

The Partner Opportunity For Microsoft 365 Teamwork Solutions For Small-And-Medium-Sized Businesses

Introduction

Technologies for collaboration garnered an estimated \$28 billion in investment from businesses in 2017 in the United States alone and are increasingly being viewed as mission critical by business decision makers who are digitally transforming their businesses. In fact, 82% of global business decision makers have implemented or plan to implement modern collaboration technologies to increase employee productivity and transparency, to simplify business processes, to improve their customer's experiences¹, and to streamline ROI on existing technology investments.

Microsoft commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) analysis to examine and demonstrate the partner opportunity for Microsoft Teams and other teamwork workloads including SharePoint, Exchange, OneDrive, Microsoft Steam, and Yammer, focused on partners serving small-and-medium-sized businesses (SMBs). This study is meant to provide Microsoft partners with a framework to evaluate the potential revenue and margin growth opportunities associated with offering a comprehensive portfolio of products, business and technology consulting services, managed services, and value-added intellectual property (IP) — all geared at helping SMBs improve teamwork capabilities within their companies leveraging Microsoft 365.

To better understand potential revenues associated with building and selling Microsoft 365 teamwork solutions for SMBs, Forrester interviewed five partners across North America and EMEA as part of a broader study of approximately 80 Microsoft partners with experience delivering Microsoft 365 Business services and solutions for SMB customers. The interviewed partners had varying client usage rates for Microsoft 365 teamwork workloads, for instance, customer adoption of Microsoft Teams averaged 30% while adoption of SharePoint typically ranged between 20% to 30%. Microsoft Exchange usage saw adoption north of 80% across partners' customer bases and is seen as a key accelerator for partners to help customers adopt new services in Microsoft 365. As one partner put it, "With 80% to 90% of our [SMB] customers, the first step on their journey to Microsoft 365 is migrating email, enabling Teams, and transferring their documents on SharePoint and OneDrive."

"It's very easy to set up Teams. However, without proper governance and management, this will have a negative impact on productivity in the long run. That's a good thing for us because customers are coming to us to learn how to manage Teams and how they can use it to improve productivity and sales."

Managing director, EMEA partner



"Clients struggle with chat, sharing files, and collaborating — it's hard to find data in SharePoint. With [Microsoft] Teams, SharePoint is easier to use. Teams helps us capture the value of Microsoft 365."

CEO, NA partner



\$502

Anticipated increase in revenue from enabling and supporting Microsoft 365 teamwork services, per SMB user.

\$192

Anticipated increase in gross profit from enabling and supporting Microsoft 365 teamwork services, per SMB user.

38%

Average gross margin on end-to-end Microsoft 365 teamwork services in SMB.

5x+

Pull-through project service revenues relative to direct project services.

Microsoft Teams, Exchange, SharePoint, And OneDrive: The Foundation For Cloud Transformation In SMB

Partners interviewed by Forrester benefit in the following ways from creating practices focused on enabling and supporting Microsoft 365 teamwork services for SMB customers:

- › **Capitalizing on white space in the market with robust capabilities around teamwork.** Today, partners are leaving a lot of opportunities on the table in the historically underserved SMB market segment. Our findings reveal that partners are anchoring their teamwork offerings for SMB customers on Exchange enablement and migration services but are not following through with other opportunities to make seamless collaboration a strategic advantage for their customers. By focusing on the value of building a hub for teamwork with Microsoft Teams and creating collaborative experiences that light up the full value of SharePoint and OneDrive, partners can capitalize on rich new opportunities while supporting the needs of SMBs moving to the cloud for the first time. Partners with the right teamwork offers, skills, and capabilities have a great opportunity to drive growth and capitalize on this opportunity in the marketplace. For example, several partners are receiving SMB leads, which are characterized as “relatively easy to convert,” helping to contain and reduce customer acquisition costs.
- › **Teamwork service delivery is a conduit for growing SMB customer lifetime value.** While SMB customers often start with the basics, namely Exchange and Teams deployments, subsequent consulting engagements and managed services for supporting and maximizing the impact of the broader Microsoft 365 teamwork capabilities are becoming more sophisticated, commanding larger deal sizes and higher gross margins. Our interviews revealed that next phase project consulting services, or pull-through services, around Microsoft Teams and SharePoint often bring five times or more the revenue of the initial deployment and migration project over a period of 18 to 36 months as partners replace legacy Excel-based business processes with the features and services in Microsoft 365. As one partner put it: “SharePoint is a never-ending project and the investment grows over time. \$10,000 migration and deployment projects grow to \$50,000 over 18 months, as we start to build custom solutions for vacation reporting and project management tracking for our customers.”
- › **Create recurring revenue streams through pull-through projects, managed services, and resalable IP.** Converging customer and business trends are enabling Microsoft SMB partners to build and sell subscription-based managed services as part of their practice and strategic shift from project-based revenue towards recurring revenue streams. SMB customers, particularly those with less than 20 employees, are more likely to outsource their IT activities to a third party than their enterprise counterparts. Furthermore, when it comes to teamwork services, SMBs are very resistant to large upfront investment costs, requiring partners to start small and offer a variety of pull-through consulting projects, managed services, and packaged solutions but with little sticker shock. For partners, this is an opportunity — one partner revealed achieving a 117% annual revenue renewal rate with their SMB teamwork customers, meaning that customers, on average, increase their annual spend by 17%.

“Another focus we have is keeping life simple from an IT perspective for our customers. We provide our [SMB] clients a comprehensive solution for a single price per user that includes support, training, and licenses.”

Founder, EMEA partner



The [Microsoft 365] teamwork solution value proposition resonates with SMBs, but we need to show what it means for them. For instance, what type of efficiency they might get from deploying Team or OneDrive.”

CEO, NA partner



› **Faster sales cycles and easier renewals.** The ease of setting Teams up gives SMBs a tool that extends the business value of SharePoint and OneDrive with relatively low barriers to entry. For partners, this is a great opportunity to pilot Teams within specific business units, helping customers realize quick, tangible wins with Microsoft 365. Price-sensitive SMBs are more focused on improving business outcomes than making strategic investments in IT that reduce their total cost of ownership (TCO). Teamwork capabilities in Microsoft 365 enable SMBs to collaborate better, work from almost anywhere, and more easily work with suppliers. Partners who can deliver and communicate the Microsoft 365 teamwork value proposition for SMBs are poised to reduce customer churn, close renewals, and accelerate their sales cycles. One partner example showed that typical sales cycles around Microsoft 365 teamwork services only took a couple of weeks or less.

Forrester interviewed five Microsoft partners with well-established Microsoft 365 teamwork practices serving SMBs across North America and EMEA. Partners interviewed for the study had the following characteristics:

PARTNER	REGION	TEAMWORK BACKGROUND
Partner 1	North America	<ul style="list-style-type: none"> Managed hundreds of Office 365 SMB projects Worked on six current Microsoft Teams pilots Client sizes fall between 20 and 250 users
Partner 2	EMEA	<ul style="list-style-type: none"> Manages over 6,000 customers globally, including 1,000 customers using Office 365 and/or Microsoft 365 10% to 20% of total Microsoft seats are using Microsoft Teams Average customer size in the SMB segment is 29 users
Partner 3	Global	<ul style="list-style-type: none"> Has 6,000 employees Serving SMB customers as small as 30 users Typical customer size ranges between 200 and 500 users
Partner 4	EMEA	<ul style="list-style-type: none"> Ten employee outfit focused on SMBs with between 10 and 50 users The partner has brought on 500 new Microsoft users over the past year and a half
Partner 5	North America	<ul style="list-style-type: none"> Focused over 600 employees serving 40,000 customers across 100 countries Average customer size is between 16 and 18 users

Teamwork In Microsoft 365 Is A Catalyst For New Customer Acquisition And Customer Lifetime Value Growth

