



# Microsoft® Software + Services Partner Opportunity

## White Paper

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### Abstract

This white paper presents how Microsoft partners can participate in the company's strategy to deliver greater customer value through a blended combination of on-premises software and hosted services—an approach that Microsoft calls Software + Services. The paper examines the technology delivery models enabled by such an approach, corresponding partner business models, and business benefits and performance indicators that partners should consider. Finally, it presents six case studies on partners that have improved their businesses through a transformation to a Software + Services model.

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# CONTENTS

Introduction .....	1
Partner Opportunity .....	2
Key Partner Benefits and Considerations .....	7
Conclusion .....	11
Case Study: Absolute Software.....	12
Case Study: CompuCom.....	13
Case Study: Did-It.com .....	14
Case Study: Nimbus.....	15
Case Study: NitroSell .....	16
Case Study: ProcServe .....	17

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## INTRODUCTION

Today, we face an exciting shift in our industry. Technology breakthroughs are transforming the way technology solutions are created, delivered, and used. The line between consumer and business use of technology is continuing to blur, and people have come to expect the same functionality and user experience at work and at home.

The cause of this transformation is the combination of ever-more-powerful devices, expanding data storage capacity on devices and in massive data centers, and the near ubiquity of broadband networks. With the availability of cheap storage—particularly in large central data centers, sometimes called “the cloud”—and access to increased bandwidth, software delivered over the Internet is a logical evolution from the traditional client-based model.

The first such Internet-based services were delivered over the Web and consumed in a Web browser. Some observers argued that this approach, often dubbed software-as-a-service, would render client software obsolete—and that we were entering an era where Internet services would gradually replace client-based software. However, every day it becomes clearer that market demand exists for both on-premise software and hosted services—and that such an approach is necessary to deliver the seamless computing experiences home and business users have come to expect.

This approach, which Microsoft calls “Software + Services,” is an additive model that goes beyond packaged software to give customers increased flexibility and choice in deployment options, including on-premise, delivered over the Internet, or as hybrid solutions or “mashups” that deliver the best of both worlds by combining hosted services with capabilities that can only be achieved by software running locally on a device with a powerful processor.

The marketplace is changing rapidly, and is already very different than a few years ago. As technology delivery models continue to intermingle, the business models for Microsoft® partners is also evolving rapidly, with traditional partner types becoming blurred and blending together in many cases—for example, many traditional independent software vendors now also provide hosted services and extend to “on premise” integration. In the evolving world of Software + Services, the once pure-play partner type will evolve as well. These changes are being driven by customer demand, based on solutions that can best meet their specific needs.

The goal of Microsoft’s Software + Services strategy is to empower customers and partners with richer applications, more choices, and greater opportunity through a combination of on-premise software, partner-hosted software, and Microsoft-hosted software. How software is consumed will ultimately be decided by customers based on their IT strategies and specific needs. However, one thing is certain: choice is always a good thing, and a Software + Services strategy will help Microsoft partners and customers realize their full potential.

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## PARTNER OPPORTUNITY

The evolution of customer behavior, coupled with increasing customer demand for more choice and flexibility in their software consumption, has caused an industry-wide shift toward hybrid delivery models that combine the benefits of on-premise software with the best of hosted services. This is not an overnight change, nor one that leads to all-software or all-services scenarios. Instead, it is a continuum of innovation that will happen over time, with a focus on how hybrid solutions can empower customer and partners with richer applications, more choices, and greater business opportunities.

Microsoft is uniquely positioned to enable all delivery models covered under the Software + Services spectrum. In contrast to a software-as-a-service approach, with everything delivered through the cloud, Microsoft's differentiated approach supports solutions that are deployed on-premise, hosted, or delivered as a combination of the two using a hybrid model—as required to deliver customer solutions that provide unparalleled levels of flexibility and integration.

To help partners understand how they can benefit from Microsoft's Software + Services strategy, Microsoft has created a partner opportunity framework that maps the three main delivery models—on-premise, partner-hosted, and Microsoft-hosted—to corresponding partner business opportunities and monetization methods. This framework sets a solid foundation for use both internally across Microsoft and in working with partners to define, understand, and capitalize on the full range of opportunities that are enabled by a Software + Services strategy.

