



**MICROSOFT ECOSYSTEM VALUE:**

# Partner Paths to Profitability and Growth

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# Introduction and Executive Summary

## Microsoft Partner Economic Value - Europe

As European organizations continue to digitally transform their businesses, it becomes important for Microsoft and its regional partner base to co-innovate and go-to-market jointly to deliver solutions that meet customers' unique requirements. Greater collaboration around solution creation and sales activities can expand partner opportunities and accelerate growth and profitability.

To meet evolving customer needs, many European partners are assessing their business models and evaluating the business benefits of providing software and services on Microsoft Cloud. Resale activity of Microsoft products and services continues to provide significant partner revenue opportunities but limited profitability and upsell opportunities without software- and services-based capabilities in the activity mix. In each model, there is a corresponding economic value that partners can achieve.

IDC conducted a global study of the Microsoft partner ecosystem to understand the various pathways to success and the economic value that can be achieved from engaging with Microsoft and its technology (**see methodology on next page**). Dedicated analysis of the European survey responses has provided specific regional insights on partner paths to profitability and growth. The connection between levels of partner engagement with Microsoft — as well as partners' business models and focus — has a marked impact on economic-value indicators like revenue growth and margin.

For every dollar of Microsoft revenue, partners generated a multiple based on their specific activities, whether they were selling their own software, providing services, reselling, or a combination of all three. These multiples are particularly important in the European theater where Microsoft's partner landscape is highly diverse, with a blend of established partners and emerging ones focused on specific areas or activities. This partner base is also finding new ways to work together through partner-to-partner collaboration within the wider ecosystem.

## Deeper Engagement Leads to Differentiated Outcomes

The key takeaway from this eBook is a set of recommendations for European partners that

provide an optimized pathway to enhanced profitability and growth. Partners realizing the greatest economic benefits within the Microsoft ecosystem are those that invest the most in their Microsoft relationship, create their own intellectual property (IP), and take advantage of co-selling opportunities with the vendor.

Of those surveyed, European partners that invest in differentiated solutions and bet big on Microsoft tended to outperform others. European partners with the highest share of revenue from Microsoft-related business had the highest growth expectations for their Microsoft business in 2022. European partners that actively engaged in co-sell activities with Microsoft grew faster in 2021 and forecasted stronger growth rates in 2022, compared to partners that did not engage in co-sell activities with Microsoft.

### This European eBook further details the following survey findings:

- Microsoft partner economic value expands with their IP focus.
- Partners that bet on Microsoft grow faster and generate higher margins.
- Partners with a focus on software or services experience higher gross margins.
- Partners that invest the most in their unique IP do the best.
- Partners that are actively engaged in co-selling with Microsoft grow faster.

## What's Inside?

This IDC eBook provides insight into how partners are leveraging their relationship with Microsoft and its technology to grow their businesses in relation to meeting the business requirements and outcomes of their customers. It provides guidance for partners across Europe on how to best leverage and maximize their relationship with Microsoft to expand revenue and margin opportunities.

## Research Methodology

The content of this IDC eBook is based on two primary data sources: a web-based survey of 288 European partners (which formed part of a larger global survey of 774 Microsoft partners) and in-depth interviews with 53 senior executives at Microsoft partners across 12 countries in Western Europe. The partners interviewed by country in alphabetical order were as follows:

- **Austria:** ACP, BE-terna, Kapsch, paiqo
- **Belgium:** Arxus (Cronos Group), delaware, DexMach, Inetum, Xylos
- **Denmark:** Abakion, cVation, Delegate, Fellowmind
- **Finland:** Avanade, Meltlake, Tietoevry

- **Ireland:** Codec, Ergo, Logicalis, MicroWarehouse, MJ Flood, SoftwareONE
- **Italy:** CoreView, Techedge, Trueblue
- **Netherlands:** Fellowmind, Motion10, Rapid Circle, Ultimo
- **Norway:** Avanade, CloudWay, Ironstone
- **Portugal:** BI4ALL, Claranet, NTT DATA, Xpand IT
- **Spain:** Inetum, Kabel, Logicalis, Minsait, NTT DATA, Plain Concepts, Telefónica Tech, Verne
- **Sweden:** Asurgent, ATEA, Mojodoo
- **Switzerland:** Experts Inside, MDW Partners, Moresi.com, One Step Beyond Group, Open Systems, ORBIS

The study was designed to ascertain the value that partners derive from their relationship with Microsoft and to identify partner business models and activities that drive greater levels of growth and profitability, as well as deeper engagement with Microsoft. All partner statistics were derived from the European survey results.

The survey results came from responses across the following European countries (in alphabetical order): Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom. While no data was collected in Central and Eastern Europe, this eBook (and related assets) uses the terms “Europe” and “Western Europe” interchangeably.

Where appropriate, the study also considered partner dynamics within the following five European sub-regions:

1. Benelux (Belgium, Netherlands, Luxembourg) & France, n=49
2. DACH (Austria, Germany, Switzerland), n=95
3. Northern Europe (Denmark, Finland, Iceland, Netherlands, Norway, Sweden), n=69
4. Southern Europe (Italy Portugal, Spain), n=54
5. United Kingdom (UK) & Ireland, n=61

“Microsoft has created an open approach to its technology and the way it works with partners and customers. That is really important when we think about Azure environments and the fact that customers can run whatever is best for them on Azure infrastructure.”

—Juan Francisco Gago Fernández, Director of Innovation & Integrated Value Proposition, Minsait, Spain



# Economic Value in the Microsoft Partner Ecosystem

## Partner Roles in Delivering Customer Outcomes

The Microsoft partner ecosystem in Europe is a diverse group of companies with a mix of business models and market focus, as well as a growing capacity to support industry-specific scenarios. On average, 43% of the revenue generated by partners surveyed is derived from industry-specific solutions.

