business of getting money in the door.

New Signature and BitTitan connected at an impromptu WPC meeting. Now they are sharing go to market resources.

So why not consider getting someone else to do it? Of course you will need to invest some time to identify the IP you want and spec it out, but after that, your IP machine can work autonomously while you continue to do what you do best. Atmospheric, a managed service provider, has developed IP by recruiting talent and leveraging third parties, which has allowed them to convert 90% of their customers to the cloud. The IP is something they couldn't have achieved without additional resources.

This requires special expertise in the commercial development process which many service-oriented partners do not have.

Microsoft

Another option is to use a platform, such as the one built by Nintex, to develop your IP, which doesn't require your own developers. There are several Platform-as-a-Service (PaaS) options and other product offerings where one can build applications without having to be able to code, but rather through assembling and configuring the apps. When you use this approach, the platform owner manages all the tough stuff and you get the IP with minimal expertise needed. Partners have been able to create unique offerings quickly using these platforms.

The Bottom Line

- Honoring your core competency doesn't mean ignoring other opportunities to make money.
- Build the process of identifying potential IP into every project. You'll discover you have lots of ideas.
- Then investigate who can help you get the work done most efficiently.

There are several Platform-as-a-Service (PaaS) options and other product offerings where one can build applications without having to be able to code, but rather through assembling and configuring the apps.

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Differentiate by Adding Proactive Managed Services to Migration Projects

Once we've got them on to the platform we want to get them under management. There's a whole bevy of services that you need to provide on top of the core infrastructure. Our IP is a turnkey solution for bringing these services under management. So we can then provide those proactive and reactive services for their core infrastructure.

Dan Scarfe,
Founder and CTO,
Dot Net Solutions

Partners have said that moving core infrastructure to the cloud is the low hanging fruit and can be a good business. That's the good news. The bad news? It is low hanging fruit for everyone in the game, including traditional outsourcers that have pretty much perfected this kind of service.

Partners can add more value when they consider their customers' "outcome" goals (think uptime or availability or speed), or on what the infrastructure is actually being used for. The higher up the value chain you move customers in the Microsoft cloud, the better experience they are going to have. For example, if you provide a turnkey solution for customers to easily access the additional services they need, such as monitoring servers, data backup, capacity management and cost optimization, customers have a better experience. To do this, it can be as easy as finding another ecosystem partner's products and including them in your solution. When customers have an outstanding experience, you can charge a premium price that reflects that value. Dot Net Solutions followed this strategy and has specialized in repeatable cloud solutions. Their Cloud Managed Platform is a turnkey service that provides their customers extra value add, allowing them to reap big rewards.

Partners with higher profit margins derive a greater portion of their revenue from recurring sources.

The Bottom Line
- Understand what the customer's uses and goals are for the new cloud infrastructure.
- Design a managed service that adds value based on these goals. Don't limit yourself to typical managed services. Some partners are offering IT Department-as-a Service while others are doing custom application development-as-a-Service.
- Consider adding other ecosystem partners' products to add value.

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Be a Role Model - Help Your Customers Differentiate

For end customers, we truly believe that IP is the differentiation that will help them compete and win in their markets. If you look at all of the companies that are really winning at the moment. They all have applied technology and IP to a traditional business model. We try to enlighten customers that this is the way they need to go. Obviously we want to pick up the application development projects, but we also want our customers to be successful.

Dan Scarfe,
Founder and CTO,
Dot Net Solutions

Dot Net Solutions has taken their own differentiation strategy to their customers. They believe if you live and breathe differentiation, why not help your customers achieve the same? In the small and medium-sized business market, companies need help to figure out how they can take full advantage of technologies like cloud and mobile. That opens up possibilities for lots of custom development and integration projects on the way to achieving true digital transformation. Dot Net recommends positioning yourself as a trusted technology AND business advisor which can lead to introductions to most functional leaders in the company, creating a great base for expansion.

You do need some credibility for customers to trust you with the technology that keeps their core business alive, but if you can demonstrate the power of IP with your track record they'll get on board. Explain how differentiation enhanced your own business. But you will probably also need references. To get that first reference consider doing a reduced cost or even pro bono project for a local non-profit organization. It's a win-win: your staff builds skills and expertise and you give back to your community.

