

The Modern Microsoft Partner Series

What Solution Providers Need to Know to Thrive in the Cloud and Beyond

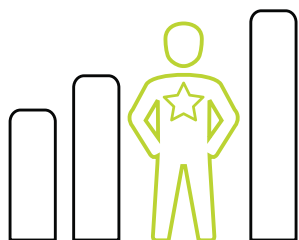


Part 5: Deliver Customer Lifetime Value

An IDC eBook, Sponsored by Microsoft



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Introduction to the Modern Microsoft Partner Series

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 sets up the series and focuses mainly on revealing the compelling evidence around the cloud opportunity. The second book, [“Differentiate to Stand Out,”](#) provides advice and ideas from successful partners that are known for something unique. Part 3, “Modernize Sales and Marketing,” looks at best practices in marketing and selling cloud solutions. The fourth book, [“Optimize Your Operations,”](#) covers strategies and tactics successful partners use to make sure their cloud business runs efficiently and effectively. This final book, “Deliver Customer Lifetime Value,” looks at how partners are able to maximize the value of having deep, long term relationships with their cloud customers.

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.



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.

Customer Lifetime Value

There's this curve where the initial time period is negative revenue and then you have the long tail revenue. Our business really follows that curve quite exactly. So even though they have an implementation fee up front, generally speaking that fee is not quite enough to cover the cost of doing it.

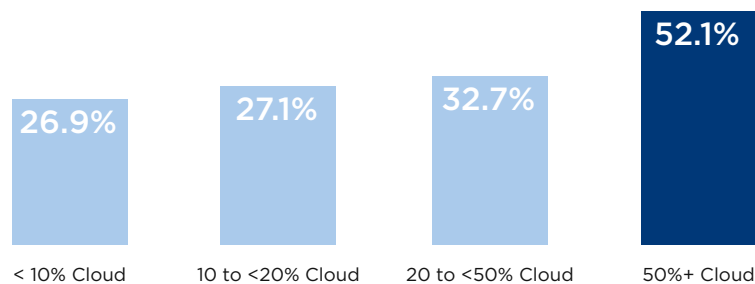
Andrew Brodie, CEO, SSB

In a cloud business model, revenue trickles in over time as customers consume their 'as a service' functionality. This turns the sales motion on its head: the moment of a cloud sale is only the beginning of the customer purchase transaction. It's the ongoing use and deep engagement of your user base that will ensure continuing usage of the service and ongoing renewals.

In Part 3 of this series, ["Modernize Sales and Marketing,"](#) we talked about the concept of the customer journey: the process customers go through as they evaluate, purchase and expand their usage of cloud solutions. In the cloud world, it is important for partners to rethink how they engage with customers. You can become the one hand to shake throughout the customer journey by adding continual value and looking for opportunities to cross-sell and upsell to enhance the customer's cloud experience.

Customer lifetime value is all about building the depth of customer relationship that creates a strong revenue stream, including healthy recurring revenue. As long as you keep your rate of churn (losing customers) low and you maintain your rate of acquiring new customers, the recurring revenue model can be highly lucrative over time. In addition, cloud and managed services can smooth out bumpy / "peaks and valleys" revenue streams that are common with a transactional project services business.

RECURRING REVENUE BY CLOUD REVENUE

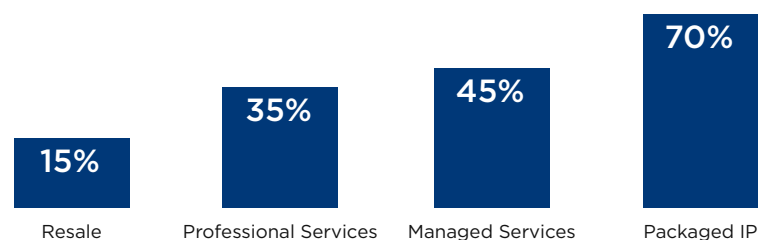


Source: IDC 2016, n=726

Our research shows that partners with more than half of their revenue from cloud are already on to this concept. They have 1.8x the recurring revenue of other partners. Separate IDC research has shown that recurring revenue promotes higher company valuations, which can bring benefits such as improved borrowing terms and higher value for investors.

Another aspect of lifetime value is finding opportunities for enhanced profitability. Our research shows the best gross profit comes from activities beyond simply reselling products, including professional / project services, managed services and packaged intellectual property (IP). Unless you have these kinds of services to offer, you risk being stuck competing solely with commodity offerings.

GROSS PROFIT BY ACTIVITY



Source: IDC 2016, n=726

As discussed in Part 2, [“Differentiate to Stand Out,”](#) moving core infrastructure to the cloud may be low hanging fruit but pretty much everyone can do it. Partners add more value when they consider their customers’ “outcome goals,” or what the infrastructure is actually being used for. The higher up the value chain you move customers in the Microsoft cloud, the more opportunity to provide professional services, managed services and packaged IP. And the better the experience for the customer.