**FIGURE 1**  
**Microsoft Partner Ecosystem Breadth and Depth**



Microsoft partners are diversifying their business models with a focus on building and selling their own services (including project-based and managed services) and software. This is a broad-based trend for Microsoft partners and is validated by a wide range of business models that tend to differ by the ratio of revenue from specific activities and differentiated approaches to the market.

Four in five European Microsoft partners (81%) perform at least two of the main revenue-generating activities across resale, own services, and own software development. Nearly one in three partners (29%) is active across all three activity types.

FIGURE 2

## Partner Business Models by Number of Activities Engaged In

(i.e., resale, own services, own software)



n = 288, Source: IDC's Microsoft Partner Economic Value Indicator Survey - European responses

## Microsoft is a Platform for Partner Economic Value Creation

When segmenting the Microsoft partner ecosystem by partner revenue and the activities that partners perform to drive that revenue, the surveyed partners can be split into three categories: resale-led, services-led, and software-led. Importantly, activities that partners perform have different levels of economic value in their relationship with Microsoft. As partners tend to have a distinct revenue mix from these activities, every partner may have different economic outcomes.

In this study, survey respondents' business models were determined based on their largest revenue-generating activity in terms of revenue shares across resale, own services delivery, and software development. For example, if a partner derived 30% of revenues from resale, 40% from services, and 30% from software development, it would be classed as a services-led partner.

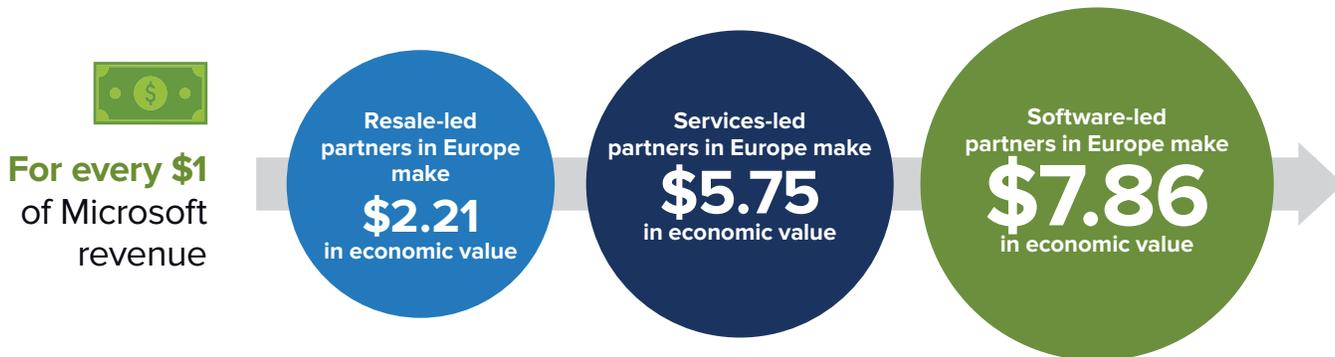
IDC has established that for every \$1 of Microsoft revenue, partners derive a multiple in their own business based on their activities or revenue share of those activities. A key insight in expanding economic value and pathways to growth is that services-led partners in Europe make \$5.75 and software-led partners make \$7.86. In comparison, resale-led partners in Europe make \$2.21 in economic impact.

**"We're 100% Microsoft-focused and we're currently not looking to work with other cloud vendors. We have been working with Microsoft for 5 years, it is a great partner ecosystem and partners can build a profitable business around Microsoft cloud services."**

—Tormod Eek, Commercial Lead, Ironstone, Norway



**FIGURE 3**  
**Microsoft Partner Economic Value Expands with IP Focus**



n = 288, Source: IDC's Microsoft Partner Economic Value Indicator Survey - European responses

“For every €1 of Microsoft products or services we sell, we **see a €6 to €7 opportunity** for Verne's own products and services on top of that.”

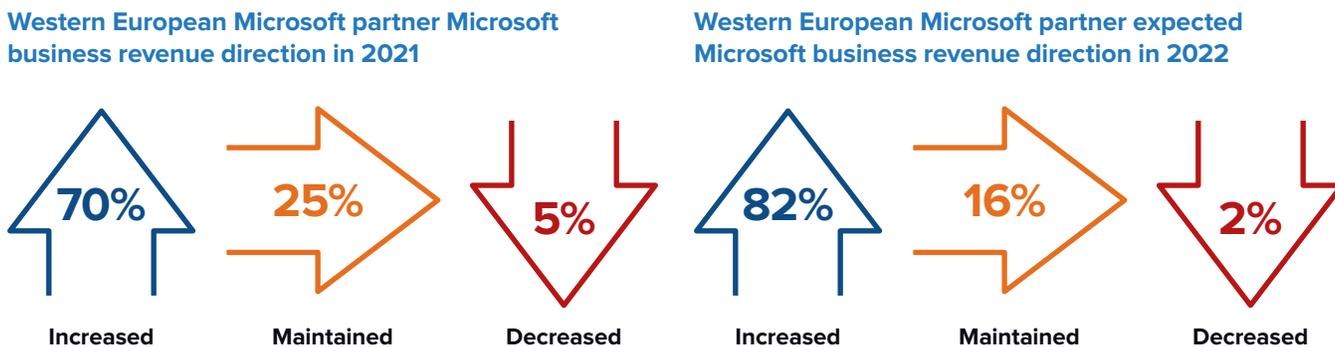
—Antonio Soto, Director, Verne Tech, Spain



# Investing in Microsoft and Economic Outcomes

On average, in this study Microsoft partners in Europe experienced revenue growth related to their Microsoft business of 18% in 2021 and expected their business to grow by 20% in 2022. In 2021, 95% of European partners grew (70%) or maintained (25%) Microsoft-related revenue, while 98% expected to grow (82%) or maintain (16%) Microsoft-related revenue in 2022.

