

Create stickiness with IP

by Jen Sieger on 9 September 2015

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Hello partners,

You've done the hard work to transition to the cloud – now how do you build a sustainably profitable business once you're there? I believe there are four key pillars of building an optimized cloud strategy: Creating Scale, Developing Focus, Increasing Value, and Creating Stickiness. "What," I hear you ask, "is 'creating stickiness' and why would I want to do that?"

Creating stickiness is all about looking for opportunities to entrench your solutions and increase switching costs.

Developing and deploying intellectual property (IP) that becomes a part of the daily life of a customer is one of the best ways to increase stickiness. It is important to remember that once your solution is sold, you should take steps to drive adoption. For tips, see my last blog post.

First, I want to clarify what I mean by packaged IP. Packaged IP can be anything from a workflow app that runs on SharePoint Online to a fully packaged, standalone software solution. For the purposes of this blog, I am excluding IP such as methodologies or processes partners take customers through, for example to deploy Office 365.

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Often partners struggle with the notion of developing packaged IP and what this will mean for their business model and how they go to market. They also struggle to identify what projects to productize. I'd like to cover the basics and suggest a few follow-up resources to help you in the process. Why productize and develop IP?

- **Cost reduction:** Deploying custom solutions for customers carries a high cost and often results in lower margins due to lack of definition of a solution for a customer and/or changes while the solution is in development.
- **Recurring revenue & increased gross margins:** On average, IP generates recurring revenue which will increase the valuation of your business and will yield gross profit margins upwards of 65% on average as compared to 35% on average for project services.



Tips to get you started with productizing your IP and going to market:

1. **Define your solution.** When I ask partners how they determined what IP they were going to build, I often get the same answer, which is that they realized most of their customers were asking for the same thing or something very similar, and rather than continuing to do high-cost custom work for every customer, they decided to productize what their customers were asking for. Bring your sales, marketing, technical and delivery teams together to brainstorm and define what your solution will look like.
2. **Determine what will differentiate your solution from others in the market.** It is really important that you think about your differentiation strategy. What is going to make your solution better than other solutions like it in the industry?

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3. **Maintain rights to the IP.** As partners make the transition from project or custom services to packaged IP, it is critical they revise the agreements they sign with their customers to enable the partner to maintain the IP rights to the solutions.

4. **Establish a recurring revenue model.** The beauty of deploying IP in the cloud space is that you can light up the recurring revenue model which will have a positive impact on the valuation of your business and will help even out your cash flows in the future.

5. **Consider your channel strategy.** One of the advantages of productizing your IP is that it opens up a lot of doors to sell your solution through channel partners.

As promised, here are a few resources for an even deeper dive into cloud profitability:

Check out Blue Rooster's story on how they transitioned from a project services to an IP focused partner in just nine months!

To learn more about building an effective go-to-market strategy for your IP, visit the Driving Profitability with Packaged IP modules in the Profitability Challenge.

At WPC 2015, I spoke about the four pillars with a panel of experts; you can watch our session on YouTube. You can also check out my previous blogs on the four pillars on MPN.

Finally, visit the profitability scenario content to learn more about the opportunities to build IP on top of the 20 most common Microsoft cloud services/scenarios.

If you have feedback, questions, or if you have a compelling story to tell about your business, I would love to hear from you! Please reach out via email, Twitter, or LinkedIn.

Until next time,

Jen


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Have you taken the challenge?

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Learn about IP opportunities

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