Understand Your Customer

The majority of growth in cloud spending (63%) over the next two years (2016 to 2018) will be from organizations that were previously only light users or who have not yet adopted cloud. IDC predicts that “Greater Cloud Spending” will exceed \$500B by 2020. This includes SaaS, PaaS, IaaS, plus all the professional and managed services around cloud technology (both public and private), as well as the supporting software and hardware to make cloud implementations happen. That’s over three times what it is today!

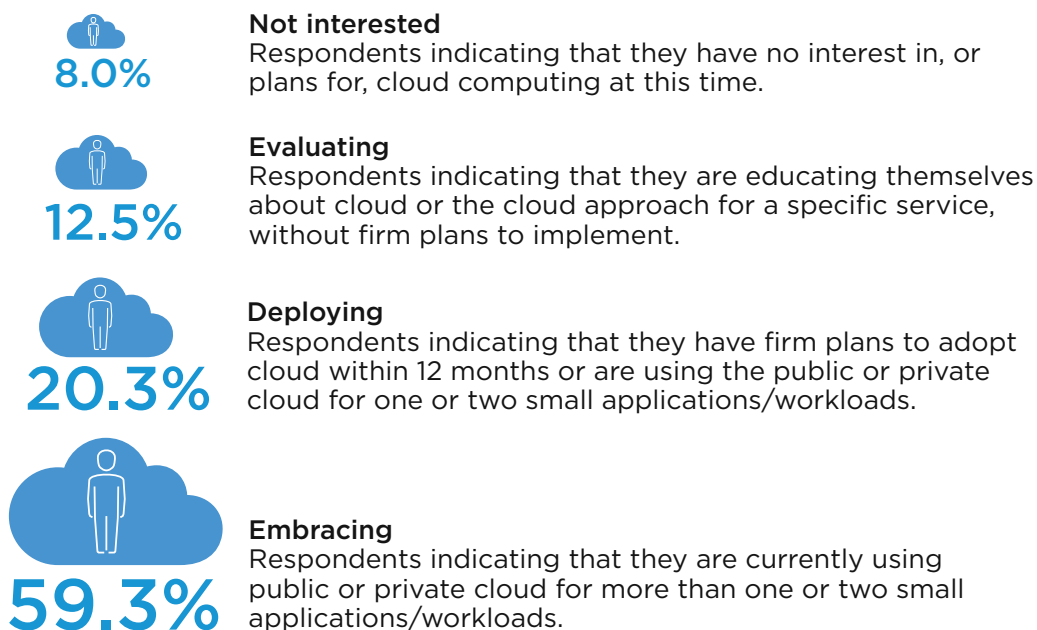
Source: IDC CloudView Study 2016 (n=11350)

Understand the Cloud Buyer

In the first part of this series, [“The Booming Cloud Opportunity,”](#) we spoke about cloud being the new normal. With almost 80% of businesses deploying or fully embracing the cloud and only 8% expressing no interest (down from 21% in 2014), we have crossed the chasm and are into the “early majority” stage of the adoption curve. We are also seeing a clear, near-term redirection of budgets to the cloud. The fact is customers have a huge appetite to leverage the cloud.

The majority of buyers (66%) believe the best route for adopting cloud is to stick with a single major cloud provider. That means once they have chosen one cloud solution provider (like Microsoft) it will be completely natural for them to continue to look to Microsoft for additional functionality in the cloud. As well, in a 2014 IDC survey of end user respondents, Microsoft was perceived as the most qualified company to help customers adopt a public or private cloud service.

IDC CLOUDVIEW: OVERALL CLOUD ADOPTION (ALL RESPONDENTS)



Source: IDC CloudView 2016 Survey, 2016, n=11083

But customers can't do it all on their own. Our research shows that technology buyers see a very important role for IT service providers on their cloud journey. They expect to need help in a number of ways including consulting, training and implementation expertise. And in fact, 41% of the average technology budget is allocated to professional services, business consulting, training and ongoing support, so there's money on the table.

Of course all customers are not the same. They are different sizes, in a variety of industries, and have varying degrees of technical sophistication. IDC's Cloud MaturityScape is a useful framework for understanding where your customers are coming from. It defines the stages, critical measures, business outcomes, and actions that are required for cloud buyers to increase value as cloud investments increase. Here are the five stages of cloud maturity and some of the actions partners can take at each stage to improve customer lifetime value.



1. Ad Hoc

At this first stage, line-of-business units are just beginning to build their awareness of cloud technology options, key considerations, and cloud's contribution to IT efficiency. Customers are focused primarily on pilot projects. Currently, 23% of customers say they are at this stage. "Try before you buy" offers are a good way to get your foot in the door here. You could also offer a cloud readiness assessment or a proof of concept. These are two examples of services that can easily be packaged as repeatable methods and deliverables that are low cost but high value. Learn more about being repeatable in Part 4, ["Optimize Your Operations."](#)



2. Opportunistic

In the second stage of maturity, the business begins to promote buy-in to cloud computing and experiment with short-term improvements in access to IT resources via cloud. This is where the C-suite starts to acknowledge the need for an enterprise-wide approach for cloud and IT organizations begin to actively consult with 3rd party professional services organizations (like yours) to help with cloud assessments, strategies and future implementation roadmaps for which workloads to migrate to which cloud environments. Roughly 24% of customers say they fall into this category.