### Delivery Models

Microsoft's Software + Services strategy is based on three delivery models, allowing for the greatest degree of customer choice and partner opportunity:

- **On-Premise.** In this model, software is installed at the customer location and licensed to the customer. A partner can make money through traditional methods such as providing deployment and system integration services, application development, resale of software licenses, and training and support.
- **Hosted by Partner.** In this model, the infrastructure and software is owned and licensed by the partner, who purchases Microsoft software licenses through a Service Provider Licensing Agreement (SPLA). In most cases, the hosting partner will add additional software or services, such as vertical or LOB applications, storage and data backup, and bill customers based on a subscription model.
- **Hosted by Microsoft.** In this model, Microsoft owns the infrastructure and provisioning of the software, which is provided as a service to customers. Examples include Microsoft Office™, Windows Live™ Virtual Earth and the upcoming Microsoft Dynamics™ CRM Live. This model creates new partner opportunities, with monetization methods for

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partners that include subscription fees for partner-developed solutions that are built on top of Microsoft-hosted services, on premise integration services and through referral and resell fees for customers who use those services.

It's important to note that, although they can, the above delivery models don't necessarily need to stand on their own. A core principle of Microsoft's Software + Services strategy is that these models must be easily and seamlessly combinable and interchangeable to maximize customer value and partner opportunity.

## **Business Models**

The next layer of the partner opportunity framework identifies the partner opportunities or business models based on the technology delivery method above. Each opportunity presents monetization methods under each delivery model, to help partners choose the approach that best maps to their core competencies and customer needs. Additionally, it may help to identify new combinations of software and/or services that can be applied to help partners expand their businesses and provide customers with new options for meeting their needs.

### **Advertise**

Partners can make money through advertising syndication, with transaction models that include both pay-per-click (PPC) and cost-per-impression (CPM) or marketing services to support advertising using tools such as adCenter™ platform.

*For example, **NitroSell**, a Microsoft partner, helps small-to-midsize brick-and-mortar retailers implement and run integrated online stores using Microsoft technologies. The company realizes recurring revenue based on overall traffic across all its Web-based stores and incremental revenue through ad impressions on those sites.*

*Monetizing its traffic through the Web-enablement of more than 500 retail businesses driving more than 920,000 customers have online accounts on NitroSell's customer Web stores.*

*To optimize its business, NitroSell focuses on the following key performance indicators (KPIs):*

- *Combined traffic across all customer WebStores*
- *Number of product impressions (drives ancillary ad revenue)*
- *Number of retailers*
- *Number of Microsoft Dynamics, Web design, and search engine marketing partners*
- *Search engine page rankings*

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- *Performance on Windows Live Search, Windows Live Product Search, and Windows Live Local Search*

### **Refer**

Partners can make money by acting as an agent or broker for Microsoft-hosted services, with monetization models that can include pay-per-acquisition (such as when a customer registers for a free or paid service), pay-per-transaction (when the customer makes a purchase), recurring bounty/commission, or revenue-share. The Microsoft Affiliate Network (<http://www.microsoftaffiliates.net/>) for Windows Live OneCare™ and Microsoft adCenter are examples of how partners can monetize through a referral model.

### **Resell**

This is a traditional model where partners can make money by reselling Microsoft software licenses.

### **Host**

Partners can make money by providing hosted services for customers. In many cases, partners will provide value-added services such as developing vertical or Line of Business (LOB) applications, data storage and backup and billing customers based on a subscription or annuity basis.

*For example, **Nimbus**, a Microsoft partner, develops, markets, and hosts a process mapping and performance management solution called Control 2007. Customers pay for Nimbus' services on a quarterly basis or annually in advance.*

*Revenue grew 48% and 52% in 2005 and 2006 respectively, as compared to 5% annual growth four years ago.*

*To optimize its business, Nimbus focuses on the following KPIs:*

- *Subscription revenue growth*
- *Cash flow*
- *Customer-to-employee ratio*
- *Infrastructure utilization*

### **Customize and Integrate**

Partners can make money through services-based fees for customizing or integrating solutions to meet the needs of individual customers. This is typically a partner-to-single-customer relationship.

*For example, **Absolute Software** customizes its computer theft recovery, data protection, and secure asset tracking solutions for clients such as government agencies or large corporations—and monetizes those customized solutions through professional services fees.*

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*Ten years after launching its hosted offerings, business is still strong and growing at 100 percent year-over-year.*

*To optimize its business, Absolute Software focuses on the following KPIs:*

- *Customer growth*
- *Renewal rates*
- *Performance to service level agreements*
- *Infrastructure capacity utilization*

### **Design and Develop**

Partners can make money by developing or customizing solutions for specific customer segments, including mashups and composite applications. This is typically a partner-to-many-customers relationship.

*For example, **ProcServe**, a provider of innovative electronic procurement and supply chain automation solutions, designed an online marketplace based on Microsoft technology. Buyers pay a subscription fee for ProcServe services.*

*As customers continue to see value in deeper supply chain integration, ProcServe can now offer value-added services such as back-office integration and traditional professional services which add significant revenue stream to their business.*

*To optimize its business, ProcServe focuses on the following KPIs:*

- *Recurring revenue*
- *Customer growth*
- *Renewal rates*

### **Support and Training**

Partners can make money through transactional, annuity-based, or referral fees for pre-sale and/or post-sale support and training provided to the customer, such as ongoing IT support or managed services.