Microsoft partners interviewed for this study are using teamwork capabilities within Microsoft 365 as an entry point in demonstrating the business value of Microsoft 365 for SMBs. In addition, partners are building comprehensive catalogs of follow-on consulting offerings (pull-through services), managed services, and resalable IP aimed at bolstering SMB teamwork sales opportunities. In addition, Microsoft 365 SMB teamwork partners often leverage unique and transparent pricing and packaging models, including fixed fee per-user and subscription pricing models, to gain customer attention. For the solution areas and revenue and profit streams below, Forrester has included data points from the interviewed partners. In building a business case for expanding into this new practice area, partners should apply the solution areas and revenue streams below that are most relevant to their organizations.

Forrester interviewed partners with varying maturity levels around their Microsoft 365 SMB teamwork practices to better understand the partner business opportunity. The table below shows the gross profit for a 100-user deal, including a breakdown of the types of products, services, and solutions offered by partners, from “good” practice offerings to “best-in-class” offerings provided by Microsoft’s most mature partners.

Three-Year Per-User Gross Profit Opportunity Based On Composite 100-User Deal By Partner Maturity



Microsoft 365 Teamwork SMB Partners: Supporting The Customer Journey

Forrester interviewed Microsoft partners about the typical customer journey in SMB for organizations adopting Microsoft 365 teamwork solutions. Forrester found several nuances on the business, technical, and change management prerequisites required for partners to successfully deliver teamwork solutions in the SMB space. Key findings are as follows:

- › **Partners must gain an understanding of a customer’s business requirements prior to discussing technology.** Prior to helping SMBs implement and adopt the Microsoft 365 teamwork capabilities, partners would spend anywhere from a day up to a week working with business decision makers to gain an understanding of their business requirements and current collaboration technologies and network infrastructure. Typically, this was done as a billable workshop or consulting engagement, although several partners did this work as part of a presales engagement. This early phase of the customer journey is quick and focused on transforming business workflows and cross-functional communications. As one partner put it, “We need to show what [the Microsoft 365 teamwork solutions] mean for them . . . what types of efficiency they might get from deploying Teams or OneDrive.” Notably, the C-suite, and often the CEO, is directly involved in decision making around strategic technology investments, particularly in organizations with under 10 employees.
- › **Start simple, then layer up.** Phase I projects cover configuration, deployment, and migration activities around Exchange, Teams, SharePoint, and OneDrive. These projects are often broken down into smaller, more manageable pieces — which is critical given how disruptive these projects can be for SMBs. One partner said, “You have to make it cost effective — they won’t tolerate \$10,000 set up fees.” While this may be alarming at first glance for Microsoft partners who have traditionally built their businesses on deployment revenues, early project successes demonstrably lead to sizable and lucrative follow-on consulting work and managed services. One partner noted that, “SharePoint is a never-ending project and the investment grows over time.” For partners, this means to start simple, prove the value, and then layer up with data migration and customization services, particularly around Teams and SharePoint.

“[Before deploying Microsoft 365 Business] you need to understand how these organizations and their end users will use these products day-to-day. This is a barrier . . . we need to move from a pure IT discussion to a business process discussion.”

VP of marketing, NA partner



“With 80% to 90% of our [SMB] customers, the first step on their journey to Microsoft 365 [Business] is migrating email, standing up Teams, and putting their documents on SharePoint and OneDrive.”

Founder, EMEA partner



› **Deliver value-added offerings “out-of-the-box” using consumption pricing.**

Partners add value by delivering custom Microsoft Teams and SharePoint solutions to automate and streamline common horizontal business processes and workflows for SMBs. Cross-industry examples of packaged, resalable custom solutions commonly sold to SMBs include paid time off (PTO) management, project management, customer relationship management, and travel and expense management, to name a few. According to one partner, “When good ideas come up for custom SharePoint solutions, we build it, package it, and sell it to other companies.” Often these custom solutions are discovered during Teams and SharePoint projects over the course of SMB engagements. While some partners charged a fixed fee for these solutions, many provide these under a pay-per-use pricing model. Typical per use, or per request, fees range from \$1.00 to \$4.00, varying by use case. By layering these solutions on top of their consulting and managed service offerings, partners can generate high-margin recurring revenue streams while concurrently building a highly valuable automated business workflow for their SMB customers.