3. Repeatable

At this stage, customers are formalizing their approach to cloud, including best practices and governance. The business value proposition here is that repeatable processes enabled through the cloud drive improvements in both the speed and quality of business activities. This is where organizations consider the service providers that will help build, run and support their cloud-based applications and infrastructure over the long run, so differentiation becomes really important. About 16% of customers place themselves at this stage. Typical services customers need at this stage include migrations (mailboxes, servers, data centers), data architecture, user rights and account management, IP address management, and SharePoint workflow.



4. Managed

Organizations at the managed stage have developed a consistent, enterprise-wide approach to cloud based on industry best practices. Cloud is at the core of what they do. They want to learn more about the effective use of cloud technology (what's possible) to guide business strategy (what's profitable) and roadmap implementation really ramps up. Expect 28% of customers identify with this category. Value added services could include user experience consulting, critical response support, hosting line-of-business applications, turnkey BI portals, and e-Commerce functionality.



5. Optimized

In optimized organizations, cloud is the foundation for business innovation and transformation based on a clear understanding of cost and value. The business impact is most noticeable for new initiatives and high value / highly innovative projects such as industry cloud. They have done the math to use real IT service costs as part of the cost-benefit analysis in building new campaigns and business models, rather than viewing IT as a cost center. In terms of opportunities for partners, the sky is really the limit here if you have built up your track record for delivering value and have truly become a trusted advisor. We'll talk more about cloud as a foundation for digital transformation later on. Only 9% of customers feel they have reached this stage, although 45% expect to qualify as "optimized" two years from now. The underscores the amount of potential waiting to be unlocked.

Successful partners are proactive at helping their customers move higher up the maturity continuum and become the catalyst for accelerating business innovation – the ultimate way to achieve long term customer value.

The Impact of Digital Transformation

We started this effort because of what we were hearing in the marketplace and what customers were looking for from a partner standpoint: someone to help them around digital experience and transforming organizations. A lot of the digital experience thing is us focusing on our customers' customers. How can we help them be more competitive in the marketplace. They're asking us to bring insights and technology that enable that end customer experience.

**Matt Morse, General Manager,
Perficient**

Digital transformation is not just a trend or a localized phenomenon. It is at the core of business strategies spanning all industry segments and markets. The explosion of interest in digital transformation is driven by the need for organizations to innovate or grow or do both because the past decade's focus on cost efficiency has not done the trick.

Over the next five years, investment in digital transformation will drive a sizable portion of growth in technology markets. The good news is cloud is the most foundational enabling technology for digital transformation.

Partners like Perficient have already embraced digital transformation as the heart of their go-to-market strategy for their Microsoft practice. That's because they listened to what they were hearing in the marketplace. Customers are ready to embrace digital transformation and are looking for solutions and partners to help them achieve it.

But what does digital transformation actually look like? Here are some examples.

- **Extending a product or service category through digital enablement.** Disney created the MagicBand as an all-in-one device that visitors can use to enter the parks, unlock their Disney resort hotel room, and buy food and merchandise.
- **Shifting value propositions from owning "things" to on-demand access.** Rolls-Royce moved from selling jet engines to selling hours of engine usage. They are selling the purpose of having an engine, not the engine itself.
- **Creating new customer experiences.** Customers with Sephora's mobile app can access exclusive video content from brands like Josie Maran and Stella McCartney, including interviews with the brand founder, product reviews, and tutorials.

An important point here is that digital transformation isn't just for large companies. Partners are seeing demand and interest around mobile-first strategies, the Internet of Things, and customer-centric marketing from customers of all sizes. IDC research shows that your existing integration skills with business processes, enterprise applications, enabling technologies or interdisciplinary teams, are well suited to tackling digital transformation projects. So don't discount your ability to get into the game.

The first step in taking advantage of the shift to digital transformation is to dig deep into the needs, challenges, business objectives and priorities of your customers. Then you need to work with them to create a vision that combines tactical projects with strategic initiatives that include a clear definition of customer experience goals.

Partners that have done this recommend starting the digital transformation conversation with a planning engagement that builds confidence that there is a way forward and what it might look like. Ask big picture questions. For example, ask the customer "If one of your staff wanted to go into competition with you, what could they do to disrupt your business?"

Of course executive level buy-in is a critical success factor for digital transformation, but buy-in must also extend down through the organization because ultimately staff below "C" level will be in charge of actual implementation. Partners have found that if you have truly made the case for digital transformation, explained how you'll fill the technology gaps and demonstrated how your plan can help realize the strategic vision, you'll get the support you need.

The Bottom Line

- Your customers are ready to talk about digital transformation. Make sure you are too, by using Microsoft resources to get educated.
- Have a planning meeting with your customer and ask "what if" questions to explore digital transformation possibilities.
- Emphasize your skills and experience with all types of integration (business processes, enterprise applications, enabling technologies, interdisciplinary teams) as key to your customer's digital transformation success.

Be Relevant

The number of small businesses that receive credit card payments from their customers has gone up exponentially. If something that looks like a credit card number comes through email, where credit cards should almost never be, the partner gets an alert empowering them to reach out to the customer and say “Hey there’s something that looks like a credit card inside of your email system.” The partner’s value now transcends basic IT management into something even more valuable, like compliance and risk reduction.

