

A low-angle photograph of several modern skyscrapers reaching towards a blue sky with light clouds. The buildings are made of glass and steel, with varying architectural styles.

## Demystifying Microsoft's Cloud Service Provider Program for Dynamics Partners: Why, What, How, and Who of CSP

### Introduction: Staying Relevant in the One Commercial Partner Era

Microsoft has been committed to its cloud-first, mobile-first transformation for years and the recent rollout of the One Commercial Partner (OCP) Program enables the next phase of that transformation for Microsoft's business solutions channel. One Commercial Partner bridges the divide between Dynamics Partners and the rest of the channel by unifying Microsoft's partner teams under a single program. OCP is solely dedicated to helping Partners sell Microsoft Azure, Office and Dynamics 365.

The Microsoft Cloud Service Provider (CSP) program was launched to help partners go to market in the cloud quickly with less risk and upfront investment. This ebook will examine what recent changes in the partner channel mean for resellers whose businesses rely on Dynamics ERP and CRM based revenue. We will also shed light on what choices to make, who partners can turn to for advice & enablement, and how the Cloud

Service Provider program helps partners stay relevant through digital transformation.

CSP lets partners become Microsoft cloud providers from anywhere in the world, whether they are newcomers to selling cloud products or already cloud experts. With CSP, partners set their own prices and profit margins for reselling Microsoft's most popular cloud products with no restrictions regarding company size, location or competency levels.

The conclusions reached within this ebook culminated from 30+ years of experience from the experts at Stratos Cloud Alliance. To help demystify the Microsoft CSP program we will examine the following:

- Why Microsoft is Driving Partners to CSP
- Fundamental Changes Resellers Need to Make to Adapt to the Model
- Programs to Help Resellers
- Introduction to the Stratos Cloud Alliance

## Why Microsoft is Driving Partners to CSP

### Changing Market

The business software market continues to shift toward the digital model with new demands on resellers and solution providers, from their marketing and sales efforts to service and solution offerings. A characteristic trait of this new landscape is buyers who are already most of the way through the buying process before they ever reach out to a vendor. More than ever, these buyers want the same kind of customer experience they have as consumers. They want online, on-demand access to informational resources and services with the option to reach out to a real person when - and only when - they want that level of contact. Many want to be able to transact online, as well.

This new generation of buyers wants services and solutions that fit their business, but they don't want the old model of custom solution sales and implementation. They are looking for modern, cloud-based business solutions and benefits such as:

- Lower their risk
- Less upfront capital outlay
- Faster time to value
- Tailored service options
- Prepackaged, simple, transparent pricing models
- Quick access
- Easy-to buy solutions

As the business software channel "Moves to Modern", customers expect user-friendly ERP and CRM functionality with simple access to a robust marketplace of applications to enhance the performance of their core ERP and CRM systems.

Responding to new demands in the marketplace, Microsoft continues to rely on its network of partners to sell its products and add-on solutions. With the creation of AppSource and the CSP program, Microsoft hopes to enable partners to adopt the digital model and continue to grow their revenue for years to come.

Solution providers and managed service providers (MSPs) who can differentiate themselves to Microsoft and the Market by delivering business value through vertical Intellectual Property (IP) and functional expertise in the Dynamics 365 space will stay relevant and be able to capitalize on the Microsoft cloud opportunity. As an Indirect Cloud Service Provider, Stratos Cloud Alliance provides online marketplaces and sales enablement resources to help its partners grow their cloud portfolio and accelerate their go to market strategy.

### Changing Microsoft

Until recently, Microsoft's channel-facing organization had been relatively stable for years. Lately, the channel has seen major changes to Microsoft's partnering model, creating hurdles for some partners, but these changes have been necessary for Microsoft to keep pace with competitors and meet new market demands.

Just as the development teams and product groups out of Redmond were consolidated under

the leadership of people grounded in cloud, the partner teams have been similarly reorganized. Since the launch of the One Commercial Partner program last year, the channel has experienced:

- The elimination of a separate Dynamics field organization
- The early retirement of many long-time Dynamics leaders
- And the former Cloud/Platform leadership put in charge of the entire SMB space

Microsoft has been reorganized around supporting the One Commercial Partner model and partners who want to continue working with Microsoft and capture new revenue in this time of booming opportunity will need to be able to sell and support Microsoft cloud infrastructure as well as productivity and business solutions. The CSP program helps cloud and traditional vendors do that with minimal shock to their businesses.

## **Making Margins Work in the Cloud**

With shrinking margins and service revenue opportunities, cloud economics requires providers to deliver a greater share of customer IT portfolio, selling more subscriptions across their client base in order to stay profitable. To drive reasonable margins and deliver a better customer experience, partners can bundle solutions to create customer value, simplify pricing models and drive down internal costs.

## **New Challenges**

Microsoft is significantly upping the requirements for the competencies associated with Dynamics 365 with the introduction the **Cloud Business Applications competency** for partners that

specialize in deploying and managing Dynamics 365 solutions. This new competency combines the traditional Dynamics CRM and ERP apps into one competency and significantly increases the number of technicians that need to pass the certifications.