Microsoft 365 Partner Best Practices And Success Factors: Driving Teamwork In SMB

Partners frequently make strategic investments to grow and expand their presence and influence with SMB customers by delivering best-of-breed services leveraging Microsoft 365. During the Forrester partner interviews, we explored the best practices, strategies, and tactics partners employ to successfully build and scale their Microsoft 365 teamwork practices. Forrester identified the following key best practices:

- › **Focus on business decision maker goals and objectives first and foremost, not IT.** As one partner put it, “[Customers] are paying you to drive value and you need to communicate this to them quarter-over-quarter!” As such, several partners wrapped key performance indicator (KPI) dashboards into their user adoption managed service offerings (described in greater detail below), to ensure they communicated the productivity and employee engagement benefits of their services to business decision makers on a quarterly basis.
- › **Configuring guest access in Teams to create customer stickiness.** Partners can greatly expand the value proposition across Microsoft 365 teamwork workloads by enabling SMBs to leverage guest access in Teams to interact with their customers and suppliers. These more transformative use cases for Microsoft Teams enables partners to continue the conversation with customers and demonstrate the value-add partners can offer, improving customer stickiness and growing customer lifetime value.
- › **Drive low-cost growth through targeted digital and social marketing campaigns.** Partners noted that across industries, sales, marketing, and HR departments were more likely to have budget for productivity enhancing technologies and solutions, making them a “low-hanging fruit” for marketing campaigns.

“Every customer you demo Microsoft Teams to, they see whole new ways to work. Some of our customers are creating Teams sites and configuring guest access to work directly with clients and suppliers.”

Managing director, EMEA partner



Direct Project Revenues

Our interviews reveal that business consulting, technology assessments, data migration, and technology implementation projects around Exchange and OneDrive were the primary starting point for the majority of SMBs adopting Microsoft 365 for the first time. One partner estimates that 50% of all their SMB deals begin with an acute issue with a third-party email or collaboration system, requiring partners to step in and provide a rapid, low-cost fix. Given these market and customer dynamics, Microsoft partners that offer a variety of smaller, modestly priced direct project services that analyze, recommend, and implement teamwork solutions and business process changes are more likely to grow revenue in the SMB market segment.

SMB customer relationships often begin with a business requirements and teamwork assessment workshop, the output of which is a set of actionable business process improvements and technology recommendations that create a road map that aligns with the customer's business priorities. Partners varied on the types of workshops and engagements they offered— most ranged from a day to a week in length and were billable or were included in the presales process.

Assessment workshops are typically lead to deployment and migration consulting engagements to get customers started in the cloud. While several partners noted that Exchange and Teams migrations and SharePoint projects can easily exceed \$10,000, even in the SMB space, most partners indicated that consulting efforts need to be broken down into quick project phases with low price points to limit business disruption and be palatable to the price-conscious SMB buyer.

Interviewed partners revealed that direct strategy, deployment, and migration project services around Microsoft 365 teamwork solutions result in gross margins ranging from 25% to 40%. More importantly, successful delivery of these services increases the likelihood of higher-margin follow-on engagements as well as managed services that improve per-seat revenue and profitability.

- › “Our SMB customers typically start by deploying Exchange, Teams, and OneDrive. Usually, we price this per user, so the migration is between \$50 and \$100 per user.”
- › “We offer teamwork readiness and innovation workshops at the front end of the customer relationship for \$1,200 per day.”
- › “We have built IP and templates that enable us to build a SharePoint environment in a day.”

