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Microsoft's Co-Sell Model – From Competitive to Collaborative

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Before Satya Nadella stepped up as CEO of Microsoft in 2014, Windows and Office were the center of the technology giant's universe: Nearly every aspect of its business and go-to-market strategy hinged on these flagship products. The concentration, however, cost Microsoft dearly as it began falling behind more aggressive cloud-oriented companies. Nadella moved swiftly to change that.

The cultural shift under Nadella framed Microsoft less as a provider of a specific operating system and business productivity suite and more as a provider of general business solutions, be they on-premises or cloud-based.

Nadella laid out a fresh philosophy for the company: Rather than attempt to be the center of the universe, Microsoft's new aim was to be everywhere *in* the universe, ready to collaborate and build solutions with other companies if necessary. In practical terms, this shift resulted in a number of changes within the company and a number of new initiatives. One of those was a venture into "co-selling" that began in 2017.

While practiced elsewhere, co-selling is defined by Microsoft as "any type of collaboration with Microsoft sales teams, Microsoft partners, or both."

Background

When Nadella took over as Microsoft CEO, he launched a deliberate effort to change the aggressive corporate culture of the company. By that time, the thunderous optimism of Bill Gates' tenure — a cry for "a computer on every desk, in every home, running Microsoft software" — had lost its punch. What's more, the rise of mobile devices, Apple's iPhone especially, had caught the eyes of consumers. Instead of aiming for a monopoly, Nadella aimed for what he called "customer obsession."

In his 2017 book, "Hit Refresh: The Quest to Rediscover Microsoft's Soul and Imagine a Better Future for Everyone," Nadella identified what the company needed to thrive in the new era of digital services and cloud computing: "the curiosity and desire to meet a customer's unarticulated and unmet needs."

Microsoft

- **Website:** microsoft.com
- **Year founded:** 1975
- **Headquarters:** Redmond, Wash.
- **President & CEO:** Satya Nadella
- **Revenue:** $168 billion

He also said that Microsoft needed "to be insatiable in [its] desire to learn from the outside and bring that learning" in. The shift — from a competitive mindset to a collaborative one — opened the door for a route to market Microsoft had never taken before: co-selling.

Co-selling — the strategy of going to market in conjunction with a partner company — benefits the companies involved by providing access to shared leads discovered through account mapping and an expanded set of resources to draw on. It also enables companies to create cohesive solution stacks, which contain items from their respective catalogs that complement one another in ways that render them more salable. These advantages make co-selling immediately attractive from a customer-first perspective: It allows companies to create greater value from the services they provide, and it offers customers a wider range of solutions, raising the likelihood of successfully meeting the diverse needs of a large customer base.

Co-selling is suitable to a wide range of company types. For example, it's often used by start-ups because it's an efficient way to gain momentum. In recent years, several large tech companies — Dell among them — have embraced a co-selling approach as well.

Change Imperative

Over the second half of the 2010s, e-commerce sales increasingly shifted from a transactional model to a consumption, or subscription, model. Rather than purchasing long-term licenses for products they wanted to use, customers were now subscribing to "as-a-service" iterations of their favorite software applications. This included many business professionals who worked outside of IT but oversaw the selection, purchase, and implementation of software applications.

Microsoft recognized that a co-selling model that leveraged shared leads could help address the needs of these buyers. But it didn't stop there.

While subscription sales come with certain advantages for sellers — think more predictable revenue over time in the form of ongoing payments, plus improved opportunity to continuously engage customers — those new to the model aren't necessarily prepared to reckon with its attendant challenges. Since customers can turn off their subscriptions at any time, businesses anchored by subscription sales constantly have to deal with the problem of customer retention. (If you've ever paid for two months of a streaming service only to cancel after watching the handful of TV shows you were paying for, this won't be hard to imagine.)

When effectively implemented, a co-selling strategy can help companies to meet this challenge by widening the potential to drag along attached sales of innovative solutions.

Solution

Microsoft views co-selling as when "one or more Microsoft sales representatives are actively engaged in the deal to help solve a customer problem." Co-selling opportunities range from partner-to-partner (P2P) sales, in which a partner invites another partner in Microsoft's co-sell ecosystem to collaborate, to partner-led deals, in which a partner works independently on a deal but gives visibility to Microsoft team members. In other words, varying levels of collaboration fall under the co-selling umbrella, allowing partners of all types to choose a level of engagement suitable to their business, their strategy, and their goals. The idea is to offer greater value to the customer by expanding the capabilities of partners and their solutions.

An emphasis on P2P sales, which Microsoft defines as "building demand, [planning] sales, sharing sales leads, accelerating partner-to-partner empowered selling, and delivering marketplace-led commerce," encourages partners to take a wide view when it comes to meeting customer needs. This could include, but isn't limited to, looking for effective solutions in their own portfolios and in the line cards of Microsoft-partnered companies with which they might otherwise be competing.

Because account mapping, data analysis, deal registration, and relationship management are necessary to effectively co-sell, an online portal that's accessible to all partners involved is indispensable. Microsoft's Partner Center fills that bill, allowing partners to manage their relationships with their customers and with Microsoft, while giving them access to benefits such as licensed-software allocations, go-to-market resources, and technical support.

Results

In February 2021, Microsoft announced that, with its partners, it had sold more than $18 billion in partner services since instituting the co-selling program. Its fiscal-year 2021 co-sell playbook offered additional statistics: $15.6 billion in partner annual contract value, a compound annual growth rate of 51% in IP co-selling, and over 4 million monthly active users of Microsoft's direct web store. Put another way, that's an ecosystem of over 4 million potential customers for co-sell partners to reach. The playbook also reported 3.5 times faster velocity with deals conducted through the Partner Center as compared to more traditional sales efforts.

CHANNELNOMICS PERSPECTIVE

Historically, vendors and partners have struggled to effectively coordinate sales efforts. This is especially true when two conditions are present: 1) partners have more than one vendor option and 2) vendors can't effectively differentiate their innovations. Depending on policy and program demands, some vendors unwittingly create mistrust between their organizations and their partners.

When vendors and partners effectively share information, align objectives, and coordinate sales efforts, co-selling works. Among other things, it helps organizations win new logos, expand within existing accounts, and increase market share.

Microsoft's latest co-sell program is delivering results and provides a model for others. It's true that few companies have the systems, people, and resources that Microsoft has at its disposal. But the basics of its program, which include lead sharing and account mapping, can be embraced by any company that wins the trust of its partners.

About Channelnomics

We believe exceptional insights enable channel professionals to turn vision into reality. Channelnomics is a business strategy and research firm focused on connecting channel professionals with the people and insights that enable them to continually evolve and operationalize their strategy.

Our industry experts work with clients to provide the economic evidence they need to validate and structure their strategy. Our clients, in turn, benefit from improved GTM performance, faster time to market, and better return on partner relationships.

By looking at the technology market from the viewpoint of vendors, partners, and end users, Channelnomics is uniquely positioned to develop route-to-market strategies with an innovative, insightful, and inspired flair.

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