Rocco Seyboth,
General Manager Products,
BitTitan

You cannot add value unless the customer finds your solutions and services relevant to their needs. Relevancy stems from understanding your customers’ business, industry, pain points, and areas of opportunity. As discussed in Part 2, “Differentiate to Stand Out,” a deep understanding of an industry drives credibility and opportunity, and positions you as a business strategy consultant – with the associated bump in billing rate.

But even if you aren’t an expert in any particular industry, you can still understand your customer’s business by building close relationships at the senior management level. TwinEngines, which has built a managed services model around custom application development, credits their tight connection with their customers for their retention success rate, which was 100% last year.

As you build up expertise in a market you are able to provide more valuable benefits to the customer and start to anticipate problems customers may face. For example, BitTitan’s Mission Control for Office 365 product has a feature that detects credit card information within email. Partners that use this tool can take advantage of this functionality to help keep their small business customers Payment Card Industry (PCI) compliant.



The Chief Revenue Officer at Arizona State University was at his daughter’s soccer game and he was on his iPhone looking at some of the analytics dashboards we had built. Arizona had an upcoming game against Oregon and the dashboard for ticket sales showed double the normal bookings. So he called the ticket office and said, “Increase every ticket available by \$10.” They ended up selling 10,000 tickets that day. He had \$100,000 ROI on something he would not have had without analytics at his fingertips.

Andrew Brodie, CEO, SSB

We focus on bringing best practices: “Hey have you tried setting up a CRM nurture campaign yet? Those are really great for X, Y, and Z type situations. I’d be happy to walk you through that.”

John Gravely,
Founder and CEO,
Automational

Adding true value means helping your customers solve problems they could not solve on their own or take advantage of opportunities they had never thought of. For example, Automational provides an all-in-one CRM and marketing automation platform for small business. They focus on helping customers implement best practices in customer relationship management, based on their in depth knowledge of how best to use CRM Online.

According to IDC data, line of business executives are involved in 80% of IT purchases today. That’s a different type of conversation than many partners are used to having, so it may take time to get good at it. Fortunately, one of the best ways to get to know your customer is to ask questions and listen. Also remember that you are an expert in your own business and many things you have learned and obstacles you have faced are the same as what your customers are experiencing. It really nets out to demonstrating empathy: the ability to place yourself in their shoes.



Line of business executives are involved in 80% of IT purchases today.

The Bottom Line

- Customers may forget all the good things you are doing when it seems everything is just working like clockwork. Make sure you keep them informed of the services they are getting.
- Spend time with your customers to understand where they could derive the most value from your solutions.
- Take every opportunity to listen to your customers talk about their day-to-day business activities. You will learn a lot through osmosis.
- Bring best practices to the table, based on your own depth of knowledge of the solutions.

Get Your Customer Up and Running

“ We set up a one-hour onboarding call with Hanu Insight clients to do a quick walkthrough of all the features, to make sure they understand the full value. ”

Anil Singh, Founder and CEO, Hanu Software

Onboard the Customer

We proactively set up onboarding calls that are through the lens of “what do you want to solve for today.” We may not get to the whole product, but we start with the greatest pain point and get the customer set up and feeling confident. From then on it’s about creating that relationship where if they get stuck or they have a new initiative they want to roll out they have someone to contact.

John Gravely, Founder and CEO, Automational

Partners tell us a formal process for onboarding is a critical success factor for delivering customer lifetime value. Onboarding is the ‘welcome mat’ for customers. You need to put your best foot forward. Key onboarding tasks include:

- **Confirming customer objectives and needs with respect to short and long term cloud functionality.** This ensures everyone who interacts with the customer understands their priorities.
- **A walkthrough of key features and functions for the solution(s) they have purchased.** You don’t need to worry about being comprehensive at this point. The approach Automational takes is to zero in on the most pressing pain points and solve problems as early as possible in the relationship to set up a pattern of delivering a positive customer experience.
- **Introducing the customer to the process for ongoing customer care interactions that will keep them productive over the long term.** They need to know how and when they can reach their key contacts. Is it by phone, text, email? Is it 24/7?

Top 3 measures for rewarding customer support staff:

1. Customer renewals
2. Upsell / cross-sell of professional services, managed services and packaged IP
3. Customer satisfaction

Source: IDC 2016; n=272

Also consider the leverage you can get from taking advantage of Microsoft FastTrack to help with onboarding. If you aren't familiar with it, FastTrack is a benefit offered to Office 365 customers to help them with a smooth journey to the cloud. The FastTrack Center provides tools, content, and best-practice advice to help speed up customers' time to value, as well as increase user adoption of Office 365. FastTrack is staffed by a team of hundreds of engineers around the globe that provide remote assistance to help prepare technical environments and ensure a smooth onboarding and migration experience. Think of them as extra pairs of hands that reduce your onboarding costs.