Pull-Through Project Revenues

Microsoft partners offer a variety of follow-on consulting offerings, or pull-through projects, to help customers implement tailored business process and workflow solutions using Microsoft Teams and SharePoint. While early phase project work focuses solely on migrating data and deploying new technologies, pull-through projects are focused on supporting clear governance policies and adoption programs for Teams, building comprehensive SharePoint taxonomies, and, then, looking at business processes which can be automated and streamlined using Power Apps, Planner, Flow, and custom SharePoint portals and applications. In many cases, partners-built IP around common line of business scenarios facing SMB customers which could be packaged and resold to partners in lieu of scoping custom SharePoint and Teams consulting work (explained in detail in the value-added resalable IP section of this document).

In contrast to migration and deployment projects, which are becoming commoditized in the market, pull-through consulting work delivers higher value-add, bringing larger deal sizes and higher margins. Total pull-through project revenues associated with these workloads bring in five times the direct project service revenues seen during earlier phase work over a period of 18 to 36 months. Below are specific quoted examples of common pull-through project services.

- › “When you wrap [Flow] into a [Microsoft] Team, it acts like a customized, automated business process. A lot of our clients find SharePoint to be too complex — Flow and Teams is easier for them.”

“The typical customer journey to Microsoft 365 falls into three stages. It starts with improving communications with Exchange and Teams. Then, in Phase 2, we take all their files and documents and put them on OneDrive and SharePoint. From there, we educate them on how to work better with files and documents.”

Founder, EMEA partner



117%

Annual revenue renewal rate for interviewed SMB partner teamwork practices

“SharePoint is a never-ending project and the investment grows over time. Customers might start with a \$10,000 investment in SharePoint, but that grows to over \$50,000 over 18 months.”

Managing director, EMEA partner



- › “We identify potential use cases for advanced Teams applications during our innovation workshops. When we layer on project management, meeting, and sales management applications for Teams, deal sizes can get as high as \$30,000 to \$50,000.”

Managed Services

Microsoft partners with more profitable managed services offerings targeting SMB customers are investing in building customer support and organizational change management and adoption capabilities. While managed services are almost never exclusively focused on teamwork, services focused on Teams, SharePoint, and Exchange are often a starting point for more profitable managed services opportunities.

Adoption, change management, and training managed services tracks employee usage of the Microsoft 365 teamwork solutions through a set of KPIs, monthly reports, regular user and management communications, and recommendations. There is an increasing demand for these services from SMB customers which are typically priced per seat, with pricing averaging \$2.50 per user, per month. Attach rates for these services are nearly universal, with many partners making this a mandatory or automatic purchase.

Managed services, including technical and end-user support, ongoing SharePoint and Teams monitoring, management, administration, and reporting typically attach to 20% to 40% of Microsoft 365 teamwork deals in the SMB space; and they are priced monthly per seat. Partners indicate that typical pricing for these managed services vary between \$5 and \$20 per user, per month; depending on the specific teamwork workload managed.

Below are specific quoted examples of how partners are going to market with Microsoft 365 teamwork managed services that are developed and marketed to SMB customers.

- › “Our customers get support (24/7), a monthly report on which workloads they are using, and actionable recommendations to improve staff usage . . . depending on the number of workloads being managed, pricing starts at \$2.50 per user, per month growing to \$15 per user, per month.”
- › “For [SMBs], we have a packaged, cloud-first service offering that includes deployment, devices, [Microsoft 365] licenses, managed services, and support for a per seat, monthly price. This is a huge opportunity for SMB customers — we have no need for on-premises infrastructure.”

Resalable IP

Several partners interviewed for this study created parallel independent software vendor (ISV) businesses, where they built custom Teams and SharePoint solutions to automate and streamline common horizontal business processes and workflows that they then packaged and resold directly to SMB customers and other Microsoft partners. Custom solutions covered a wide range of common cross-industry use cases, including paid time off (PTO) management, travel and expense management, project management, and customer relationship management.

Pricing models for these custom solutions varied across partners, ranging from fixed service fees with annual management, support, and administration charges, to pay-per-use pricing models. Pay-per-use pricing is particularly popular in the SMB space, since customers don't need to make large upfront investments. Typical per use, or per request, fees ranged from \$1.00 to \$4.00, while attach rates ranged from 20% to 25% of total SMB teamwork customers.