**FIGURE 4**  
**Microsoft Partners Bullish on Revenue Growth**



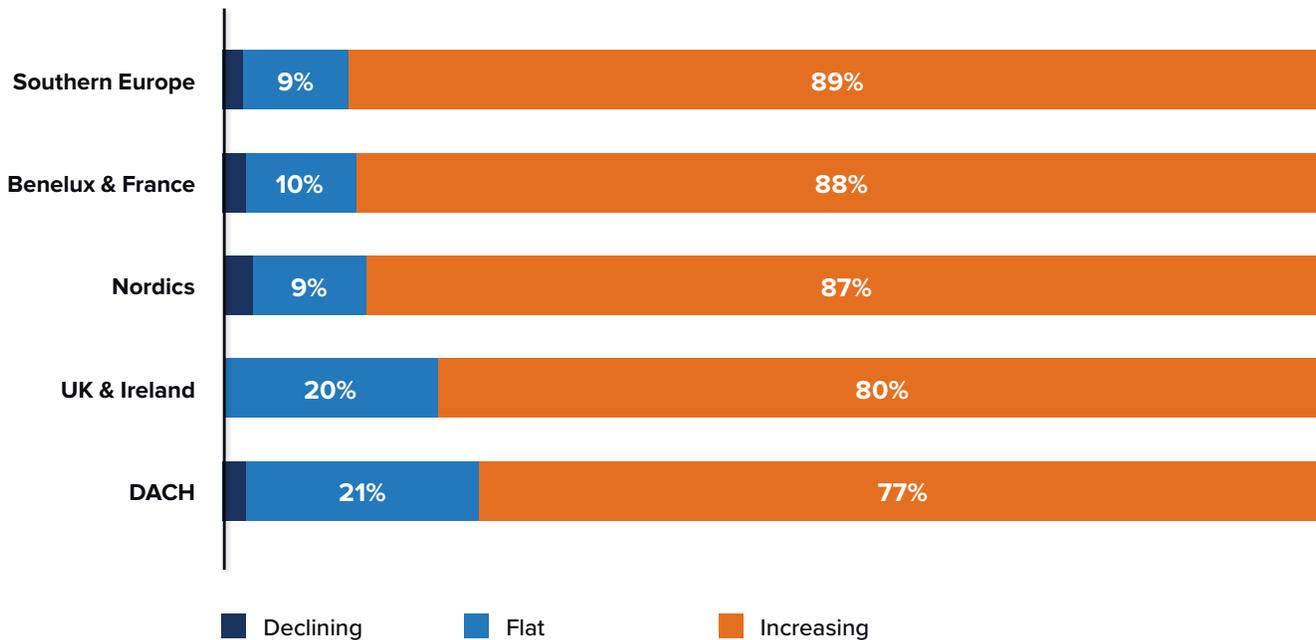
n = 288, Source: IDC's Microsoft Partner Economic Value Indicator Survey - European responses

Microsoft partners' optimism about their Microsoft business growth for 2022 is relatively consistent across European sub-regions, ranging from a high of 89% of Microsoft partners in Southern Europe expecting growth, through to a more moderate 77% of Microsoft partners in DACH forecasting a revenue increase in 2022. Moreover, less than 5% of surveyed partners within any sub-region expected revenue declines.

**“We’re on an aggressive growth curve and we are fully focused on Microsoft technologies.** Our activities are primarily services and consulting. We only started one year ago and have already expanded to 15 people.”

—Stephan Seliger, Co-Founder, Mojodoo, Sweden

**FIGURE 5**  
**2022 Expected Microsoft Business Revenue Direction across Sub-regions**  
 (% of growth)



n = 288, Source: IDC's Microsoft Partner Economic Value Indicator Survey - European responses

## Partner Engagement Drives Higher Growth and Margins

While there is wide variety in partner business models and approaches to teaming up with Microsoft, partners with the highest engagement levels with Microsoft experience superior economic outcomes. Specifically, partners that derive at least 75% of their revenue from their Microsoft-related activities have the highest profitability, with an average gross margin of 30%. In comparison, partners with the lowest share of Microsoft-related revenue (1%-25%) had an average gross margin of 14%.

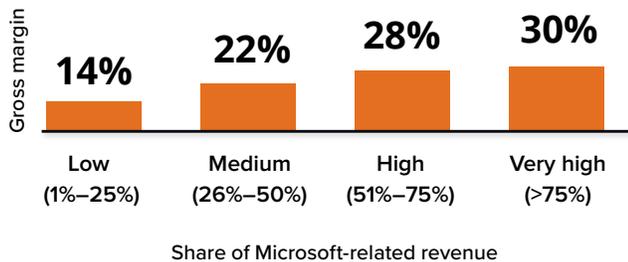
Similarly, the group with the highest share of Microsoft-related revenue had the highest revenue growth expectations for 2022 at 28%. Conversely, the group with the lowest level of Microsoft engagement expected to grow their Microsoft business by just 12% in 2022.