*For example, **CompuCom**, a leading value-added reseller, large account reseller, and IT outsourcing company, offers a Software + Services solution based on Microsoft Office SharePoint® Server, Microsoft Systems Management Server, and technologies provided as part of the Microsoft Zero-Touch Initiative to help lower customers' costs for desktop deployment and support.*

*By transforming from a software-based model to a Software + Services model, CompuCom's services revenues now represent 70% of gross margin.*

*To optimize its business, CompuCom focuses on the following KPIs:*

- *Quality of service*

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- *SLA performance*
  - *Customer satisfaction*
  - *Gross margin by client*
  - *Infrastructure and staff utilization*
  - *Renewal rates*
  - *New pipeline activity*

### **Consulting**

Partners can earn money through technical or marketing-related consulted services provided to customers.

*For example, **Did-it.com** earns a percentage of customers' online marketing spend for optimizing their advertising placement with search engines.*

*By transforming to a Software + Services model, Did-it.com increased its revenue by 460 percent from 2004 to 2006.*

*To optimize its business, CompuCom focuses on the following KPIs:*

- *Growth and profitability*
- *Same-client growth*
- *Client retention and satisfaction*
- *Employee-to-client ratio*

### **Partner Case Studies**

You can learn more about the Software + Services transformations made by the companies mentioned above by reading the [partner case studies](#) at the end of this document. Most of these partners monetize through multiple business models. Whether they started as a software-only company or a services-only company, they are all finding that hybrid solutions based on a Software + Services model are what customers want—and thus provide a strong competitive advantage.

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## KEY PARTNER BENEFITS AND CONSIDERATIONS

### Key Benefits

In addition to increased revenue and profitability, other benefits that Microsoft partners—such as those featured in the case studies at the end of this document—are seeing from their transformations to a Software + Services model include:

- **Power of choice.** Software + Services is about offering customers more options. Customers, especially large enterprises and companies in highly regulated industries such as legal and accounting, want choices in how software is delivered to them. Instead of competing in either/or situations, Microsoft partners with a Software + Services model can offer blended solutions that combine hosted and on-premise software, along with complementary licensing or subscription terms and customized services.
- **More predictable business cycles.** Partners who have a hosted solution component are more “connected” with customers and thus better able to predict the level of business that each customer will provide. Furthermore, partners who employ this model are able to more closely monitor, understand, and deliver on changing customer needs.
- **Recurring revenue and increased customer loyalty.** For traditional value-added channel partners, a transformation to hosted or subscription models typically leads to increased recurring revenue and lifetime value of a customer. Of course, managing quality of service and service level agreements are paramount to customer loyalty and retention.
- **Faster time-to-market.** Hosted solutions often can be delivered to market more quickly. For example, partners can accelerate time to market by building on Microsoft-hosted services to deliver their own unique customer solutions instead of having to build all of the required functionality and infrastructure from scratch.
- **Shorter sales and deployment cycles.** Partners who provide hosted solutions can often respond to customer needs and scale more quickly. Hosted services often can be used as a “pilot” proof of concept prior to a larger deployment and, because the infrastructure is already in place, partners can implement customer solutions and begin realizing revenues much more quickly than with on-premises deployments. Furthermore, partners providing hosted solutions can keep customers on current versions more easily and thereby continue to deliver maximum value.

### Key Considerations

For partners who are interested in evolving their businesses to a Software + Services model, there are several things to consider. The following list is based on the experiences of partners in the Microsoft Software + Services Partner Advisory Council who have successfully made the transformation.