The Bottom Line

- Use your own experience as the basis for best practices for your customers. Start by identifying small, incremental initiatives that will make a visible impact for the customer.
- If you haven't done this kind of project before, recruit a 'friendly' customer for a proof-of-concept.

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Microsoft

Differentiate By Being on The Cutting Edge

We are well-known for playing with the latest technologies. If we are not able to create them, we will try our best to master the technologies provided by the market. And we will pick them up as fast as we could. We do bet on a lot of beta stage technologies to give us more competitive advantages.

Eric Moy, CEO, KBQuest

KBQuest, Dot Net, and other successful partners have created their version of differentiation by being on the bleeding edge of technology. They have taken the approach of adopting new technology as soon as it emerges. If this is for you, consider assigning a staff member the task of staying on top of all technology developments so that you can quickly react. You don't have to adopt all technologies, just those that impact your focus areas. This strategy also allows you to capitalize on industry changes, giving you a first mover advantage. For example, some of the most successful cloud partners today were first upselling BPOS long before Office 365 was launched. Of course, on the flip side, not all bets on technology will pan out. The key is to fail fast when they're not going to work out for you.

There is a bit of self-fulfilling prophecy in this. If your company is known as an early adopter, you will get more projects that deploy new technologies. Customers will be more receptive to proposals that employ new cutting edge technologies. Securing projects that utilize new technologies is key, then customers essentially fund your learning. But you have to invest upfront to have the basic understanding of the new technologies to get a project.

You don't have to adopt all technologies, just those that impact your focus areas. This strategy also allows you to capitalize on industry changes, giving you a first mover advantage.

Microsoft

Not all investments will be profitable, but your accumulated knowledge will add value. It should be noted that this strategy is easier for larger companies who have the capital and flexibility to assign someone to work on new technologies. However, smaller companies are pursuing this path as well. But then it's typically the leader of the company who is charged with keeping on top of new technologies.

A side benefit of this strategy may be increased employee satisfaction. The best developers and coders tend to get bored and move jobs frequently if they have to do the same type of project over and over. This strategy allows you to keep these valuable staff members content over a longer period of time.

The Bottom Line

- Assign a staff member or team that is responsible for emerging technology intelligence. But instill a culture where everyone participates in ideas for new technology research.
- If you are a larger firm, consider having the head of each technology/vertical team be the thought leader who is responsible for cutting edge technology adoption.
- Establish criteria for what you will always invest in and what you will just have general understanding of. This should track with your business focus and your Target Market Profile.

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Contents

The Power of Partnering

" Joint Ventures, Alliances, and other Corporate Partnerings are fueling the growth of the world's most successful companies. The demand to deliver more new products, more quickly, and at lower prices has never been greater. Joint Ventures and other collaborative business arrangements are revolutionizing how winning companies compete. They are the quickest way to grow your company, particularly in times of change. "

Curtis E. Sahakian

Author "The Delphi Method"

and Partnering Guru

■■ Microsoft

Leverage Alliances to Build Vertical Industry Solutions

We actually struck a deal with Ticketmaster where Ticketmaster allows our mutual clients, through us, access to their backend systems to extract the data. We built out the ETL processes and data models so when a sports organization comes online with us, we know exactly how to get their data… most of them are on Ticketmaster. So with a simple email request Ticketmaster enables their data feed with our Central Intelligence solution and the next day it's starting to process.

Andrew Brodie,
CEO, SSB

SSB advises its fellow partners to build alliances with key vertical market players to leverage their existing capabilities. If there is a leading provider(s) in your vertical market, figure out how to work with them. You can better serve your customer by working together. Alliances that allow customers to continue to utilize legacy components can streamline projects for both you and your customer.

Look for alliances beyond traditional IT vendors. Often the missing piece of the puzzle comes from far afield, such as an industrial company or a niche service provider. If the name of a third party keeps popping up, or you frequently need to interface with a company's technology, that company is probably a good alliance prospect. Work with the third party to build a bridge to your technology or your vendors' technology. Once an alliance integration path is built, implementation is faster and more reliable.