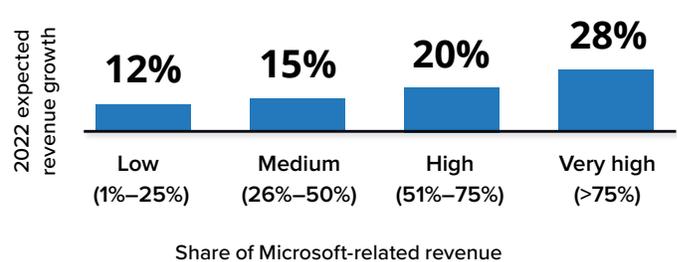
## FIGURE 6 Deeper Engagement is Linked to Superior Outcomes

(% of respondents)

### Profitability of Microsoft-related business by revenue share from Microsoft business



### Expected growth in Microsoft-related business in 2022 by revenue share from Microsoft business



n = 288, Source: IDC's *Microsoft Partner Economic Value Indicator Survey* - European responses

Deeper engagement is linked to better partner outcomes in several ways, according to European partners with high levels of commitment to Microsoft. Deeper commitment to Microsoft enables partners to fully focus their energies on a strategic relationship, streamlining their vendor engagement and motivating them to achieve greater levels of specialization and differentiation. This level of commitment can be hard to achieve in partners that are trying to manage multiple vendor alliances, especially if there is clear product and solution overlap with the vendors in their portfolio.

According to Ronan Stafford, CEO of Ireland-based Microsoft specialist, Codec: *“We did not feel we could achieve our strategy and ambitions unless we jumped in with both feet. We had to fully commit to being a Microsoft partner. We weren't going to succeed with our plan and targets if we were only half committed to Microsoft and the other half of our resources were running a different business.”*

Sweden-based Mojodoo echoed this sentiment: *“We believe that having a full focus on one technology provider [Microsoft] means that we can then aim to become one of the best in the market,”* said Stephan Seliger, Co-Founder at Mojodoo. *“It is a big advantage because we become known for that expertise.”*

One of the critical elements to building deep Microsoft expertise is to leverage training and certification opportunities and move towards advanced specializations. *“Training and certification are a top priority for us,”* explained Franz Nowotny, Head of Innovation Experts at ACP in Austria. *“It is key for us to increase our competencies and invest in our people.”*

And as partners evolve in their competencies, they also benefit from additional support for their pre-sales engagements with customers, which is seen as a valuable investment in business growth. *“It is great when we get support from Microsoft to fund proof of*

*concepts because that enables us to provide a more competitive price point,”* said Kari Järnström, Country Manager at Avanade Finland.

Partner commitment builds trust with the vendor organization and helps partners gain enhanced recognition across the Microsoft organization. *“Codec’s business is fully aligned with Microsoft, so there is never a situation where what Microsoft wants to achieve is not good for Codec,”* said Ronan Stafford. *“That makes it much easier to work together and co-market together.”*

*“Microsoft knows we work exclusively with Microsoft,”* added Maxime Gouffé, CEO at Switzerland-based MDW Partners. *“So they will even use us to provide official Microsoft training to customers and allow us to organize this.”*

Increased focus, commitment, and expertise create a self-perpetuating cycle, providing partners with access to additional resources and support — including managed partner status — based on strong customer success, differentiation, and a close Microsoft relationship.

*“We were lucky enough to work with a partner technology strategist at Microsoft and that has really helped the relationship,”* said Ogi Stanovic, General Manager Strategic Alliances at Open Systems in Switzerland. *“It’s a critical role that drives our collaboration with Microsoft and shapes our thinking on where we go moving forwards.”*



# The Microsoft/Partner Relationship

Across the variety of partner business models, the Microsoft relationship fuels partners' revenue growth and bolsters gross margin, facilitates the sales process, and opens doors to building and selling their own IP.

On average, surveyed partners in Europe derived 62% of their total revenue from their business related to Microsoft. This is a function of the breadth of Microsoft's portfolio and the depth of the partners' engagement with Microsoft's technology.

## Driving Success Through Dedicated Focus and Investment in People

European partners are making strong investments and committing significant resources to scale their strategic partnership with Microsoft. A case in point is Inetum in Spain, which is responding to a growing interest from local customers to accelerate their cloud journeys to benefit from greater efficiency and performance.

*"Inetum has 700 consultants working across the Microsoft portfolio in Spain," said Juanjo Pradales, Group VP Iberia & Latin America. "Microsoft is a strategic partner for the future, and we see opportunities to continue growing our services related to Microsoft Cloud solutions."*

Some partners have made the strategic decision to work exclusively with Microsoft to achieve a higher level of specialization and greater focus. One such example is Austrian partner paiqo, which provides expert services around data platforms and artificial intelligence (AI) based on Microsoft Azure.

*"We didn't want to be a 'jack of all trades and master of none'," explained co-founder Gernot Molin. "We decided we really want to be focusing on that one cloud platform, and for us that's Microsoft, so we decided we'd go all in."*

**We've focused on Microsoft, and this has driven commercial success on the sales side. We have doubled our win rates and customers see our alignment with Microsoft and that translates into extended trust."**

**—Ogi Stanovcic, General Manager Strategic Alliances, Open Systems, Switzerland**

## Valued Attributes: Product & Technology and Go-to-Market

**While there are many attributes associated with the value that partners receive in their Microsoft relationship, they generally fall into two categories that are linked to the economic value partners generate:**

- **Product and technology:** Microsoft partners value access to the technical resources required to develop and implement solutions.
- **Go-to-market:** This includes co-marketing campaigns, co-sell, including AppSource and the Azure marketplace, and the benefits of being associated with the Microsoft brand. In some cases, partners work with the Microsoft field-sales organization and can take advantage of joint account planning, Microsoft account introductions, and jointly moving deals through the sales pipeline.

## Leveraging Microsoft Resources in the IP Journey

Microsoft partners find value in co-innovating with Microsoft. They can leverage technical resources, training, and support required to help build solutions and get them market ready. Visibility into Microsoft's technology road map provides partners with the opportunity to develop a long-range strategy.

