



# DRIVING OFFICE 365 ADOPTION FOR RECURRING REVENUE AND INCREASED CLOUD SALES



By Pam Baker

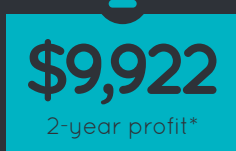
The cloud is opening new opportunities, and managed service providers that can leverage them will have a huge leg up on the competition. One of the biggest opportunities lies with Office 365. Customers who have been using the Office platform for years likely understand that Office 365 offers many cost efficiencies and productivity gains compared with the on-premise version, but they are just as likely to be confused about where to start and how to manage such a platform over time. That's where managed service providers come in.

In this whitepaper we will examine the ROI of driving Office 365 adoption, and provide recommendations to MSPs about the most effective ways to derive recurring revenue from Office 365 migration, training and ongoing support.

## RESELLING IS GOOD FOR MSPS AND THEIR CUSTOMERS



- SERVICE CHARGE
- BUNDLING CAPABILITIES
- EMAIL UPSOLLS



This screen shows the process for adding Microsoft subscriptions using the Rackspace control panel.

The benefits to Office 365 are very clear to most companies: Among many other things, it cuts the costs associated with licensing and supporting on-premise Office; it eliminates the challenges associated with keeping the platform current; and it promotes increased productivity, especially among remote workers.

Indeed, Microsoft reports that more than 5 million new seats of Office 365 are being added every quarter. This represents an almost unprecedented opportunity for MSPs, whether migrating existing Office customers or adding net-new customers.

It makes sense that many of your customers will be eager to get started with Office 365, and it might be tempting to tell them to just use a credit card and buy Office 365 online in order to ramp up fast. You collect the referral fee and move on. But this approach, while simple and straightforward, is not the best route for MSPs or their customers.

For one thing, recurring revenue is lost because your customers will pay Microsoft—not you—the monthly subscription fee for Office 365. You'll no doubt be doing considerable work on behalf of your customers—including migrating data, customization, training and support. You can, and should, earn revenue for that work.

And that revenue is substantial. Here's the math, according to Rackspace, a leader in cloud-enabled managed hosting: If your customer subscribes to Office 365 Business Essentials for 10 users at \$9/per user/per month and to Office 365 Business Premium for 15 users at \$18/per user/per month through your company, while you are paying the Rackspace price of \$7/user/month and \$14/user/month, respectively, your company's total two-year revenue is \$8,982 and your two-year profit is \$5,842 after factoring in elements such as commission.

But the opportunity for increased revenue for MSPs doesn't end there.

For example, you could add a service charge to the same scenario above for one incident per year at \$300, bundle capabilities such as domain registration for \$240, and add an upsell for email archiving. The two-year total revenue then climbs to \$13,062, and the total two-year profit rises to \$9,922.

Further, not only is the ROI high in reselling, but the recurring fees help stabilize your cash flow, as monthly subscription fee billing with your markup and bundle fees results in monthly cash inflows.

\*Factoring in Rackspace's fees and elements such as commission.

**Microsoft Office 365**

**Tenant Details**  
Tenant: davewilliams365.onmicrosoft.com  
Manage Users: [Log In to Office 365 Control Panel](#)

**Subscriptions**

Type	QTY	Price	Subtotal
Azure Rights Management	3	\$3.00	\$9.00
Business Premium	4	\$15.00	\$60.00
Exchange Online Kiosk	1	\$3.00	\$3.00
<b>Monthly Total</b>			<b>\$72.00</b>

**Add-Ons**

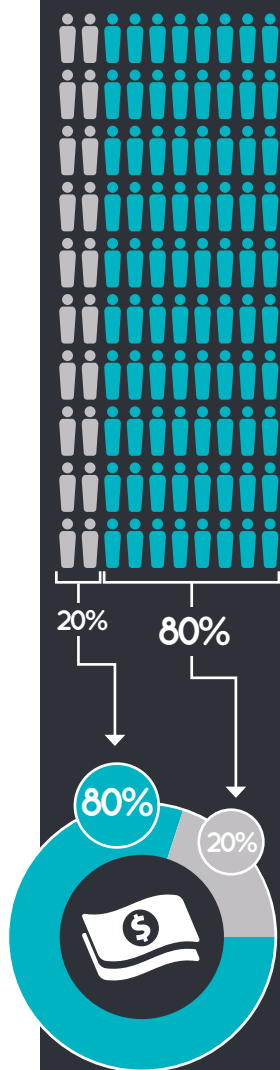
Type	QTY	Price	Subtotal
Rackspace Office 365 Archiving	5	\$3.00	\$15.00

## THE BENEFITS OF OWNING THE CUSTOMER RELATIONSHIP

There's more to reaping recurring revenues than these concrete transactions. The most important benefit to reselling is that your customer remains your customer, rather than a Microsoft customer. This means that your customer identifies with your company—not Microsoft—as the provider. That distinction is very important, as it opens the door for more sales opportunities for your company and keeps your brand in front of the customer.