## **Fundamental Changes for Adapting to the New Model**

### **Adapting to the Recurring Revenue Model**

The recurring revenue model of the cloud market enables solution and service providers to grow their revenue streams year after year, but there are challenges to this change. Vendors who are used to getting paid up front for software, services, sometimes hardware and some ongoing maintenance revenue need to start thinking about how they will migrate their business to a recurring revenue model. This includes creating ongoing customer engagement and an online marketplace for transacting, billing & collection and order provisioning.

### **Expand Solutions Portfolio**

To compete effectively partners need to be conversant not only in regard to ERP, but in CRM, Office 365, PowerBI and Azure as well. Depending on the verticals in which you specialize you may need to add capabilities around the rest of the Dynamics 365 applications, so you'll want to learn the new elements like PowerApps and Flow. With new versions of D365 and new features being developed at an increasing pace, partners will need to continue

learning to stay up to speed product knowledge including extensions.

## Differentiate

As with traditional business software implementations, cloud ERP vendors will need to offer vertical or functional domain expertise with custom IP to create customer value and differentiate from the much larger pool of competitors. With the proliferation of CSP Online Marketplaces, the ability to bundle solutions and the very transparent pricing model on the Microsoft's website, vendors who cannot offer any value-add or can't effectively communicate their value will be forced to compete purely on price. It will be very difficult for independent resellers to compete on price with large online resellers. The good news is business customers will pay a premium for the added value that a true software partner offers, so Dynamics partners need to leverage their industry specific knowledge, experience and vertical expertise to maintain reasonable revenue streams.

## Market, Sell and Deliver Digitally

Because commercial software customers increasingly want to shop, compare pricing and transact online at a lower cost, service and solution providers must undergo some form of digital transformation. Digital transformation will help reduce cost of delivery, reduce cost of sales, reduce the sales cycle length and drive more velocity in the pipeline so partners can close more business to maintain revenue. A professionally built website and social media properties are now critical strategic assets to reach prospects and communicate with customers way beyond your geography.

## Programs to Help Resellers

Microsoft remains committed to its tradition of relying on its network of partners who provide on-the-ground expertise to tailor and deliver solutions to the end-user. In order to enable partners to move to modern and drive revenue based on Microsoft cloud, Microsoft offers the following partner programs:

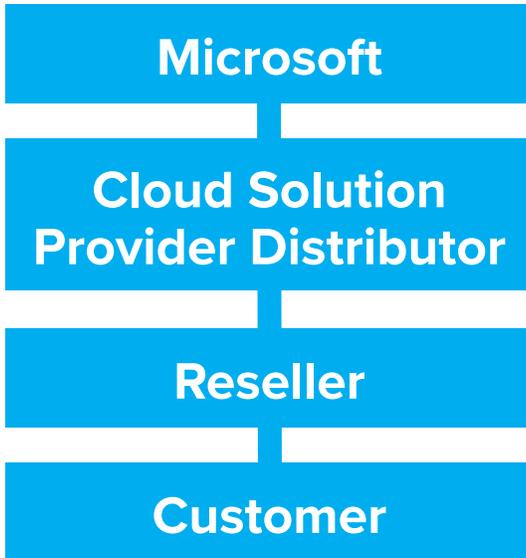
- 1-Tier Direct CSP
- 2-Tier Indirect CSP
- Master VAR (for ERP partners)

### 1-Tier Direct CSP

Resellers who opt for the Direct CSP program will purchase all their SKUs directly from Microsoft and sell them to their customers at a profit margin of about 20 percent.

#### Requirements:

- Purchase direct from Microsoft
- 24/7 technical support
- Customer billing structure
- 5,000 Office seats annually
- One Gold competency



1-Tier Direct Partners generally have the resources required to support their customers' ongoing needs since Microsoft offers very little in terms of technical support. Going solo as a Direct CSP Partner is a complicated process that could take about four months to complete.

## 2-Tier Indirect CSP

The 2-Tier Indirect model allows partners to cut through the red tape and be ready to go to market a lot faster. 2-Tier providers buy all SKUs from the CSP distributor and sell them to your clients at a margin you set.