CoreView originated in Italy as a Microsoft consulting partner and evolved into a software provider. Its main offering is a Microsoft 365 management platform that delivers improved management, security, and optimization of Microsoft licenses across an organization. CoreView's IP enables customers to *"develop a larger ROI on top of their Microsoft investment,"* explained Alexandra Detweiler, Director Microsoft Global Alliance at CoreView.

Joint success is underpinned by close collaboration and triangulation between the partner and Microsoft teams. *"Our relationship with Microsoft gives us the ability to scale,"* said Detweiler. *"We also have strong technical relationships with Microsoft that help us ensure the relevancy of our solution to Microsoft customers."*

Ultimo, a Netherlands-based ISV that offers enterprise asset management software, selected Microsoft as its strategic cloud provider. *"As an ISV, few years ago we decided to move to the Azure cloud as our premium technology stack for the delivery of our software. 35% of our customers are now in Azure and step-by-step we are migrating the rest of our customer base to the cloud,"* said Ewout Noordermeer, CMO at Ultimo. *"We highly value our partner account manager, the technical support from Microsoft, and the architecture of Azure cloud."*

**"We're always on the lookout for specific ideas within Microsoft-related projects that have the potential to become products."**

—Sérgio Viana, Partner and DX & UX Lead, Xpand IT, Portugal

## Go-to-Market Resources

A major advantage of the Microsoft partnership is access to Microsoft go-to-market resources, including co-marketing programs and co-sell.

### Leveraging Co-Marketing and the Microsoft Brand

Italian software partner Trueblue aims to disrupt the way of work in the life sciences industry through cloud-based AI solutions. In addition to close technical cooperation, the company maintains a strong commercial partnership with Microsoft. *“The co-selling collaboration we have with Microsoft is very powerful in terms of a combined approach to customers. We maximize that as much as possible through joint meetings, joint events, and joint marketing campaigns,”* said Mitchell Borin, Chief Commercial Officer at Trueblue.

Another important benefit for partners in the Microsoft relationship is the association with a globally recognized and trusted technology brand. This is invaluable to partners at all stages of their life cycle, from new market entrants through to established brands.

Asurgent, a Sweden-based Microsoft expert in Azure, Microsoft 365, and security, has grown rapidly since its inception in 2016. *“We started with a vision to take everything we knew from the IT outsourcing business to the cloud,”* said Staffan Bjurström, Vice President at Asurgent. Highlighting Microsoft’s credibility and brand equity in the market, he added: *“A key benefit of the relationship has been to be presented as a trusted partner and a trusted supplier by the Microsoft team to customers.”*

Danish Microsoft Dynamics specialist Abakion also recognizes the power of the Microsoft brand as a core enabler of its own business success. *“The trust that customers have in Microsoft automatically transfers to us when we are going to market with Microsoft solutions,”* said Kenneth Kryger Gram, Abakion’s CEO.

Microsoft’s brand value and recognition are equally important for large systems integrators like Nordic services company Atea. *“Being a partner to Microsoft as big as we are and teaming up with Microsoft creates a huge amount of credibility and trustworthiness in the eyes of the customers,”* said Andreas Bilén, Partner Manager at Atea Sweden.

**“Microsoft has strong momentum with customers in Belgium, and customers know that if Microsoft puts something on the road map, it will be there.”**

—Bart Van Kerkhoven, Partner, delaware, Belgium



## Driving Growth Through Co-Selling

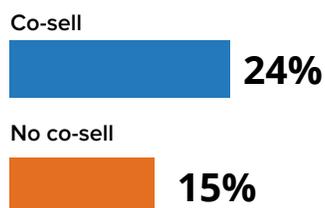
Co-sell through the Azure Marketplace and App Source and co-sell with the Microsoft sales force have become effective methods of growing partner revenue and acquiring new customers. In collaboration with Microsoft, partners can perform joint account planning, be brought into deals by Microsoft sales teams (and introduce Microsoft into deals themselves), and jointly scope and propose solutions to clients.

Perhaps not surprisingly, surveyed partners that co-sell with Microsoft can grow their revenue faster than partners that do not. Across Europe, co-selling partners achieved considerably higher revenue growth in 2021 (24% compared with 15% for those that didn't co-sell with Microsoft) and nearly double the expected revenue growth in 2022 (32% compared with 17% that don't).

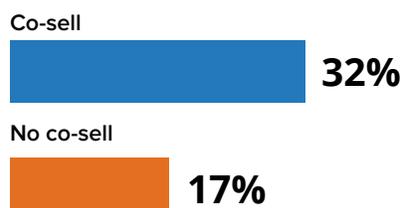
### FIGURE 7 Active Co-Selling with Microsoft Drives Growth

(% of partner revenue growth)

#### 2021 revenue growth in business with Microsoft (Europe)



#### 2022 expected revenue growth in business with Microsoft (Europe)



n = 288, Source: IDC's Microsoft Partner Economic Value Indicator Survey - European responses

Co-selling with Microsoft is often a critical part of partners' growth strategies. Co-selling enables partners to work with Microsoft's field-sales teams to generate and share opportunities as well as to expand and extend their customer engagements.

Successful co-selling requires focus from the Microsoft sales organization, which is something CoreView worked to achieve in its partnership. "CoreView made sure our IP was on Microsoft's radar and this translated into increasing numbers of IP co-sell wins," said Alexandra Detweiler of CoreView.