The Bottom Line

- Welcome the customer by spending time to understand their objectives and priorities and pointing them in the right direction to achieve the desired results.
- Make the onboarding process more valuable by focusing on helping customers learn how to solve their most pressing pain points. Details about other functionality can come later.
- Take advantage of Microsoft onboarding content and tools, such as FastTrack. They will make your life easier.

The Customer Success Manager

Each account is assigned a client services rep and that rep is responsible for ensuring that the proper technical resources are working on the customer's needs at any given time. The least often we would have a client services meeting with our customer is once a week. We have some that are every day.

**Andrew Brodie, CEO,
SSB**

By definition, achieving maximum customer lifetime value happens over time. You need to stay side-by-side with them to make sure the customer stays engaged over the long run. The customer success manager is a dedicated role to do just that. They focus on driving usage and adoption of the services a customer has purchased. This is a “farmer” that builds and cultivates relationships and opportunities within existing accounts. Farmers turn a customer from good to great by the nature of their relationship and the loyalty they gain from their efforts. They are uniquely positioned to cross-sell and upsell because they nurture the customer relationship and collaborate on opportunities to deepen and broaden cloud usage.

Maintaining a strong customer relationship requires both inbound and outbound communication, which should be predictably frequent. SSB assigns a client services representative to every customer, who meets with the customer weekly or even daily as required. IDC research shows that partners with more than 50% recurring revenue touch each customer at least twice a month.

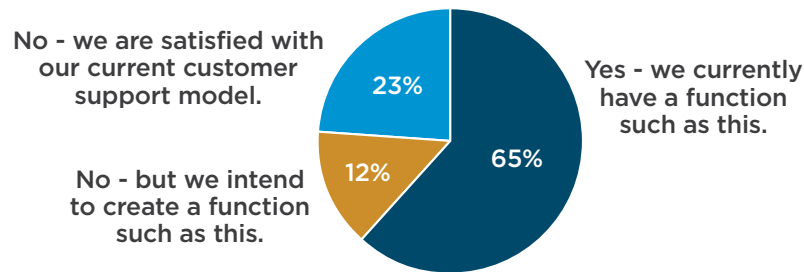
The majority of the partners we surveyed currently have a dedicated customer support function or intend to create one (77%). Clearly, having staff dedicated to customer support costs money. But you have to consider the return on investment. Partners that invest in this role usually structure compensation with variable pay tied to customer renewals, cross-sell / upsell of professional services, and customer satisfaction. This makes it very easy to demonstrate the internal value of having dedicated customer support staff, while also clearly adding value to the customer's experience.



Partners with the highest recurring revenue (>50%) touch each customer at least twice per month.

Source: IDC 2016; n=411

DO YOU HAVE A DEDICATED CUSTOMER SUPPORT



Source: IDC 2016, n=411

Whether due to their size or how they have chosen to organize customer facing roles, some solution providers don't have dedicated customer success positions. Instead, they make customer success a part of the job description for certain staff, such as senior delivery resources or practice managers. This can work well, as long as there is accountability for results.

Savvy partners use CRM Online to track customer interactions and touchpoints. That way everyone in the company can see the history of the customer relationship. You can set up triggers for cross-sell opportunities based on customer profiles and CRM reports can also provide a view across customers and for specific segments. You can also monitor the ratio of outbound versus inbound communications to ensure customer success managers are spending the right amount of time on outreach.

The Bottom Line

- If you don't already have a dedicated customer support role, consider adding one.
- If you are too small to justify a dedicated customer support role, the responsibility for customer success management should be formalized within the organization.
- Be consistent in your outbound customer communications. Make sure you regularly have purposeful contact with customers.
- Leverage your MPN internal use rights to track your customer relationships and opportunities through CRM Online.

Encourage Usage

We help them with onboarding, help them put existing data into the systems, and help them get started. After that, we have what we call the academy process, which is a lifetime service for customers. That is to inspire them to use new services coming from Microsoft and train them how to use them. Things like how to collaborate, how to share calendars, how to use Delve effectively, and how to build a Sway presentation.

**Finn Krusholm, CEO,
Cloud People**

Successful partners don't think of onboarding as a one-time event, they think of it as a continuous process. Here are some techniques that have worked well to foster usage of cloud solution functions.

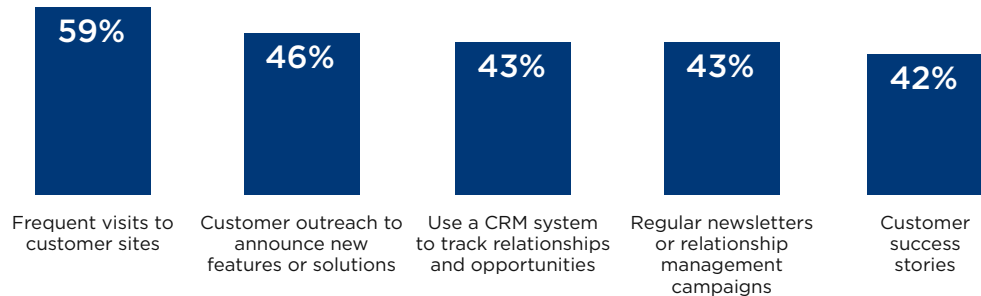
- **Focus on best practices for using new functionality.** Cloud People offers a bundled, scalable service wrapped around Office 365 and Azure called All Inclusive. After the initial tasks of getting the customer started, they have access to an online portal called Academy. Here they inspire customers to use new services coming from Microsoft and train them through tutorials and webinars. Some of the subjects are: how to collaborate, how to share calendars and how to use new features effectively.
- **Create an adoption-focused portal.** You can leverage Microsoft resource sites such as IT Showcase and FastTrack for adoption-focused content, training videos and email templates. Champion Solutions Group takes this to the next level by including gamification – adding game elements to make learning more fun – in its Office 365 education portal.
- **Train the trainer.** Ask the customer to designate “super users” and select IT staff to become the internal training gurus and cloud usage champions. Once the trainers are trained, keep them on a track for continuous learning through regular updates on new functionality and examples for how best to use it.