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- **Investment.** Depending upon a partner's current business model, the transition to hosted services may involve investment in people and/or infrastructure. Partners report adding staff to manage a greater level of client service delivery or, in other cases, to manage infrastructure. Investment in hardware or arrangements with data centers may also be required by those partners offering hosted or subscription services.
  - **New business models.** As greater portions of a customer engagement move to annuity-based contracts, partners may see some short-term impact to top-line growth as revenue accrues over time. Billing up-front for some period of time can help avoid cash flow issues. Over time, partners who have made the transition have found that they can grow revenue faster because they are able to close deals and deploy solutions for new customers more rapidly. Similarly, because sales and marketing costs will continue to be expensed as incurred, this may initially lead to a higher cost-of-sales ratio. However, after significant scale is achieved, incremental marketing and operational costs for adding new customers or applications will diminish.
  - **Selling to business decision makers.** With hosted services, partners can work with (and sell directly to) business decision makers in departments such as sales and marketing—where subscription fees for hosted services can be charged to top-line costs—rather than selling to IT departments, where expenditures are usually treated as bottom-line costs. The benefits of this new sales approach are noteworthy in that client IT resources become less of a barrier. Because of this, business consulting and process reengineering will become the new levers for success and an opportunity for greater margins. However, for traditional partners who are accustomed to engaging with IT professionals, some reorientation may be required to sell effectively. There also may be security and privacy concerns to address, but ultimately, customers can start using partner offerings more quickly, without the usual IT deployment and maintenance hurdles, and thus begin realizing value that much sooner.
  - **Sales compensation.** With subscription-based or advertising-funded business models, sales staff compensation models may need to be evaluated, potentially shifting commissions to be based on customer usage and revenue instead of license sales. Some partners maintain separate sales teams and compensation structures for their traditional software sales and services businesses.
  - **Pricing strategy.** Particularly for ISVs, if both on-premise and hosted solutions are offered, customers should be provided up-front with the terms and conditions for moving from one option to the other.
  - **Back-end infrastructure.** With a hosted infrastructure, system outages and connectivity problems can affect all customers at once. Partners

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should ensure that adequate security, disaster recovery, and reliability are in place before going to market. Further, more frequent upgrades will require greater attention to deadlines and quality. However, the ability to respond more quickly to customer needs and more easily keep customers current can provide a competitive advantage.

## Key Performance Indicators

Microsoft's Software + Services strategy provides new opportunities for partners. Partners may choose to adapt their businesses to take advantage of the rapid proliferation—and market acceptance—of hosted services. While typical consulting, implementation, or resale monetization models may still apply, some of the new business models enabled by a Software + Services approach will also lead to new monetization models, specifically:

- **Subscription-based**, in which scalability and repeatability are key.
- **Advertising-based**, in which Web traffic and conversion rates are key.
- **Licensing-based**, in which deal size and sales cycle time are key.

Microsoft understands that partners need to objectively measure the success and health of their businesses in order to remain positioned for long-term growth, and that the decisions affecting business growth and profitability are often based on these same measures. The bottom-line rarely tells the whole story, so partners need objective key performance indicators for monitoring success and performance-to-plan.

Whether partners are considering testing the water or thinking about fully evolving their businesses to embrace the power of Software + Services, there are several key business performance indicators (KPIs) that should be considered. Although it is unlikely that business managers will use *all* of the measures presented here, Microsoft believes that the following KPIs represent some of the most important measures that partners should consider as they quantify the health of their businesses with respect to the above three monetization models. It's also important to note that, although business models may evolve, the same fundamentals of selling solutions to customers will remain.

Although each monetization model is unique, with its own KPIs, they also share many of the same metrics for how business performance is measured. The table on the following page presents KPIs for each model.

<b>Business Models</b>	<b>Categories</b>	<b>Key Performance Indicators (KPIs)</b>
<b>Baseline</b> <i>Applies to all business models</i>	Company Performance	<ul style="list-style-type: none"> <li>• Revenue Growth (%)</li> <li>• Net Profit Margin (%)</li> <li>• Gross Profit Margin (%)</li> <li>• Cash Flow from Operations (%)</li> </ul>
<b>Subscription</b>	Business Velocity	<ul style="list-style-type: none"> <li>• Recurring Revenue Rate (%)</li> <li>• No. of Customer Growth (%)</li> <li>• Renewal Rate (%)</li> <li>• Gross Margin per Client (%)</li> <li>• Revenue per Employee (\$)</li> </ul>
	Service Fulfillment	<ul style="list-style-type: none"> <li>• Infrastructure Capacity Utilization (%)</li> <li>• Billable Staff Utilization (%)</li> <li>• Customer/Employee Ratio</li> </ul>
	Deal Execution	<ul style="list-style-type: none"> <li>• Sales Cycle (weeks)</li> <li>• Service Level Agreement (SLA) Performance</li> </ul>
<b>Advertising (Ad) Funded</b>	Business Velocity	<ul style="list-style-type: none"> <li>• Web Traffic (Unique User)</li> <li>• Repeat User Ratio (%)</li> <li>• Ad Revenue (Click to action)</li> <li>• Recurring Revenue Rate (%)</li> </ul>
	Service Fulfillment	<ul style="list-style-type: none"> <li>• Infrastructure Capacity Utilization</li> <li>• Advertising Sales Inventory</li> </ul>
	Deal Execution	<ul style="list-style-type: none"> <li>• Sales Cycle on ad sales (weeks)</li> <li>• Cost per Click (\$)</li> </ul>
<b>Licensing</b>	Business Velocity	<ul style="list-style-type: none"> <li>• Sales Spend (\$/month)</li> <li>• Delivery Spend (\$/month)</li> <li>• Deal Growth (%)</li> <li>• Customer Growth (%)</li> </ul>
	Service Fulfillment	<ul style="list-style-type: none"> <li>• Capacity Utilization (%)</li> <li>• Daily Bill Rate (\$/day)</li> <li>• Change in Bill Rate (%)</li> </ul>
	Deal Execution	<ul style="list-style-type: none"> <li>• Average Deal Size (\$)</li> <li>• Sales Cycle (months)</li> <li>• Implementation Time (months)</li> </ul>