SSB became a leader in sports ticketing intelligence by building alliances with Ticketmaster and Comcast Spectacor. SSB built their alliance partners' analytical data models and extract process (ETL) , which gives SSB access to their data. SSB works with some of the biggest names in professional and college sports including the Denver Broncos, Madison Square Garden, NASCAR, Oakland Raiders, Philadelphia 76ers, New Jersey Devils, as well as many major NCAA teams. SSB has more than 30 sports teams using its software and has never lost a customer.

46% of solution providers collaborate with other channel partners to target a vertical a nd enhance their total solution.

The Bottom Line

- Identify the vertical market pain point you would like to solve and identify the various players that contribute to current practices.
- Next determine if there is a player (or two) that you can work with to build a solution more efficiently that starting from scratch.
- Analyze the opportunity by developing a plan and a deep cost analysis to make sure it will be profitable before jumping in.

Contents

Microsoft

Partner to Get the Expertise You Need

When you develop a framework or a cloud solution, the best place to sell it is in a niche. For example, we're selling an Azure sales performance reporting portal. We're not going to build all that domain experience ourselves. It's too costly. What we do is find good partners in those verticals.

**Lionel Moyal,
Managing Director,
Intervate**

Intervate found that much of the demand for their products came from vertical markets that they were not equipped to serve. Instead of trying to develop all the vertical expertise in-house they began to work with other partners to complete vertical solutions that were outside of their expertise.

If you have horizontal intellectual property (IP) or unique skills, you may be able to differentiate by working with partners with vertical expertise. You can decide how the relationship works on a partner by partner basis. For instance, you may just need a partner to introduce you to the right decision maker in a vertical. If you don't speak the language of the vertical, you may need a partner to take on the sales consultant role. You may want the partnership to extend to scoping the requirements for a vertical or to jointly build a vertical-specific version of your IP.

There are many ways that a Partner to Partner (P2P) relationship may help you specialize. You probably will need separate partnerships for each vertical focus. If one or two verticals become dominant, consider developing your own internal expertise.

Working with other partners can also be an effective method of expanding your geographic reach or to provide ongoing customer support more efficiently than you can yourself. In most scenarios, working with other partners allows you to focus on your own core advantages.

The Bottom Line
- Identify the verticals where you have opportunities for your horizontal IP.
- Look for partners that have the vertical expertise you need by utilizing Microsoft Pinpoint and other ecosystem resources.
- Clearly define your joint strategy and roles so the customer sees a unified force.

Instead of trying to develop all the vertical expertise in-house work with other partners to complete vertical solutions.

The Value of Partnering

In a 2013 IDC study of IT solution providers, we found that those companies that had been involved with the most partner-to-partner activity, also had some of the best business metrics. Our study showed that the group of partners who associated 30% or more of their revenue with partner-to-partner collaboration were also the ones who were growing the fastest: 19% growth versus 10-12% for the rest. As with other statistics we've shown, this may not be causal (that partnering directly leads to growth). But we do know there is a strong correlation with high growth and partnering. Basically, the best solution providers value partnering as a strategy.

COLLABORATING WITH PARTNERS AND REVENUE GROWTH

0%	1 to 10%	>10% to 30%	>30%
10%	10%	12%	19%
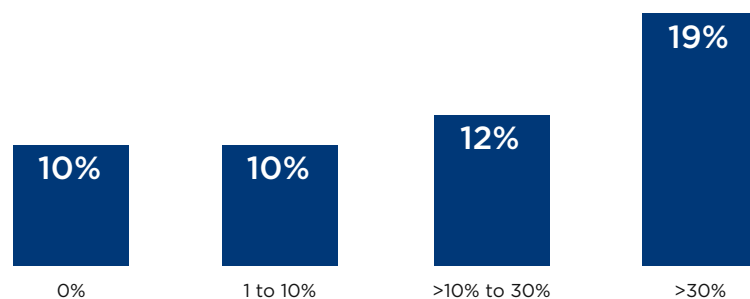
Source: IDC #243921, Partner-to-Partner Collaboration: The Current Landscape, 2013, n = 389

There are many ways that a Partner to Partner relationship may help you specialize. You probably will need separate partnerships for each vertical focus. If one or two verticals become dominant, consider developing your own internal expertise.