Partners that want to build healthy recurring revenue streams know that it is important to earn the right to drop in and visit customers any time, which develops from the trusted relationship they have nurtured since day one. That's an important tactic that partners with high recurring revenue (>50%) use to drive customer adoption. Visiting and talking with customers also makes it easier to create customer evidence stories that help your customers understand how others are adopting technology. Continuous, purposeful outreach to announce new features and functions also works well. Whichever techniques you decide to employ, use them consistently.

You want that customer for life. But it is more than the solutions that you sell. It is the ongoing communications and education you provide. If a customer is purchasing a license for something and they aren't fully utilizing it, they are not getting true business value.

Lisa Cuthbertson,
Vice President,
Sales Operations,
Champion Solutions Group

TOP 5 APPROACHES FOR DRIVING CUSTOMER ADOPTION FOR PARTNERS WITH 50%+ RECURRING REVENUE



Partners tell us that having a good collection of potential use cases helps a lot with adding true customer value. Customers don't automatically know what's possible or how others have achieved significant results from the functionality available via their cloud solutions. If you provide suggestions and usage scenarios that are specific to a particular client's needs, you will increase your credibility factor as a trusted advisor and increase the likelihood your customer will keep renewing. For example, many customers work across a variety of devices from different locations and need a seamless way to work on files and control versions, but they may not be aware of how they can use Office 365 to edit or share files from a phone or collaborate using a tablet.

Use cases also become the content for customer success stories. Here's an example. A partner asked their customer, a bakery, to tell them their number one concern about their business. The answer was profitability. After brainstorming all the possible ways to impact the bakery's profit, the partner created a solution that analyzed things like the weather, local sporting events, and holidays to predict demand for baked goods and minimize waste. Stories like these give customers ideas about how they might use functions like analytics to make an impact.

The Bottom Line

- Teach your customers best practices in using cloud functionality. The more effective they are, the more business value they will achieve.
- Consider creating an adoption portal that consolidates learning assets and content.
- Train customer trainers to be cloud usage champions. That way, cloud solution skills and knowledge will filter through the entire organization more quickly.
- Set up regular connection meetings with your customers to keep a pulse on their objectives and needs.
- Create customer success stories that help your customers understand how other are adopting and using technology.

Manage Your Lifetime Customer Relationship

“Every Rackspace employee (a.k.a. “Racker”) is dedicated to delivering Fanatical Support, no matter how large or small the organization. The Fanatical Jacket Award is given to Rackers who’ve gone above and beyond—putting their expertise and creativity to work building the finest “do-it-together” managed cloud experience for our customers.”

**Jeff DeVerter, Chief Technologist for Microsoft Technologies,
Rackspace**

Implement a Customer Adoption Plan

It's important to make sure the customer understands the value proposition of the product today and as the product goes through more releases.

John Gravely, Founder and CEO, Automational

Partners that excel at building customer lifetime value agree that you need to start with the end in mind. What's the vision for where the customer will be on their cloud journey two, three, or five years out? You can use the IDC Cloud MaturityScape framework we discussed earlier as the basis for an adoption plan discussion or use your own roadmap format. Either way, it's important to have an adoption plan because as the saying goes, if you don't know where you're going any road will take you.

Your plan should include customer goals and expected outcomes, how you will measure and track adoption, and planned rollout projects along with expected timing. Automational has found it's important to make sure the customer understands the value proposition of the product today but also the incremental value as the products go through more releases. Use the Microsoft Cloud Platform roadmap to get a snapshot of what they're working on. You can find out what's recently been made generally available, released into public preview, or is still being developed and tested. This will help you map out the next logical purchase, both complementary and net new.



We think a lot about keeping a customer for life. Sharing meaningful analytics always seems to capture their attention and demonstrate value. For Virteva, this is more than just sharing the data, but analyzing and interpreting the data so we can collaborate on the path forward. Additionally, customers are especially interested in analytics that compare them against other customers or the market as a whole. It's a 'lean forward' discussion.

Tom Kieffer, CEO, Virteva

If you are the digital partner of record on your customer's Microsoft subscriptions, you have access to their cloud solution usage and consumption data via the Cloud Services Partner Dashboard. You can use it to identify areas where you should be encouraging deeper and wider usage, as well as areas where the customer may benefit from incremental project or advisory services. For example, if you notice SharePoint usage is low, you could launch an outreach campaign about best practices in organizing projects and teams.