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## **CONCLUSION**

Microsoft's success is dependent upon its partner ecosystem, so the company's Software + Services strategy is designed to help partners succeed. Partners are and have always been a core part of Microsoft's business model and that will not change as the company's Software + Services strategy evolves.

Microsoft's Software + Services strategy takes an expansive view to include the best of on-premise software combined with the best of hosted services, bridging this continuum to allow for superior options in customer choice and business opportunities for partners. This blended approach (rich and reach) is designed to deliver the best of both worlds, with the goal of empowering customers and partners with richer applications, more choices, and greater opportunity.

Many Microsoft partners are considering offering new hosted solutions or re-architecting existing solutions for delivery as hosted services. Microsoft has the best platform and licensing models for these partners. Microsoft is already a leader in packaged software, and offers a comprehensive platform for delivering and consuming hosted services. Whether it's the APIs provided for Microsoft adCenter or the Service Provider Licensing Agreement (SPLA), Microsoft is delivering what partners need to evolve their businesses.

At the same time, partners must continue to do the basics well, driving down cost of sales, building repeatable solutions, and improving their core profitability. In the meantime, Microsoft will continue to evolve its Software + Services strategy within the framework presented in this paper—and will continue to foster an ecosystem that will help all partners succeed.

### **For More Information**

For more information about how Microsoft partners can participate in and benefit from the company's Software + Services strategy, go to:

<https://partner.microsoft.com/spluss>

## CASE STUDY: ABSOLUTE SOFTWARE

# Absolute<sup>®</sup>Software

### Partner Profile

**Company size:** 175 employees

**Annual revenues:** CDN\$45 million

**Headquarters:** Vancouver, British Columbia, Canada

**Markets served:** Corporations, education institutions, consumers, and government agencies

**Microsoft technology:** Windows Server®, Windows Vista, Microsoft SQL Server™, Microsoft Dynamics CRM, Microsoft NET Framework

**Web site:** [www.absolute.com](http://www.absolute.com)

#### Key Performance Indicators:

- Customer growth
- Renewal rates
- Performance to service level agreements
- Infrastructure capacity utilization

Absolute Software is the market leader in computer theft recovery, data protection, and secure asset tracking solutions. The company's Computrace software is embedded in more than 20 million PCs annually by vendors such as Dell, Fujitsu, Gateway, HP, Lenovo, Motion, Panasonic and Toshiba.

#### **Business Challenges before the Software + Services Transformation**

Absolute's initial offering was a theft recovery service connected with a Web-based application designed to minimize the need for customers to maintain and manage additional back-end systems. Gradually, Absolute saw a market opportunity to develop a back-end infrastructure that could be installed onsite at customers' premises. The opportunity was driven largely by customer desire to control confidential data for regulatory compliance purposes.

#### **After the Software + Services Transformation**

The transition to a Software + Services business model has resulted in:

- **Strong revenue growth.** Ten years after launching its hosted offerings, business is still strong and growing at 100 percent year-over-year.
- **Shorter sales cycle.** A hosted model eliminates customer objections regarding time and costs to deploy the necessary infrastructure in-house and makes it easier to do demonstrations or setup customer "test drives."
- **Power of choice.** With a Software + Services model, Absolute has an advantage over competitors that offer only software or services. Although only 10% of customers choose on-premise solutions, this represents 20% of Absolute's revenue because these customers also tend to be larger corporations. Another 5% of revenue comes from hybrid solutions where portions are hosted by both Absolute and the customer.
- **Faster time to market.** Enhancements and upgrades can be performed in real time, without interfering with the delivery of value to customers.
- **Licensing compliance.** Services are sold as yearly subscriptions. A Software + Services model helps Absolute track how products are deployed, thereby avoiding over-installation and maximizing revenues.

#### **Value of Microsoft Partnership:**

- **Single platform for all needs.** Customer solutions are hosted at a data center running on Windows Server and Microsoft .NET technology. Internally, Absolute uses Microsoft Exchange Server and Microsoft Dynamics CRM, as well as Microsoft Dynamics GP for order generation, invoicing, and accounting. This has proven to be a huge advantage in streamlining support and saving time.
- **Faster time to market.** Integration with Microsoft products is crucial. Ensuring compatibility with Windows Vista® was a priority that began well of its launch and was facilitated through partnership with Microsoft, with Absolute being one of the first companies to become Vista-certified.