Details:

- Distributor is point of contact
- Distributor or partner support
- Distributor value-added services
- No quotas
- No competency requirements

Under the 2-Tier indirect model, partners do not have to be migration or support experts. Some

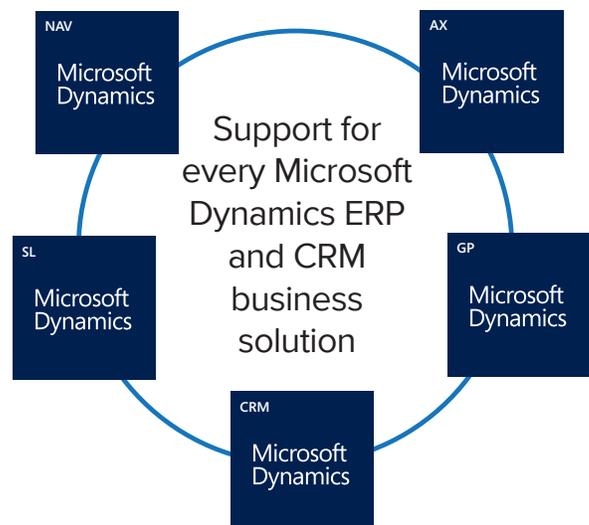
CSP distributors like Stratos Cloud Alliance offer professional partner support and white-label services that you can use to grow your business. Microsoft expects 80% – 90% of CSP subscribers to become indirect partners. Why? Distributors give partners access to a business portal, plus business guidance and flexible rates and terms. Relying on the CSP distributors experience and infrastructure to do most of the heavy lifting, indirect CSP partners receive the following benefits:

- Ramp up quickly
- Focus on your investment
- Evolve at a slower, more controlled pace
- Take advantage of your partner's services

## Master VAR Program

The Master VAR program is a unique partnership model designed to strategically drive growth for resellers and Microsoft through effective intra-channel partnering.

Master VARs like Velosio partner with other resellers to help them transition to a recurring



revenue model, sell cloud and expand service offerings, including solutions like Dynamics NAV, GP, SL, D365, Power BI, Azure and a host of strategic ISV solutions. Additionally, the Master VAR program may provide vertical solutions and expertise, along with national digital marketing and local marketing support to help their partners grow.

## Introduction to the Stratos Cloud Alliance

As one of the pioneers of the Master VAR program, Velosio (formerly SBS Group and Socius) has a rich history of helping Dynamics Partners grow their

businesses. Stratos Cloud Alliance is managed by Velosio and is a CSP Distributor specializing in Dynamics 365, Azure and companion apps. SCA Partners will benefit from:

- SCA's simplified process for doing business
- Best-in-class eCommerce solution Partner-friendly billing
- Stratos success—partner enablement resources

And customers will benefit from:

- Comprehensive Microsoft cloud solution offerings including Dynamics 365, Office 365, Power BI, and Azure

	Volume Partner	Growth Partner	Emerging Partner	Referral Partner
Margins	Up to <b>28%</b>	Up to <b>22%</b>	Up to <b>15%</b>	<b>8%</b>
Partner Portal	Co-branded with partner logo			Stratos branded
Customer Ownership	Partner owns, bills and supports customer			Stratos owns and bills customer
E-commerce Site	Co-brand with partner logo* <i>*Must meet a minimum monthly sales requirement</i>			Stratos branded
Profits	Retail price with volume discounts & Microsoft Incentives** <i>**You must qualify for Microsoft Incentives</i>			One-time and recurring commission
Customer Pricing	Retail pricing - partner can discount			Stratos sets pricing
Customer Support	Partner provides Tier-One Support (optional Stratos support available)			Stratos provides all support
Partner Support	Dedicated Senior Strategic Account Manager	Account Manager: On-Demand access to our Stratos Success Knowledge Base, plus marketing, sales, and technical support teams		

- Dynamics 365 implementation, training and support services for all Business and Enterprise Edition Applications
- Power BI implementation, training and support services
- Managed IT and Infrastructure services
- A wide array of ISV products and services including the largest selection of Dynamics 365 solutions
- Access to the Stratos Success knowledge base

With multiple tiers of entry, SCA lets you seize the Dynamics 365 opportunity at a pace that suits your business needs. [LEARN MORE »](#)

## Meeting Market Demands Means Moving to Modern

For more than a decade cloud computing technology has been disrupting the information technology market and Microsoft has repositioned itself to stay at the leading edge of disruption and remain a trailblazer in the cloud technology space. As the mobile-first, cloud-first landscape matures, vendors in the Microsoft Dynamics channel face an increasing need for digital transformation to stay relevant. Over the past few years the channel has seen Microsoft make significant changes to its business software platforms along with significant changes to its partner programs in an effort to stay competitive and support their partners as they move to modern.

The Cloud Service Provider program is designed to give Microsoft partners the support they need to move to modern at their own pace, as a direct or indirect provider. Microsoft has partnered with Stratos Cloud Alliance, a CSP Distributor dedicated to helping its members drive profit and growth from the Dynamics 365 opportunity.

The experts at SCA are poised to help service and solution providers start driving revenue based on Microsoft Cloud. SCA facilitates a seamless transition for partners with little upfront cost, offering infrastructure, training, sales enablement and e-commerce resources to Dynamics software and services providers. With more than 30 years of Dynamics experience, SCA is equipped to address the main challenges to driving revenue with Dynamics 365, and enables traditional providers to easily move to modern and adapt to a transforming market. Differentiation through vertical and functional expertise will help partners stay competitive and capitalize on the Dynamics Microsoft Cloud opportunity.

 [For more information about Stratos Cloud Alliance, visit dynamics365partner.com](https://dynamics365partner.com)