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The Bottom, Bottom Line

To differentiate your business, you will probably need to change some of your practices and maybe even your business model.

To differentiate your business, you will probably need to change some of your practices and maybe even your business model. Change is never easy, even after you have found that first differentiation strategy, you must continually update your approach to your market or you will be disrupted by those who have changed. The 3rd Platform has changed how customers make decisions and what they expect from the partners they hire. This is true for all businesses in today's 3rd platform world. Even Apple, which disrupted the music world with iTunes, was disrupted by Spotify and other streaming services. Apple responded by introducing Apple Music, which disrupted Spotify. This process of disruption will continue at an ever increasing rate, so if you do not change you will be left behind. Below, we have summarized essential guidance for partners at various levels of their cloud-specialization journey. Select the advice that best fits you based on your cloud maturity:

1. Start

- Go through your past projects in detail with an independent, unbiased eye to identify vertical, process, functional, or technology common threads that you can turn into a specialization.

- Look for unique knowledge that your company has. Do you or one of your staff have a deep understanding of a particular market or use case?

- Pick one or two specializations and begin to investigate them further to gain a deeper understanding of the markets.

- Create a Target Customer Profile for each potential focus area that includes what makes that market unique and how your solution will help them.

- Begin to develop one or two focus areas into trial projects with a customer with whom you have a close relationship.

Microsoft

Ramp up your specialization by making your solutions more and more specific to your selected markets' needs.

• You may need to do the trial work for free or at a dramatically reduced cost. This may be an iterative process and the first attempt might not be successful, but keep working at it, it will be the key to your future.

• Start one step at a time, you don't have to do everything at once. A small, very specific solution is better than a generic solution with a little surface-level, market-specific customization. Customers are looking at their business over a long-term horizon. A small successful project will allow you to expand your footprint with additional projects.

• If you are migrating customers to the cloud, add a managed service that helps customers accomplish their goals. Adding other ecosystem partners' products might be a good way to start.

2. Grow

• Ramp up your specialization by making your solutions more and more specific to your selected markets' needs. You may want to add market optimized language, vertically focused templates or specific use case solutions.

• Update your Target Customer Profile, expanding it to include user groups and their associated pain points. Include specific use cases for each user group, detailing your associated solution.

• Begin to develop tactics to maintain ownership of code developed during professional service projects. Create a perpetual license agreement that clearly identifies IP ownership. Consider using online legal resources such as LegalZoom to create the agreement.

• Continuously review your specialization projects and build and expand on the most successful.

• If you need to add vertical expertise, look for partners that offer those skills by utilizing Pinpoint and other ecosystem resources.

• Invest in growing your reference accounts and continue to grow your capabilities.

• Brand your differentiation. Start by using outside help.

Microsoft

- Communicate your most compelling target market use case stories with digital media.

- Stay close to your industry associations and follow social media sources and leaders in your target market.

3. Optimize

- Double-down and extend your lead on other solution providers who are still trying to figure out their specialization.

- If you are focused on a specific vertical, consider adding IP to your solutions.

- If you are IP focused, add vertically focused modules to that IP. Partner to get the vertical expertise you need by utilizing Pinpoint and other ecosystem resources.

- Expand your vertical portfolio. Look for vertical markets that have similar characteristics to your primary focus. If there are similar use cases and business practices, you probably have a good target expansion.

Expand your vertical portfolio. Look for vertical markets that have similar characteristics to your primary focus.

- Once you have a packaged product, look for marketplaces that would extend your reach.

- Identify the various third-party players who can contribute to your current practice. Then determine if there is a player (or two) who you can work with to build a solution more efficiently than starting from scratch.

- The deeper you understand your selected market and the more specific your solutions are to the markets' unique needs, the more successful and profitable you will be.

- Use your own specialization experience to assist your customers to differentiate.

- Establish a staff member or team that is responsible for emerging technologies intelligence.

Microsoft

Next up in The Modern Microsoft Partner series is "Part 3: Modernize Sales and Marketing". In this eBook we will discuss how leading partners have embraced modern techniques to reach customers. This is a critical topic now that the majority of business to business (B2B) buyers are making purchase decisions before even talking to a sales rep.

IDC
Analyze the Future