Virteva, a full service IT managed services provider, analyzes customer cloud usage and consumption data to benchmark customers against each other or to their market. The discussion about the benchmark results provides the opportunity to really dig deep into the potential to increase customer value. Partners tell us this type of conversation feeds naturally into the adoption plan because it uncovers high priority initiatives.

An adoption plan works best when it is truly a joint plan between you and the customer. Partners recommend asking the customer to designate a cloud business owner on their leadership team who will have a vested interest in implementing the adoption plan. This person will be the chief cheerleader for cloud, champion business-focused cloud initiatives and get the various areas of the business aligned and on track for deep and broad cloud adoption.

The Bottom Line

- Get yourself designated as digital partner of record for every customer. That's the key to understanding how your customer is using their cloud solutions.
- Map out the customer's next logical cloud purchases, both complementary and net-new.
- Align offers with customer needs. Do they want to get better at collaboration? Work across devices?
- Visit the Microsoft Cloud Partner Roadmap regularly for up-to-date product plans.
- Assign a cloud business owner on the customer's leadership team to get the different parts of the business aligned.

Track Customer Satisfaction

I focus on complaints because we see complaints as our opportunity. So whatever complaints the customers have come back to the team on both the management and R&D side. Then we immediately try to build something to solve that problem.

Eric Moy, CEO, KBQuest

Satisfied customers have no reason to change cloud suppliers, but of course you won't know how satisfied they are unless you ask them. It is critically important to have a mechanism in place to solicit feedback from your customers on a regular basis. You don't want to bombard them with requests to fill out surveys, but you do want to provide ample opportunities to tell you how you're doing.

If you provide managed services, this might involve asking users about their level of satisfaction with the service they receive. If you are more focused on providing project or professional services, consider sending out a satisfaction survey at the end of a project or meeting with the customer in person to collect feedback.

Several partners told us they use the Net Promoter Score (NPS) as their primary measure for satisfaction. The NPS is calculated based on responses to a single question: How likely is it that you would recommend our company/product/service to a friend or colleague? Those who respond with a score of 9 or 10 are called promoters and are likely to remain customers for longer and make more referrals to other potential customers. Those who respond with a score of 0 to 6 are labeled detractors and are less likely to remain as customers in the long term. You subtract the percentage of customers who are detractors from the percentage of promoters to arrive at the NPS score. Companies that use this method strive for a score of 50 or higher.

In addition to soliciting a quantitative measure of satisfaction, you should also provide customers with the opportunity to tell you why they are satisfied or dissatisfied. Partners report this type of information is very valuable for continuous improvement. For example, KBQuest, a global IT service provider, uses complaints as an opportunity to improve a system or add a tool to better serve customers. Conversely, feedback on what you are doing well re-enforces the value of your customer service efforts. Regardless of how you measure customer satisfaction, it is important to act on the feedback you receive and follow up with customers to demonstrate you are taking measures to address their concerns.

Total Synergy is a software and services provider that develops and supports a business and project management application for the architectural, engineering and construction design industry. They take customer feedback very seriously. They publish the results of their annual customer satisfaction survey on their website for all to see, along with the actions they have taken to respond to areas of dissatisfaction. That's a great way to show true accountability for the customer experience.

Total Synergy believes the whole company needs to be focused on the customer in order to ensure true customer satisfaction. In their experience, if everyone is aligned with the mission of ensuring that the customer is satisfied the business will thrive. That's also the approach at Rackspace, a specialist in providing managed cloud services. Here is one of their stories:

We were working with a customer on a particularly nasty problem – and it was a database issue and those can go on forever – so there were conference call bridges opened up through the course of the day. The day became evening, the evening became night. Rackers heard folks on the other side say, “Man I’m getting hungry, are we going to do this through dinner?” At which point the account manager hops off the phone, looks up the customer’s address in our CRM system, and sends them pizza. Thirty minutes later we hear someone on the call say, “Hey there’s somebody at the door.” And there’s the dinner.

Jeff DeVerter, Chief Technologist for Microsoft Technologies, Rackspace

The Bottom Line

- Have a mechanism in place to ask for regular feedback from your customers.
- Investigate the Net Promoter Score as a simple way to measure customer satisfaction.
- Make delighting the customer everyone’s responsibility.
- If your customer is dissatisfied, get to the root cause and fix it. And then tell them/show how you fixed it.

Measure Your Success

We had 100% retention last year or 0% churn. That's because we have such a tight relationship with our customers at the senior level. We understand their business so we can provide truly valuable advice about how best to take advantage of their cloud solutions.

Kevin Seefried,
Founder and President,
TwinEngines

To achieve customer lifetime value, you need to constantly keep your eye on the metrics that will tell you whether or not you are on track. We talked in Part 4, "Optimize Your Operations," about the key performance indicators (KPIs) that are important for a cloud-based business. Here are some metrics from that list that are directly relevant to lifetime customer value.