Microsoft actually encourages this customer relationship-building because the company knows that strong cus-

tomers are vital to its own existence. Microsoft counts on MSPs to help establish and maintain those ties. It is therefore a win-win-win situation—for Microsoft; for you, the MSP; and for the customer—when the MSP actively maintains the customer relationship and retains that relationship over a long period. Microsoft knows that MSPs are an extremely effective and powerful sales and support force, and the company has worked with partners such as Rackspace so that you can be rewarded for the value you add over Microsoft's own products and services.



**80% of  
your future  
profits will  
come from  
just 20%  
of your  
existing  
customers**

## OWN THE BILLING RELATIONSHIP

When MSPs provide Office 365 to their customers, the MSP is establishing costs and margins. For example, when you bill for services, your bill will cover Office 365. You set your own margin, plus your own value-add services. Some managed service providers are charging more than \$15/user for features that Microsoft charges \$7/user for. How much you charge is limited only by what you provide to the customer above and beyond what Microsoft provides. This includes things like bundled add-on services and additional security. Controlling the margin yourself means added profits.

In this model, you are also opening the door to repeat sales.

According to Gartner, “80% of your future profits will come from just 20% of your existing customers.” Further, according to Bain & Company and Harvard Business School researchers, “increasing customer retention rates by 5% increases profits by 25% to 95%.”

Repeat sales—that is, selling the same product or services to the same customer repeatedly after each purchase is consumed—is easier to do when the customer relationship is maintained. In other words, if you own the customer relationship, the customer will return to you to buy the same services and products again and again. If, however, a customer buys Office 365 directly from Microsoft on your recommendation (referral), that customer will more than likely return to Microsoft to buy again.

Repeat sales are extremely important to developing brand loyalty. So are customer referrals, a huge driver of new business for MSPs. The brand you want your customers to be loyal to is yours, not Microsoft's. Why? Because you want that customer to continue to pay your margins and purchase other products and services from you—now and in the future.





***“You can set up your reseller account in minutes and use free email migration tools backed by Rackspace’s expertise. We’ve earned valuable experience in the course of moving more than 50,000 mailboxes each month.”***

—Brooke Jackson,  
Rackspace Product Manager

## ADD RECURRING REVENUE AND GREATER ROI WITHOUT INCREASING YOUR WORKLOAD

Of course, it’s great to add revenue to your company’s coffers, but can your staff shoulder the additional work?

Will you have to hire more staff in order to adequately support customers in their journey to Office 365?

It’s worthwhile for many MSPs to consider working with a partner such as Rackspace to ensure that customers’ needs—both now and in the future—are met.

“You can set up your reseller account in minutes and use free email migration tools backed by Rackspace’s expertise. We’ve earned valuable experience in the course of moving more than 50,000 mailboxes each month,” said Brooke Jackson, Rackspace Product Manager for Microsoft products such as Exchange and Office 365. “The Rackspace teams will help you get started, sell and bill services. There are no commitments, no annual contracts and no termination penalties.

You’ll have 24x7x365 support by real, U.S.- and U.K.-based human experts with over a decade of server, email and hosting experience. That means anytime you need support, you can reach an experienced human expert that can answer your question directly and in detail.”

When working with a partner, you can bundle your own services in any way you wish, as well as add other partner products to your portfolio—for example, hosted Microsoft private cloud servers and other hosted email options.

In short, you can add value without necessarily adding more to your workload by working with an experienced partner that can help support the work related to Office 365 and other services.

### CONCLUSION

According to a recent [IDC report](#), worldwide Cloud IT Infrastructure spend grew 21.9%, to \$29.0 billion, in 2015, while the traditional (non-cloud) IT infrastructure segment decreased 2.7% year over year in the fourth quarter.

This data points to what almost everyone already knows: Everything is moving to the cloud, and those who don’t follow suit are (or will be) at a distinct competitive disadvantage. That’s especially true for MSPs: Providing managed cloud services leads to increased recurring revenue and competitive advantage. Reselling Office 365 is a foundational step in moving customers and your MSP business into a profitable future. ●