Once momentum with Microsoft sellers is established, partners can see tangible benefits. "If we look at a lead from an event, a lead from cold calling, and a lead from Microsoft, we know that a lead produced by Microsoft has the highest close rate," explained Detweiler. "That is why IP co-sell is so important and Microsoft is our most important partner."

**“Microsoft co-sell incentives for their field teams really help to drive the business. Microsoft has really invested in IP co-sell motions, and we see clear benefits from this.”**

—Ogi Stanovcic, General Manager Strategic Alliances, Open Systems, Switzerland



Danish partner Delegate emphasized that successful co-sell motions are mutually beneficial and symbiotic in nature. “[Microsoft] understand that their chances of winning a project and selling more business is better if they work together and co-sell with us,” said Peter Østergaard, Partner at Delegate.

Co-selling also provides partners with access to enterprise customers and boosts their credibility. Finland-based business transformation partner Meltlake has strengthened its customer reach through co-selling with Microsoft. “Co-marketing and co-selling works well with Microsoft because we are focused on enterprise customers and Microsoft is eager to support us and win,” said Jarkko Lainio, Business Director at Meltake.

## Scale Co-Sell with AppSource and Azure Marketplaces

Partners are given access to Microsoft Azure Marketplace and AppSource, both of which operate as online platforms that contain thousands of software applications and services built by Microsoft partners. AppSource contains business and industry solutions, including applications that integrate into Microsoft 365, Dynamics 365, and Power Platform, while the Azure Marketplace focuses on solutions built on the Azure platform. Partners that take advantage of these marketplaces get to market faster and reach a broader range of potential customers.

Partners like Italy-based Techedge leverage the Microsoft commercial marketplace to extend their reach. “We have commercialized our own IP in terms of an application that assesses ESG performance,” said Roberto Candido, Managing Director, Italy at Techedge. “This has been certified and is available on the Microsoft Marketplace.”

Cloud marketplaces are simplifying the sourcing and management of solutions, creating new benefits. “Using Marketplace lowers procurement costs for our customers, so there is real value for CoreView to leverage Azure Marketplace. It helps our customers,” said CoreView’s Alexandra Detweiler.

A further benefit of participation in Marketplace is to gain visibility with Microsoft sellers as well as increased credibility with customers. *"Presence on the Azure Marketplace can generate leads from Microsoft sellers who are looking for partners that can fulfil customer needs,"* said Sadie Peterson Hattan, VP Marketing at CoreView. *"There is also increased credibility in having a solution that can be purchased and transacted through Azure marketplace."*

Trueblue has also benefited from greater visibility within the Microsoft organization through Marketplace. *"The Microsoft Marketplace is a great opportunity for us,"* said Corrado Corsini, VP Corporate Development at Trueblue. *"It is also an important internal channel [within Microsoft] that Microsoft account executives have searched and found our solutions and come to us with questions."*

**"With more customers entering into Microsoft Azure Consumption Commitments (MACCs), these customers can spend part of it on CoreView. This is fantastic for ISVs because it means customers have an allocated budget that they can spend on CoreView."**

—Alexandra Detweiler, Director Microsoft Global Alliance, CoreView, Italy



# The Case for Partner IP

## IP Driving Growth

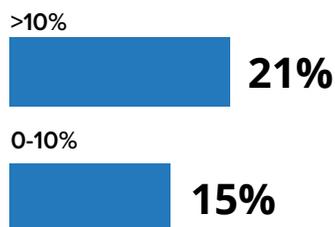
Microsoft partners are increasingly recognizing the value of developing their own IP and bringing it to market. There are two primary types of partner-developed IP: services, which could take the form of project-based services or managed services; and software, which could include industry-specific or horizontal applications — more often cloud-based than on-premises. (There is also hardware IP, but that's outside the scope of this study.) European partners that invest more than 10% of their revenue in developing IP had higher revenue growth in their Microsoft business last year, at 21%, and expect higher growth in that business this year, at 29%.

### FIGURE 8

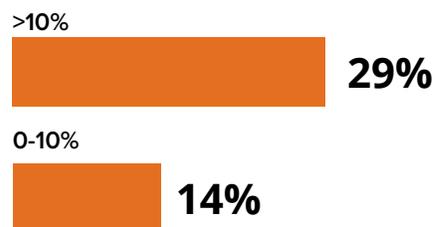
#### Partners That Invest More in Intellectual Property (IP) Do Better

(Ratio of revenue invested in IP [left axis], % revenue growth [right])

##### 2021 revenue growth by ratio investment in IP (Europe)



##### 2022 expected revenue growth by ratio investment in IP (Europe)



n = 288, Source: IDC's Microsoft Partner Economic Value Indicator Survey - European responses

In addition to growing faster, Microsoft partners in Europe that invest more in IP tend to generate higher margins. Services- and software-led partners are more profitable, operating at 26% and 32% gross margins, respectively, compared with 18% for resale-led partners.

European partners such as Fellowmind are actively evolving their business models to drive higher value-added services — and by extension, greater profitability. “From a profitability point-of-view, the Microsoft business apps space has the highest complexity for customers and therefore also has the highest value perception in terms of the services we offer,” said Ernst-Jan Stigter, Regional Director of Fellowmind in the Netherlands.

“We also have services capabilities in our organization, which account for 35% of revenues. The software side and SaaS subscriptions are more profitable than services.”