- **Monthly recurring revenue.** This is the combined dollar value of your monthly subscription revenue or your predictable revenue stream. You want this to go up over time.
- **Percentage of recurring revenue.** This is the proportion of your total revenue that comes from recurring or subscription sources. Our research shows that you are in the top quartile if more than 50% of your revenue is recurring, while half of the partners surveyed earn more than 30% from recurring sources.

AVERAGE RECURRING REVENUE RENEWAL RATE



Source : IDC 2016, n=411

- **Percentage of churn.** This is the proportion of customers that cancel their subscription per month, quarter or year. Churn is clearly the enemy of recurring revenue stability, therefore a key goal of customer relationship management is to minimize it. Partners that are really good at retention report losing less than 2% of their customers per year.

- **Average revenue per user (ARPU).** The industry is moving away from large projects to long-term relationships, so it's critical to maximize your average revenue per user. This could be part of the role of the customer success manager, or you might consider hiring a dedicated nurture marketing/sales expert.
- **Customer Lifetime Value.** This is the average revenue from a customer over the typical lifetime of their relationship with you. This measurement is most useful when it is calculated for different scenarios of customer, based on variables such as company size, roster of services consumed, industry, etc. That way, when you bring on a new customer with a particular profile, you will know how much revenue and profit to expect. It is also a good way to guide and reward your sales team. Pay them more for bringing in customers with high potential lifetime value.

The Bottom Line

- Use appropriate metrics to track your progress towards achieve high customer lifetime value.
- Churn is the enemy of recurring revenue stability. Minimize it by maximizing customer satisfaction.
- Segment your customers and prospects by profile based on lifetime value potential.

The Bottom, Bottom Line

Lifetime value does not happen without a plan. You need to map out the cloud journey in collaboration with your customer. What should they do first? Where will they be in two, three or five years? Once you have the plan, you can work with the customer to make potential business benefits a reality. Everything doesn't need to happen at once, but it does need to happen in a thoughtful and logical way. Always be thinking about what's next: would complementary or incremental functionality be a good fit at your customer's stage in cloud maturity?

Here is a summary of essential guidance for three stages of the cloud specialization journey. Select the advice that best fits you based on your cloud maturity:



1. Start

- Define your company's value proposition and what you want to be known for. That's the first step in determining where you will add customer value. Read Part 2, ["Differentiate to Stand Out,"](#) to learn more about how you can stake out your unique value.
- Begin with the end in mind. Identify the services you will provide beyond re-sale and basic cloud migration. What project services, managed services and IP services can you offer?
- Ask lots of questions to build up your understanding of your customer's business. Focus on helping customers learn how to solve their most pressing pain points.
- Get yourself designated as digital partner of record for every customer. That's the key to understanding how your customer is using their cloud solutions. The Cloud Services Partner Dashboard provides both a summary report about your competencies and benefits and cloud performance metrics for your customer subscriptions.



2. Grow

- Consult Part 3, [“Modernize Sales and Marketing”](#) for ideas on how to adjust your cloud sales and marketing approach to be more successful.
- Build your skills at consultative sales. Have conversations with your customers about their business challenges and opportunities, and offer solutions that are relevant to their short and long term needs.
- Communicate the value you have created for your customers by publishing customer success stories to provide examples of the business benefits that have been achieved.
- Consider adding a dedicated customer support role to work side-by-side with the customer to make sure they stay engaged over the long run of the relationship.
- Keep a laser focus on churn management and reduction by staying on top of customer retention activities.
- Leverage your MPN internal use rights to track your customer relationships and opportunities through CRM Online.
- Your customer is ready to talk about digital transformation. Use Microsoft resources to get ready to have the conversation.
- Establish a formal customer satisfaction measurement process and learn from the feedback. Make sure your customers know you are listening.
- Work with your customer to develop a long term adoption plan. Help them move through cloud adoption in a logical way to achieve incremental business value.
- Fine tune your up-sell and cross-sell tactics while proactively connecting with your customers.
- Train customer trainers to be cloud usage champions. That way, cloud solution skills and knowledge will filter through the entire organization more quickly.



3. Optimize

- Read Part 4, [“Optimize Your Operations.”](#) for insights into how other partners have built repeatable methods and processes.
- Fine-tune your customer satisfaction measures and feedback loop. Instill customer satisfaction as a core value for your organization by making it part of everyone’s goals.
- Segment your customers and prospects based on their lifetime value potential. Allocate resources to maximize high value success and reward staff based on nurturing customer lifetime value.
- Establish an adoption portal that consolidates learning assets and content. Use technology to leverage training and education resources and provide self-service learning.
- Help your customers on their digital transformation journey. Emphasize your skills and experience with all types of integration (business processes, enterprise applications, enabling technologies, interdisciplinary teams) as key to your customer’s digital transformation success.
- Ensure your customers all have designated cloud business owners and maintain close ties with them to drive implementation of the cloud adoption plan.
- Always bring cloud best practices to the table, based on your own depth of knowledge of the solutions.

This is the final installment in the Modern Microsoft Partner series. If you haven’t read the previous four eBooks, there are many more insights that will help you be a better cloud solution provider and maximize your business potential.

[Download all of the ebooks on the Modern Partner page on MPN.](#)



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