

PARTNER'S GUIDE TO Microsoft's Fiscal Year 2019



It's July, which means a new fiscal year for Microsoft and new payments, programs and priorities for the partners who engage most directly with Microsoft. Here's the latest from the Microsoft Inspire 2018 conference on what will be different in Microsoft's fiscal year 2019. **By Scott Bekker**

EVERY YEAR AROUND this time, Microsoft partners scramble to figure out how they'll need to work with the industry giant over the next 12 months. Microsoft's fiscal year ends on June 30, which means that starting in July, the company has new payments, programs and priorities for its thousands of channel partners. Partly because of that, Microsoft holds its annual partner conference, Microsoft Inspire, in mid-July to get partners excited and informed about Microsoft's plans for the coming year.

Leading up to and during Inspire, held this year in Las Vegas from July 15-19, Microsoft revealed significant changes and new approaches for partners that will affect

Microsoft's fiscal year 2019, which started July 1, 2018, and lasts through June 30, 2019. Last year at this time, Microsoft was in the throes of a dramatic overhaul of its field sales structure, involving a new partner-facing organization called One Commercial Partner, and significant internal employee churn. This year, there's much more stability in terms of who partners will work with at Microsoft, and better understanding among Microsoft employees about how their own restructured organization works. That makes the start of this fiscal year much less chaotic than last time.

This year, partners can look forward to several significant changes to the way they interact with Microsoft, although none appears overwhelmingly sweeping. The broad outlines of the aging, competency-based Microsoft



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Partner Network (MPN) appear to be in place for the coming year. The tweaks involve a different emphasis within the Cloud Solution Provider (CSP) program, a new program for managed services providers around Azure, a larger emphasis on the Microsoft AppSource marketplace, an expansion of the co-selling program and a few MPN adjustments.

DIRECT CSP

Microsoft's main engagement model with partners will continue to be the CSP program, according to Gavriella Schuster, corporate vice president of Microsoft One Commercial Partner (OCP). During a pre-Inspire media call, Schuster called CSP Microsoft's "lead sales motion" for partners. Revenue growth for the CSP program is 234 percent year over year through the third quarter, Microsoft declared in a momentum slide. Another slide boasted that Microsoft has 72,000 cloud partners worldwide.

The CSP consists of two broad groups of partners—direct CSPs and indirect CSPs. The directs work with Microsoft to obtain subscriptions for Office 365 and other products from Microsoft, that they then resell to customers. The indirects work through another provider, who acts as a middleman between Microsoft and the CSPs. What's changing this year is Microsoft appears to be steering more partners toward the indirect model than in the past.

Microsoft in May informed partners that requirements and costs to participate in CSP direct billing will be increasing, starting this summer, and that revenue requirements are a likely next step in the evolution of the program.

In an e-mail sent to direct CSPs on May 10, Microsoft introduced two new direct-bill requirements that partners must meet before their next enrollment period after Aug. 31. According to the e-mail, which was confirmed as authentic by a Microsoft spokesperson, direct CSPs must now purchase a support plan from Microsoft and demonstrate a few key capabilities.

The support plan options are Microsoft Advanced Support for Partners or Microsoft Premier Support for Partners. The Advanced Support plan will cost U.S. partners \$15,000 a year and provides break/fix problem resolution, promised response times of less than an hour for critical issues, and the ability to manage support incidents on a customer's behalf. Premier Support is a more expensive and higher-end offering that's customizable and can cover multiple geographies.

There are also two key capability requirements. One is that partners provide at least one managed service, intellectual property service or customer solution application. The other is that the partner must demonstrate a billing and provisioning infrastructure.

The e-mail also suggested partners should expect CSP-related revenue requirements later. "While there are no specific performance targets associated with these updates, your performance will be considered as a key success component in the future," the

e-mail stated. Given that the effective start of the program is Sept. 1, which is partway into FY 2019, it seems likely that any revenue requirements wouldn't take effect until FY 2020, which begins July 1, 2019.

Microsoft declined to make a partner executive available for an interview. The company did provide an e-mailed statement in which it presented the changes as aligning the CSP direct-bill enrollment requirements with the needs and priorities of customers.

"Cloud enablement services are a critical element of Advanced Support for Partners, making this offering essential to help grow cloud businesses and achieve more active, satisfied customers," the statement said, highlighting a partner-focused element of the lower-tier support package.

Microsoft also presented the rollout of the program as plenty of time for partners to get ready, with partners whose re-enrollment date falls prior to Aug. 31 having 15 months to prepare. "As always, Microsoft provides a long runway to meet any significant changes to requirements which may impact partner status," the statement said. Some partners strongly disagree that the time frame is sufficient.