Some examples of successful value-added pieces of IP include the following:

- › “We offer a prebuilt intranet solution for SharePoint that has very high adoption across our Microsoft cloud customer base. This is a very competitive market, so revenues average about \$10 per user, per year.”
- › “We let customers pay per request. We are trying to create demand by lowering the upfront costs and barriers for the SMB client. We average €10 per person, per year.”

“We sell change management services with every deal we close. Otherwise we put the renewal at risk.”

VP, Marketing, NA partner



Cloud Solution Provider (CSP) Channel Margin

The resale of Microsoft 365 Business, Office 365 Business Premium, Office 365 Business Essentials, and the Microsoft 365 Enterprise SKUs (E1, E3, and E5) through the Microsoft CSP program serves as both a substantial revenue stream and a platform for upselling and cross-selling for Microsoft SMB partners. In addition to reselling licenses, Microsoft CSPs provide technical and user support and service-level agreements (SLAs) to end customers and provide billing services for each customer's Microsoft cloud solutions. As part of the CSP program, Microsoft partners earn margin on the resale of a variety of Microsoft 365 and Office 365 license SKUs and earn additional rebates and incentives that helped bolster the profitability of their CSP revenue streams.

Given that the emphasis of this paper is on the professional services, managed services, and resalable IP that Microsoft partners can offer to SMBs around the teamwork workloads in Microsoft 365, the revenue and gross profit figures included in this analysis do not include CSP license resale revenues and channel margins.

Microsoft 365 Teamwork Solutions For SMBs: Good, Better, And Best

Good



CSP Resell*

- Microsoft 365 Business licenses.



Direct project services

- Assess current state and teamwork assessment workshops.
- Microsoft Exchange, Teams, SharePoint, deployment, migration, and configuration projects.



Better



Pull through project services

- Teams and SharePoint taxonomy and governance consulting.
- Change management and adoption consulting.
- Microsoft Teams customization, task management, and workflows.
- Custom SharePoint portals, applications, and automated business processes.



Best



Managed services

- Technical and end-user support.
- User training and adoption services.
- Teams, SharePoint and Exchange management, monitoring, administration, and support.



Resalable IP

- Custom Teams and SharePoint solutions.
- SharePoint 'intranet-in-a-box'
- Vertical and line-of-business solutions.

*Note: CSP channel margin is not included in the per user revenue or gross profit figures for this study.

Microsoft 365 Teamwork For SMBs: Practice Investment Requirements

Interviewed partners made several strategic investments to establish, promote, and scale their Microsoft 365 SMB teamwork practices. While many partners may be able to reallocate existing in-house consulting, engineering, and change management resources to their teamwork practices, some partners may need to consider incremental investments in the following areas:

- › **Training investments.** Partners that lead the market hold frequent training and certification workshops to cross-skill sellers, support desk staff, and consultants on the latest capabilities of Microsoft 365. Training curriculums span online learning programs, live in-person workshops, and on-the-job and hands-on training. One interviewed partner invested at least 5% to 10% of staff time on training and professional development.