—Ewout Noordermeer, CMO, Ultimo, Netherlands



FIGURE 9

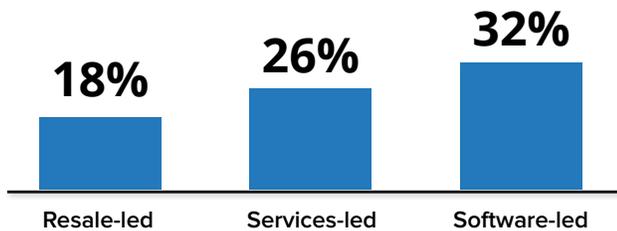
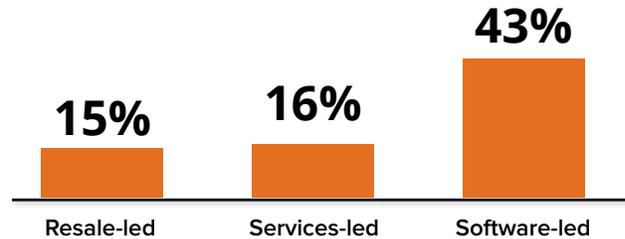
Microsoft Business **Gross Margin (Europe)**

FIGURE 10

Microsoft Business **Revenue Growth Expected in 2022 (Europe)**

n = 288, Source: IDC's *Microsoft Partner Economic Value Indicator Survey* - European responses

Partner-generated IP also serves as an important source of market differentiation while enabling partners to build more long-term engagement with customers. Equally important is the fact that IP-led partners generate more revenue for every \$1 of Microsoft-generated revenue. As well as achieving the highest profitability, software-led European partners expect to grow their business by 43% in 2022, compared with just 15% for resale-led partners.

## The Software and Services Connection

The core business model of Microsoft partners like Ultimo and CoreView is to develop and bring software to market. These companies are not always pure-play software providers — many will also offer professional services such as implementation and integration, as well as support. Many software-led partners have their roots in on-premises software, but most have large investments in cloud, with many European ISVs building on Azure.

Services-led partners include professional services firms and systems integrators. Being associated with Microsoft enables these companies to provide more strategic and transformational projects. Avanade is a prime example of this: *“The end-to-end capability on the Microsoft platform from infrastructure through to client-facing services offers real value for customers,”* said Runar Thorsrud, Sales Director, Avanade Norway. *“Coupled with our industry expertise and globally created IP, we deliver compelling advisory services and implementation work.”*

A distribution-focused partner like MicroWarehouse in Ireland, which concentrates on selling Microsoft products and solutions to other partners, has a dual role in providing value-added services for those same partners. Those services also provide a higher level of margin opportunity within the distributor business model, while simultaneously supporting the transition of the wider partner base to cloud-based solutions for customers.

*“Microsoft is the number one vendor in our portfolio and represents more than half of the overall revenues,”* said Rory Wilson, Managing Director at MicroWarehouse in Ireland. *“Parts of the Microsoft cloud business where we are adding pre-sales support, technical readiness assessments and post-sales support to the partners we sell through — to enable them to help their customers — offer significant margin potential.”*

SoftwareONE, which historically had significant revenue from resale, recognized the need to develop new capabilities and profit centers around the evolving and expanding Microsoft solution stack. *“We had the foresight to change and transform our business and become a services-led partner,”* said Una Keeshan, Transformation Leader for Western Europe at SoftwareONE Ireland. *“It’s important that we build our business in services, but particularly in recurring services. Alongside this we are heavily investing in our own proprietary platform, Pyracloud, that allows customers to manage their software estate and intelligently manage their cloud consumption.”*

**“Our strategy involves further development of managed services offerings and further investment in developing our own IP.”**

—Jarkko Lainio, Business Director, Meltlake, Finland



## Industry-Specific Solutions

Microsoft partners have fully embraced the cloud journey of their customers and are taking advantage of industry clouds to provide greater value through industry-specific solutions. Avanade has embraced Microsoft’s industry clouds to elevate customer transformation through the partner’s own IP.

*“We see an opportunity around Microsoft industry clouds,”* said Avanade Finland’s Kari Järnström. *“That is a chance to evolve from being seen as a technology provider to a strategic advisor with deep and specific industry expertise and solutions.”*

The Swiss operation of Microsoft partner ORBIS is also working to develop industry-specific solutions to further differentiate its services offerings. These include ORBIS’ own IP and pre-defined industry-specific processes designed to serve the needs of customers in specific industries. ORBIS’ industry-specific solutions work with Microsoft technology to provide more targeted solutions for clients.

*“We have built industry-focused solutions on top of the Microsoft Dynamics platform that we bring into projects. This is our IP, and it is related to enabling processes that are industry-specific,”* said Dominic Haas, Managing Director at ORBIS, Switzerland. *“Focusing on specific industries creates opportunities to sell our own IP, which helps to increase our profitability. Our IP also provides advantages in the sales cycle and helps us increase our win rate in the industries we focus on.”*

# Better Together: Partnership and Customer Value

Microsoft's strategy is built on the belief that when it works with partners, each brings something unique to the table: Microsoft brings its trusted technology platform and extensive go-to-market capabilities; partners bring their market-specific expertise, IP, and deep customer relationships. This "better together" approach can yield more differentiated outcomes for customers, partners, and Microsoft than could be realized individually.