## CASE STUDY: COMPUCOM



### Partner Profile

**Company size:** 7,400 employees

**Annual revenues:** U.S.\$1.5 billion+

**Headquarters:** Dallas, Texas

**Markets served:** Fortune 1000 and mid-market businesses

**Microsoft technology:** Microsoft Solution Framework, Windows Vista, Solution Accelerator for Business Desktop Deployment, Active Directory®, Systems Management Server, Exchange Server, Forefront™, Microsoft Office Live Communications Server, SharePoint Server, and more.

**Web site:**  
[www.compucom.com](http://www.compucom.com)

#### Key Performance Indicators:

- Quality of service
- SLA performance
- Customer satisfaction
- Gross margin by client
- Infrastructure and staff utilization
- Renewal rates
- New pipeline activity

CompuCom Systems, Inc. is a leading IT outsourcing company that provides Integrated Infrastructure Management (IIM) services, application services, systems integration and consulting services, as well as the procurement and management of hardware and software.

#### **Business Challenges Before the Software + Services Transformation**

Five years ago, CompuCom was primarily a Value Added Reseller (VAR) that was facing diminishing margins and hence operating with a short-term business model. The company had to improve margins and find ways to provide longer-term value to customers, such as by helping clients lower the cost of supporting their IT infrastructures.

#### **After the Software + Services Transformation**

CompuCom now offers a number of solutions that combine software and services to deliver value, such as its Zero Touch Initiative, which helps clients lower the cost of desktop deployment and support. The company also offers a number of managed services, which rely on a central network operations center that uses tools like Microsoft Systems Management Server to help clients lower the cost of IT support.

The transition to a Software + Services business model has resulted in:

- **Higher margins.** By transforming from a software-based model to a Software + Services model, CompuCom's services revenues now represent 70% of gross margin.
- **Increased long-term customer value.** CompuCom measures quality of service, service level agreements (SLAs), and price as key performance indicators (KPIs), and has extensive reporting capabilities to demonstrate and manage these KPIs as part of its value-add.
- **Increased customer base.** Lower sales costs and economies of scale for hosted/managed services have enabled CompuCom to expand its customer base from only Fortune 1000 companies to now include mid-sized companies that range from 1,000 to 3,500 seats.
- **Flexible Monetization Model.** CompuCom offers customers several ways to take advantage of its offerings, including a pay-per-seat model, a usage-based model for CompuCom's Software + Services offerings, or a transactional-based support contract for managed services.

#### **Value of Microsoft Partnership:**

- **Strategic Technology platforms.** Managed services and a Software + Services model are critical in delivering greater value and helping customers reduce costs. CompuCom sees Microsoft Office SharePoint Server 2007, Exchange Server 2007, and the upcoming releases of Windows Server 2008 and SQL Server 2008 as some of the most strategic technology solutions for its business in the last 20 years.

## CASE STUDY: DID-IT.COM



### Partner Profile

**Company size:** 104 employees

**Annual revenues:** U.S.\$17 million

**Headquarters:** Rockville Centre, New York

**Markets served:** Typical clients are business decision-makers or marketing professionals who spend \$3,000 or more per month on search engine marketing

**Microsoft technology:** Microsoft adCenter and adLabs, SharePoint Server, Exchange Server

**Web site:** [www.did-it.com](http://www.did-it.com)

#### Key Performance Indicators:

- Growth and profitability
- Same-client growth
- Client retention and satisfaction
- Employee-to-client ratio

Did-it.com provides search engine marketing (SEM) and auction media management services for more than 150 clients, helping them squeeze more results from every dollar spent on such campaigns.

#### **Business Challenges Before the Software + Services Transformation**

In the past, Did-it.com was an Application Solution Provider (ASP) that offered only hosted technologies, which were used by clients to manage their own SEM efforts. However, due to increasing complexity in the SEM ecosystem, technology alone didn't solve clients' problems. Clients wanted to execute more sophisticated campaign strategies, and frequently asked Did-it.com to provide strategic consulting as well as tactical services.

#### **After the Software + Services Transformation**

Did-it.com now acts as a full-service marketing services agency. Customers pay Did-it.com a percentage of their SEM advertising spend in order to have internal account teams at Did-it.com strategically and tactically manage their campaigns.