In its statement, Microsoft also referenced the increased investment and emphasis in the last two years on its network of indirect providers in the CSP program, those partners who sit between Microsoft and about 90 percent of the company's CSP partners, known as indirect resellers. In the United States, there are more than a dozen indirect providers in the CSP program, including Ingram Micro, Tech Data, Synnex, SherWeb, AppRiver and others. Direct CSP partners only make up about 10 percent of CSP partners, company executives have said. "Microsoft's network of indirect CSP partners [is] also investing in solutions and support to bring additional value to partners worldwide," the Microsoft statement said.

AZURE EXPERT MSPs

At Inspire, Microsoft also introduced a new MPN partner category, called Azure Expert Managed Service Providers (MSPs). "These expert partners have proven real-world proficiency and skills, for datacenter lift-and-shift, born-in-cloud new applications, and everything in-between," wrote Corey Sanders, corporate vice president of Azure, in a blog post about the new program.

Sanders detailed the requirements for MSPs to join and remain in the program. "Azure Expert MSPs complete a rigorous audit by an independent third party, and also provide multiple customer references of Azure managed services projects delivered over the last 12 months. Furthermore, to retain the badge, these expert partners need to continue to meet prerequisites annually and complete a progress audit every year," Sanders wrote in the customer-focused blog post.

The exclusive program started as a pilot last year, said Schuster during the media call, adding that partner participants experienced a similar pattern at customer sites. "During our pilot, the data showed that customers ... start small ... and then they grow really fast. They

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Gabriella Schuster, Corporate VP of Microsoft One Commercial Partner

basically start and say, ‘Is this going to work?’ and then they turn over their whole infrastructure.”

APPSOURCE

Another huge emphasis in FY 2019 is the public marketplace for partner solutions, Microsoft AppSource.

“This year we’re going to lean on AppSource,” Schuster said during a keynote speech at Inspire 2018. “AppSource is the front door to selling with Microsoft.”

While AppSource existed as a partner solution directory previously, Microsoft’s focus on the marketplace will ramp up this fiscal year. Schuster said that over the last year, the emphasis was on getting partner applications into Microsoft’s OCP catalog, an internal directory that the Microsoft field used to find the right partner solution for the right customer engagement. This year, Microsoft partner managers will help partners put those solutions in the public-facing AppSource, which the Microsoft field will also use as its solution directory.

“Next year, we’re going to put that finished service right into AppSource and we’re going to hand the keys over to you,” said Schuster, adding that partners will be able to create private marketplaces, set up special offers and perform other customizations on their AppSource entries.

Furthermore, AppSource is being expanded to include not just partner products (think ISV solutions), but also other types of partner solutions like managed services and enabling services, making it an appropriate directory/marketplace for all kinds of partners.

Schuster touted the scale of AppSource, with its 2 million monthly active users and 100,000 partner leads a month, to encourage more partners to participate. She also said the company has plans to connect the AppSource catalog to the internal network of CSPs, declaring that combination is “where the real opportunity explodes.”

CO-SELLING

Closely related to AppSource is Microsoft’s co-selling effort. Microsoft made a big deal at the Inspire conference last year of launching its co-selling programs, which provide for Microsoft field sellers to represent partners’ Azure solutions and get compensation from Microsoft based on those sales to spark Azure consumption. In other words, these are Microsoft

employees, selling a partner’s Azure-based solution and being compensated by Microsoft on the total value of the deal, not just the Microsoft revenue piece.

“This was the first year that we allowed Microsoft sellers to retire their quota through partner solution sales,” Schuster said. The result was \$5 billion in sales of partner solutions through the fiscal year. “That’s not bad for a first year start,” she said.

Schuster said Microsoft is going to ramp up the investment in FY 2019. “We’re going to keep rewarding [Microsoft field sellers] at 10 percent of your contract value and we’re going to do 10 percent the whole year through, and we’re going to add Dynamics to that this year,” Schuster told partners at Inspire.

MPN ADJUSTMENTS

Schuster also briefly outlined, without providing much more detail, a new program of advanced specializations, apparently within competencies. In the current MPN, partners earn gold or silver competencies in a generally horizontal solution area—such as Cloud Productivity or Enterprise Resource Planning. Microsoft has been paring down the number of competencies, and there are currently 19 displayed on Microsoft’s Web page. However, the specializations could mean Microsoft is about to start expanding the labels it places on partners again. “It’s a way for customers to discover just the partners with the right capabilities,” Schuster said in the media call.

Schuster also said competency partners should stay tuned for changes to benefits. “Starting later this year, partners with competencies will have a choice of benefits packages based on their business focus. We’re expanding core benefits to include access to services that support generating leads, improving lead velocity and increasing close rates for app or service offerings,” she wrote in a blog post.

After the tumultuous FY 2018 reorganization, stability in the OCP unit is a welcome change for Microsoft’s partner community. While working with those now more familiar faces inside Microsoft this coming year, partners are likely to find the greatest engagement in the indirect CSP model, the AppSource marketplace, the co-selling effort and the new Azure Expert MSP program. *

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