Achieving joint success requires effective teamwork and close collaboration. Finland-headquartered services firm Tietoevry exemplifies the critical components for a successful partnership. *"We have the industry expertise and know the customer," said Ann-Louise Hallding, Microsoft Alliance Manager at Tietoevry. "Microsoft has the technical stack, the innovation, and the investment. By bringing those skill sets together we create so much value for the customers."*

Emmanuel Raymond, Director, Head of Strategic Data Engagements at Tietoevry Transform added: *"It is all about delivering value to customers together. That is possible when collaboration functions well within leadership, specialist teams, account teams, and research teams. Our governance model has matured and improved over several years."*

Close alignment is key to joint success based on a "better together" model, as Francisco Ceia, Director — Microsoft Enterprise & Cloud Solutions at NTT DATA Portugal explained: *"We have virtually aligned our structure with Microsoft's product groups. Having a mirrored organization makes the relationship easier and creates deeper peer-to-peer relationships between our teams and Microsoft in each solution area."*

The better together approach increasingly involves the collaboration of multiple companies within specific ecosystems. Spain-based Microsoft partner Plain Concepts provides services around innovative and advanced technologies like AI, blockchain, and augmented and virtual reality. In many cases, customer projects require a variety of capabilities that no single company can provide as Alex Hidalgo Fernández, Head of Global Strategy & Partnerships at Plain Concepts, explained. *"We collaborate closely with Microsoft's IoT leads in Europe. Microsoft plays an active role in working between multiple partners to create synergies and foster collaboration. This can introduce us into projects where there is a need for customized AI algorithms, for example."*

Collaboration across Microsoft partners is increasingly common. Ignasi Aranda at NTT DATA in Spain said: *"When we need specific expertise, we work with boutique Microsoft partners to bring in those specialized skills. That is quite normal within the Microsoft partner ecosystem."*

And the relevance of partnering will only increase given the evolution of the industry. “The IT landscape is becoming increasingly complex,” said Franz Nowotny of ACP. “It is less and less realistic for any single provider to maintain deep expertise in all technology and business areas. As a result, partner-to-partner collaboration across the ecosystem will become more important.”

“The biggest advantages of Microsoft for partners like us are the high level of **innovative power**, the **breadth of the portfolio**, and the **partner-centric business model**.”

—Werner Platzgummer, CTO, BE-terna, Austria



# Essential Guidance

Regardless of the current state of a partner's relationship with Microsoft, it is always important to continue investing for growth and profitability. There are many potential paths that partners can take to do this, and it is worthwhile understanding other partner methods used to achieve these business goals.

The economic value that partners realize in their Microsoft relationship is related to their level of engagement and investment, as well as their business focus.

## The following are guiding principles for partners related to their Microsoft relationship:

- **Invest in the Microsoft relationship.** The more profitable partners consider their Microsoft relationship to be a strategic asset and invest the time, resources, and energy to maximize its value. The deeper the relationship, the greater the opportunities to take advantage of Microsoft's technologies and go-to-market capabilities.
- **Expand Microsoft Cloud engagement.** Specialization and targeted investments within Microsoft solutions areas can drive increased relevance with customers, while solution expansion can lead to a greater share of customer wallet and potentially improved customer stickiness.
- **Develop IP.** Partners that develop their own software and services command a higher impact to their overall economic prosperity relative to Microsoft. These partners are also positioned for greater growth and profitability based on meeting unique customer requirements.
- **Engage Microsoft's go-to-market engine and co-selling opportunities.** Successful partners engage with the Microsoft go-to-market offerings, with a special emphasis on Microsoft field-sales engagement. This allows partners to develop differentiated, value-added approaches to customers in alignment with Microsoft's strategy.
- **Tap into the ecosystem.** Engage and benefit from Microsoft's "better together" approach. Actively collaborate with the Microsoft organization, co-innovate with customers, and leverage opportunities for partner-to-partner (P2P) collaboration across the strong and diverse Microsoft ecosystem.

# About the Analysts

**Stuart Wilson****Senior Research Director, EMEA Partnering Ecosystems, IDC**

Stuart Wilson is senior research director for IDC's EMEA Partnering Ecosystems program. Based in London, Stuart has covered global business-to-business and business-to-consumer channels for 20-plus years in a wide variety of research, editorial and event-based roles. Stuart focuses on the evolution of go-to-market models and the wider impact on channel ecosystems, exploring how current and future trends will impact the vendor, distributor, and channel partner landscape.

[More about Stuart Wilson](#)**Andreas Storz****Research Manager, EMEA Partnering Ecosystems, IDC**

Andreas Storz is a research manager in IDC's EMEA Partnering Ecosystems program. He joined IDC in 2018 and focuses on quantitative and qualitative research across the diverse EMEA partner landscape. Prior to joining IDC, he worked as a data analyst and a statistics instructor. He holds advanced degrees in both Political and Communication Science and is experienced in data analysis and visualization.

[More about Andreas Storz](#)

# Message from Microsoft

Successful implementation of long-range growth strategy requires the ability to translate technology expertise into solutions for customers. Microsoft offers a variety of resources to help partners develop expertise in Microsoft products and implement effective sales practices.

**Solution area-specific learnings guides** — a set of enablement guides that help find upcoming events, preparation for role-based exams, learning journeys, and other resources to support organizations and employees on skilling. These technical and sales guides cover Microsoft solution areas across Modern Work, Dynamics 365, Power Platform, Azure, and Security, Compliance and Identity.

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**Always-on, self-serve technical training on Microsoft Learn** — technical resources that include on-demand learning resources to explore a topic in-depth through guided paths or learn how to accomplish a specific task through individual modules, a series of exams to earn industry-recognized Microsoft certifications, Microsoft Learn TV for unlimited technical shows and live events that can be watched anytime, anywhere.

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## **Evolving the Microsoft Partner Network program**

Building on our 30-year relationship with partners, we're evolving to help grow your business and meet customers' changing needs. Learn more about the new Microsoft Cloud Partner Program aligned to our six Cloud Solution Areas: Digital & App Innovation, Data & AI, Infrastructure, Business Applications, Modern Work and Security.

[LEARN MORE](#)

## **Grow your cloud business with Azure Marketplace**

Azure Marketplace is a powerful channel to market and sell your cloud solutions certified to run on Azure. A great listing and a test experience will help you attract and engage customers. Learn how to maximize your listing's impact and your go to market benefits.

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