The transition to a Software + Services business model has resulted in:

- **Increased customer loyalty and higher revenue.** By providing more value and focus to the top 10 percent of its clientele, Did-it.com increased its revenue by 460 percent from 2004 to 2006.
- **Ability to deliver stronger results for customers.** Internal account teams have the power to make sophisticated adjustments to Did-it.com's in-house systems, as required to deliver profit and efficiency jumps, while hiding the complexity of that back-end infrastructure from customers.
- **Improved ability to cross-sell and up-sell new services.** Did-it.com can make use of SEM data to make strategic decisions when buying keywords for other online marketing channels—for example, identifying sites in contextual ad network and buying directly.

#### **Value of Microsoft Partnership:**

- **Microsoft adCenter API.** The availability of adCenter APIs allows Did-it.com to better manage media spend in customer accounts. The Microsoft adLabs APIs into research data also have been extremely valuable.
- **Access to Microsoft partner ecosystem.** Did-it.com can easily connect with other Microsoft partners—such as those who sell Microsoft CRM—to deliver additional value to customers.
- **Internal and external collaboration using the same technology.** SharePoint Server and Exchange Server are currently used for internal communication and collaboration. Did-it.com is considering using SharePoint for collaborating with clients as well—for example, as a way of supporting workflows for creative signoff.

## CASE STUDY: NIMBUS



### Partner Profile

**Company size:** 65 employees

**Annual revenues:**  
U.S.\$12 million

**Headquarters:**  
United Kingdom

**Markets served:** North America, Europe, Middle East, and Asia Pacific

**Microsoft technology:**  
Windows Server, SQL Server, SharePoint Server, PerformancePoint Server

**Web site:**  
[www.nimbuspartners.com](http://www.nimbuspartners.com)

#### Key Performance Indicators:

- Subscription revenue growth
- Cash flow
- Customer-to-employee ratio
- Infrastructure utilization

Nimbus develops and markets a process mapping and performance management solution called Control 2007, which can be deployed on-premise, hosted by Nimbus, or as a hybrid model that uses a combination of the two. Nimbus was recently named a “Cool Vendor in Business Process Management (BPM)” by Gartner.

#### **Business Challenges Before the Software + Services Transformation**

Nimbus sold on-premise software licenses and provided deployment services like a Value Added Reseller (VAR). Nimbus was faced with long sales cycle and frequent roadblocks by clients’ IT departments due workload or server capacity, client’s outsourced IT providers, or the perceived risk of deploying After the Software + Services Transformation

Nimbus now provides hosted, on-premise, and hybrid implementations of its solution to Fortune 1000 customers. The transition to a Software + Services business model has resulted in:

- **Exceptional revenue growth.** Revenue grew 48% and 52% in 2005 and 2006 respectively, as compared to 5% annual growth 4 years ago.
- **Shorter sales cycle.** On average, sales cycles were reduced by 3-6 months because business decision makers can sign up for (and expense) Nimbus’ solution instead of going through their IT departments. If they like the solution and want to roll it out broadly, they can continue to have it hosted or migrate it in-house.
- **Happier field employees.** With IT hardware and software hosted at Nimbus’ datacenters, Nimbus has better control of that infrastructure. Field professionals at Nimbus can access and trouble-shoot the system from anywhere, which decreases travel time and employee burn-out.

#### **Value of Microsoft Partnership**

- **Microsoft Service Provider Licensing Agreement (SPLA).** The SPLA has enabled Nimbus to link its Microsoft software costs directly to customer revenue. SPLA significantly reduced the financial risk Nimbus had to take when adding hosted services to its business portfolio, with significant advantages in terms of cash flow and inventory cost.
- **Familiar technology.** Microsoft technology is already familiar to every client that Nimbus serves. Nimbus’ sales teams almost never get pushback on the technology.
- **Access to resources like Microsoft Technology Center (MTC).** MTC visit used to help integrate with Microsoft Office PerformancePoint™ Server and SharePoint Server in only a few weeks. Access to Microsoft experts reduces development and integration times for Microsoft technology and thus reduces risk.

## CASE STUDY: NITROSELL



### Partner Profile

**Company size:** 25 employees

**Annual revenues:** Proprietary

**Headquarters:** Cork, Ireland

**Markets served:** Small and medium-sized independent retail merchants in the United States, United Kingdom, Europe, Australia, and Asia

**Microsoft technology:** Microsoft Dynamics POS, RMS, GP, NAV, and CRM; Office Live; Windows Live Search; Windows Live Product Search, and Windows Live Local Search

**Web site:** [www.nitrosell.com](http://www.nitrosell.com)

#### Key Performance Indicators:

- Combined traffic across all customer WebStores
- Number of product impressions (drives ancillary ad revenue)
- Number of retailers
- Number of Microsoft Dynamics RMS, Web design, CRM Live, and search engine marketing partners
- Search engine page rankings
- Performance on Windows Live Search, Windows Live Product Search, and Windows Live Local Search

NitroSell helps small-to-midsize brick-and-mortar retailers implement and run integrated online stores. When NitroSell e-Commerce is used with Microsoft Dynamics POS, RMS, GP, or NAV, the result is a single, integrated solution for managing both in-store and online sales channels. NitroSell's solution was recognized with an "Outstanding Web Store for Microsoft Dynamics RMS" award in May 2006 by the Microsoft Dynamics RMS team.