- › **Technology investments.** Interviewed partners commonly repackaged and resold IP created through professional services engagements. Successful partners conducted project post-mortems after each project to identify potential custom solutions and services that could be repackaged to sell to other customers. Some partners allocated in-house resources to create bundled offerings focused on automating business processes and adoption services to include in their teamwork managed service offerings. Partners who made upfront and ongoing investments in building training materials for customers were often able to package and resell this as part of their adoption and change management services. One partner dedicated three full-time equivalent (FTEs) resources to build Microsoft Teams training materials, including videos, assessments, and certification programs, over a period of two months.
- › **Staffing investments.** Partners need to invest in their people to grow teamwork revenue and meet increasingly sophisticated customer needs. Partner staffing investments are made through training and upskilling existing staff and through the acquisition of new talent required to expand into new areas such as data life cycle management and adoption and change management services. Many partners were able to successfully cross-train their staff across new areas in Office 365 such as Microsoft Teams. Partners who have developed strong organization change management practices have done so by leveraging people who have industry and market experience who have been cross trained on the technical aspects of Microsoft 365. While most partners didn't make additional sales hires, one partner hired two additional marketing managers to help drive brand awareness, demand generation, and thought leadership with SMBs in their target markets. Partners with limited experience selling into the SMB space should consider hiring practice leads or incremental sales staff with a proven track record of selling teamwork and unified communications solutions to non-enterprise customers. These practice leads, or incremental sales staff can effectively engage with business decision makers in addition to IT decision makers.
- › **Marketing investments.** To drive top-line growth around Microsoft 365's teamwork solutions, partners made significant investments in digital, social, and content marketing campaigns that demonstrate thought leadership and expertise in improving teamwork. While actual marketing investments vary across partners, most interviewees repurposed existing marketing budgets to better promote their teamwork capabilities. Forrester benchmarks additional marketing expenditures to be approximately 5% of gross practice sales.

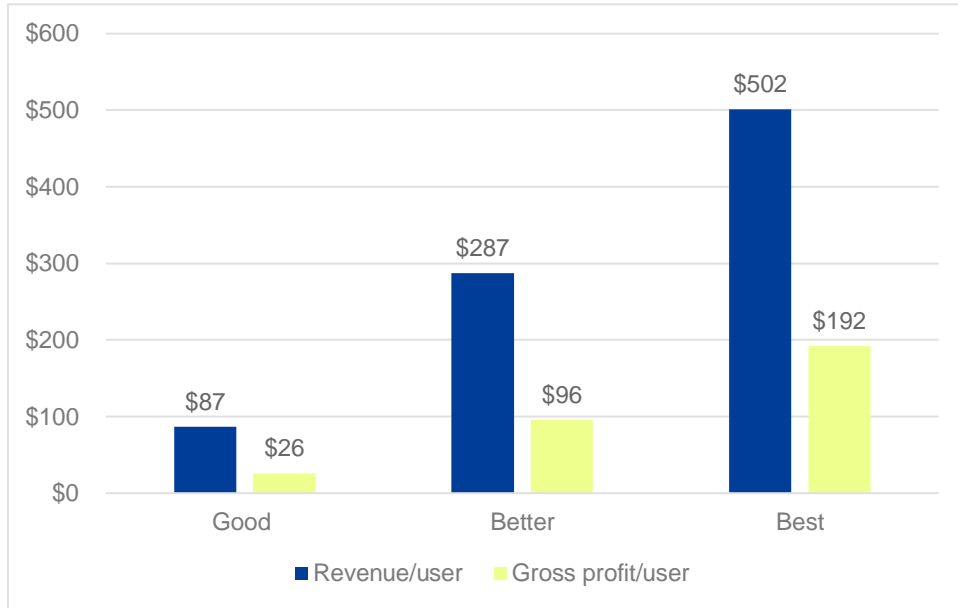
A Financial Example: Good, Better, And Best Partner Practices And Solutions

This study outlines the various revenue and profit streams that Microsoft partners may realize from building a Microsoft 365 teamwork practice area focused on SMB customers. To illustrate this, Forrester has built a simple financial model that depicts the partner product and service revenue opportunities in serving a 100-seat SMB customer that adopts Microsoft 365 teamwork solutions. This economic model is built on the following assumptions:

- › The economic model is based on a single Microsoft 365 teamwork deal with 100 user adopters and a two-year managed services contract. The model assumes 5% customer churn in Year 3 of the analysis, consistent with what we learned from interviewees.
- › Direct project services are segmented into two phases. The first phase includes a teamwork and collaboration business requirements and assessment workshop and brings in average project revenues of \$1,200. This workshop is followed by a \$2,500 consulting project to set up a SharePoint environment, deploy and configure OneDrive, and migrate documents and information to these platforms; and a \$5,000 deployment, migration, and configuration project around Microsoft Exchange and Teams. Direct project services total \$8,700 and brings in 30% gross margins, resulting in a \$2,610, or \$26 in per seat gross profit. Forrester notes that engagement revenue will vary significantly across industries and organizational sizes.
- › Pull-through project revenues are generated through the delivery of SharePoint and Teams taxonomy, governance, life cycle management, and policy consulting work at \$5,000 per project; SharePoint customization and business process automation work across years 2 and 3 of the analysis, totaling \$10,000 (\$5,000 per year); and \$5,000 of Microsoft Teams customization, group strategy, workflow automation/task management projects using tools including Flow and Planner across years 2 and 3 (\$2,500 per year). Total pull-through revenues are \$20,000 and gross profits total \$7,000, resulting in a 35% gross margin. Forrester notes that pull-through project revenues will vary across partners and readers should consider revenue streams most applicable to their own business models. The figures used in this study are conservative, with several partners demonstrating average SMB SharePoint customization projects totaling over \$50,000 over an 18-month timeframe.

- › For the “best” case partner scenario, our model incorporates several managed service offerings. Adoption, training, and organizational change management services saw universal adoption (i.e., 100%) and was priced at \$2.50 per user, per month. Managed services (e.g., monitoring, support, administration) around SharePoint, Teams, Exchange, and other teamwork workloads were priced at \$8.00 per user, per month, and saw 20% to 30% adoption across our three-year analysis. Managed services bring in a total of \$13,446 in revenue and \$4,421 in gross profit over the three-year analysis, or \$44 per seat.

Three-Year Revenue And Profit Opportunity Based On Composite 100-User Deal Across Practice Categories



MANAGED SERVICE	ATTACH RATE	PER-USER, PER-MONTH FEE	EXAMPLE SERVICE LEVELS
Adoption, training, and change management services	100%	\$2.50	Ongoing training curriculum for Microsoft 365 teamwork workloads. User adoption monitoring, measurement, and reporting to key SMB stakeholders, including user recommendations. Regular communications and trainings on new Microsoft 365 product features.
Microsoft 365 teamwork managed services and support	20% – 30%	\$8	Monitoring, management, administration, and custom dashboards/reporting around SharePoint and other teamwork workloads. Includes technical and end-user support for Microsoft Teams, SharePoint, Exchange, and OneDrive.

- › Resalable value-added IP brings 65% gross margins. We calculated revenues and margins from two different pieces of IP as part of this analysis: SharePoint “Intranet in a box,” priced at \$10 per user, per year and SharePoint custom workflows (e.g., vacation, timesheet management, expense management, etc.), which is priced at \$2.50 per user request. Our model assumes that two of these resalable pieces of IP are purchased in Year 2 of the analysis and an additional custom solution is purchased in Year 3 of the analysis. The model assumes that each user submits, on average, five requests per year in each system. Resalable IP brings in a total of \$8,013 in revenue and \$5,208 in gross profit over the three-year analysis, or \$52 in gross profit per seat.

Forrester's interviews with five partners with well-established Microsoft 365 SMB teamwork practices and the subsequent financial analysis found that a composite organization based on these interviewed partners can accrue revenues of \$502 and gross profits of \$192 per user over the three-year analysis for the best-case partner scenario. For a SMB organization with 100 users, the business opportunity opens the door to over \$50,000 in revenue and more than \$19,000 in gross profit for the best-case partner scenario over three years, resulting in a 38% deal gross margin.

Disclosures

The reader should be aware of the following:

- › The study is commissioned by Microsoft and delivered by Forrester Consulting. It is not meant to be a competitive analysis.
- › Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in building a Microsoft 365 teamwork practice for SMBs.
- › Microsoft reviewed and provided feedback to Forrester. Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning.
- › Microsoft provided the partner names for the interviews but did not participate in the interviews.

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ABOUT TEI

Total Economic Impact™ (TEI) is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders. The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility.

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¹ **Source:** "Effective Enterprise Collaboration Grows Your Bottom Line," Forrester Research, Inc., January 16, 2018.