#### **Business Challenges Before the Software + Services Transformation**

NitroSell was founded in 2005 to deliver a multi-channel sales management system to a global mass market. To make this work, the company had to deliver a price point below the current threshold for such systems and hide all technical complexity from its target customers, which typically do not have IT departments. NitroSell also had to find and leverage a virtual sales network with an existing presence in its target customer base, and support those sales partners using an efficient one-to-many model.

#### **After the Software + Services Transformation**

NitroSell partners with Microsoft Dynamics resellers to deliver "bricks and solution is a hybrid model, with online storefronts hosted on NitroSell eCommerce clusters and other parts (Microsoft Dynamics and NitroSell add-on) running at the customer location. NitroSell partners are supported through a self-service Web portal.

The transition to a Software + Services business model has resulted in:

- **Rapid Market Traction.** NitroSell has Web-enabled more than 500 retail businesses in less than 2 years. More than 920,000 customers have online accounts on NitroSell's customer Web stores.
- **Highly competitive pricing.** By investing in a robust back-end billing and provisioning system and recouping costs from subscription revenue, NitroSell can deliver a solution that costs significantly less than the competition. Recurring revenue is based on the success of a WebStore and is thus a compelling value proposition for the target customer base.

#### **Value of Microsoft Partnership:**

- **Partner-to-Partner (P2P) Opportunities.** NitroSell has recruited and trained a network of more than 190 Microsoft Dynamics resellers as its virtual sales network in less than 2 years, and this channel is now delivering a steady flow of new customers. Partnering with NitroSell enables Microsoft Dynamics partners to offer a more complete customer solution, thereby increasing their own sales success.
- **Ability to deliver greater customer value.** NitroSell looks for ways to deliver more value to customers by working with partners in the Windows Live ecosystem, such as Microsoft adCenter users and Silverlight™ Web designers.

## CASE STUDY: PROCSERVE



### Partner Profile

**Company size:** 50+ employees

**Annual revenues:** Proprietary

**Headquarters:** London, England

**Markets served:** Customers typically include business process outsourcing providers, governments, public sector organizations, private enterprises, and suppliers

**Microsoft technology:** Windows Server, SQL Server, .NET Framework, Virtual Earth

**Website:** <http://www.procsolve.com>

**Key Performance Indicators:**

- Recurring revenue
- Customer growth
- Renewal rates

ProcServe provides innovative electronic procurement and supply chain automation solutions and professional services to deliver secure, fast, and flexible connectivity among buyers, suppliers, and their back-office systems.

### **Business Challenges Before the Software + Services Transformation**

ProcServe founded its business on a services-based model to allow the company to rapidly obtain a global reach, with a minimum of resources and costs. After using the hosted service, customers requested on-premises software to enable supply chain integration with back office systems.

### **After the Software + Services Transformation**

ProcServe's hosted marketplace service facilitates catalog management and e-Procurement document processing and exchange, while on-premises software enables deep integration with back-office systems.

The adoption of a Software + Services business model has resulted in:

- **Increased customer loyalty and value.** As customers continue to see value in deeper supply chain integration, ProcServe can now offer value-added services such as back-office integration and traditional professional services.
- **Predictable revenues.** A subscription model provides a strong annuity stream that helps improve revenue and cash flow planning.
- **Low operating costs.** A Software + Services model enables ProcServe to support lower-spend customers with an automated, self-service approach and shift sales resources to higher-value customers.
- **Rapid response to new opportunities and customer needs.** A hosted model supports a 2-month product update cycle and ensures that all customers are using the latest version and thereby receiving maximum benefit and support, leading to increased customer loyalty.

### **Value of Microsoft Partnership**

- **Lower Capital Expenditure (CAPEX) costs.** The Service Provider Licensing Agreement turns traditionally high CAPEX costs for software into a OPEX model by enabling ProcServe to license Microsoft products expansion as required.
- **Lower infrastructure costs.** Support for database mirroring in SQL Server 2005 reduced the cost for ProcServe to implement a high availability database cluster by an order of magnitude.
- **Richer solution offerings.** Windows Live services provide easy solutions to traditionally complex requirements. For example, the Virtual Earth™ mapping software service enables data to be graphically mapped, providing a low cost Geographic Information System solution.