

07152019 Inspire Gavriella Schuster Close

Microsoft Inspire 2019
Gavriella Schuster
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(Music/Applause.)

GAVRIELLA SCHUSTER: Wow. When I look at all of you, I am in awe of your ideas, your innovation and the work that you and your teams do. Why? Because we are surrounded by technology in everything we do. And we don't even see it.

Take my trip down here, for instance. I order my coffee on an app, pick it up without ever standing in line. I check into my flight on another app, sit on the plane, and I work on Wi-Fi the entire way down like it's another day in the office. And then, I use another app to pick up my luggage so it never gets lost. This is a routine I have had forever, but the technology makes that experience completely different.

We take universal experiences like this for granted now, don't we? But everyone in this room knows that those experiences don't just happen, do they? We all know how much work it takes to make every single one of those experiences seamless, right? How many partners are behind everything that we do every single day, hundreds? Thousands? I know behind my interactions with Starbucks and Delta Airlines alone, there are 97 Microsoft partners that made that experience seamless. (Applause.)

And while the technology, it's cool, but it's not the magic, is it? The magic happens when your teams meets our technology and we come together in a partnership. Magic is in the partnership.

Think about that. What does the word partnership mean to you? To me, it's a powerful word. It is the relationship built on commitment, integrity and trust. And trust does not come that easy, does it?

Okay, now I'm going to try something. I want all of you to take out your phones. Come on, take out your phones. I know a lot of you already had them out, right, but fish in your pockets or your bags. Take out your phones. Now, I mean it, everyone. Everyone take out your phones, okay? Unlock your phone. Unlock it. I know, pressure. (Laughter.)

All right, unlocked? I want you to turn to the person next to you and hand them your unlocked phone. (Laughter.) Let them look at your e-mails -- come on -- your texts, whatever it is that you were doing a few minutes ago on your phone. Hand them your phone, right? All right? It's a little uncomfortable, isn't it? (Laughter.) Right? Did you take pictures of each other? (Laughter.)

It's a little uncomfortable because trust really doesn't come that easy, does it? If I ask my kids to do that, no way, right (laughter), because trust is something that you have to earn. It's something that we work at every single day. And trust is fragile, right?

I remember, it was almost 20 years ago, and Microsoft was going through a trust crisis. We were a big target and we were getting hacked left and right by the Code Red and the Ninja worms. Do you remember that? And we had broken trust with our customers and a lot of you, our partners.

And I remember I was in Building 22, which is this ugly, boxy building, ugliest building on campus -- it's still there (laughter). And I was in this really boxy, gray office, and it was gray outside because it was early winter in Seattle. And I was worried. I was worried about our customers and I was worried about our future because I really didn't know how we were going to earn back that trust.

And then, Bill threw me a lifeline. Okay, maybe not personally, but he threw me a lifeline in the form of a memo in January of 2002 where he talked about something called trustworthy computing. And he talked about how we were going to change and put security in the center of everything that we did. And that fundamentally changed, from that day forward, the way that Microsoft engineered our products, and security was the No. 1 priority. And then, he talked about how we needed every employee and every partner in the ecosystem to come together in industry-wide cooperation to earn back the trust of our customers.

Those three ideas -- partner ecosystem, security and trust -- are just as important today, and relevant as they were 17 years ago, maybe even more so. When I think about trust, I really think it has three dimensions: Technology, relationship, and integrity. Technology, that's all about security and data privacy. Relationship, that's about us. That's about our partnership, communication, collaboration and accountability. And integrity is about having great business practice, transparency, and compliance.

Let's take that. We have been through a lot together over the years. We've had our ups and we've had our downs, maybe in the last couple of weeks. (Laughter.) We've learned a lot. We've grown a lot, and our relationship has really changed a great deal over these years. But I would say that trust is just as important today, even more important today than it's ever been.

Let's face it. Our traditional way of partnering was actually built much more around a supply chain. Microsoft would build some software. Partner might resell it, partner might integrate it, manage it, deploy it, support it, and it was a series of hand-offs. And there wasn't as much trust inspired in those hand-offs.

But cloud services fundamentally changes the basis of our relationship. Cloud services collapses that supply chain and requires each of us to provide persistent and always-on services to our customers. So, it blurs the lines between what we do. We no longer have

these unique and distinct roles to play. What is the platform or the layers of the platform? What are the solutions? And what is the managed service?

We each need to provide all of those things all the time. And we are each equally accountable to the customer. And we can't afford even a single point of failure or the whole system fails.

And that requires a whole new level of trust, doesn't it? That requires a network of trust. We have to work together in a way that's consistent and persistent, and constantly innovating together. But when we do that right, magic happens. It opens up an opportunity for us to co-create, co-innovate and collaborate in a whole new way, which enables us to co-sell in the market, and to create services that are more repeatable, and more scalable and more profitable for everyone than they have ever been.

I think you all know what I mean. And that's why I believe that we have moved from partnering to partnership, because while it may be the technology that brings us together, it is the partnership that keeps us together. It's kind of like, OK, yeah, I get it. Lots of market opportunity. Lots of stuff we can do. But what are we going to do? (Laughter.)

So, pay attention because the next 10 minutes, these are the money slides. Okay? All right. So, Judson framed out the four commercial solutions areas. What I want to do is I want to go a level deeper and I want to talk about what are the specific market opportunities that we're going to go after this fiscal year to really drive our profitability and growth. All right?

There are six of them. In modern workplace, it is all about teams and security. Business applications, Dynamics 365 and Power Apps, applications and infrastructure, this is the year of Azure Cloud migrations. And in data, it's all about analytics and AI.

So, where do we start? Lots to do. How about we start with security because it all starts and ends with security, right? And security forms the basis of trust between us and our customers. You know that Microsoft spends nearly a billion dollars a year in R&D on security, and we build it into every product, every technology and every service that we deliver so that you can feel confident when you work with your customer that it is just there.

Then, how do you make money on it? Well, it starts with modern workplace. I was just having this conversation with Rackspace a couple weeks ago. Rackspace has traditionally focused on the small and mid-sized customer, and their value proposition was framed around the delivery of a mailbox. But Rackspace found they had declining profitability, and their customers were asking more and more about cloud security.

So, we pivoted their service to focus on security on Microsoft 365. They built a security assessment that they could deploy remotely to the customer and identify any gaps in their environment. And then, they remediate those gaps with multifactor authentication and

conditional access. Using remote service monitoring, they now have a new managed service. It's Security as a Service on Microsoft 365.

And this has been a win/win for Rackspace and their customer, because their customer now has a secure user environment. Rackspace and their customer now have a platform of trust between them. And Rackspace has seen 100 percent month-over-month growth in their Microsoft 365 for Business business.

Now, that is what the last 10 months, by the way -- and I double-checked that number twice (laughter) -- that's a way to turn around your profitability, isn't it? And that solution is both scalable and repeatable, and relevant to customers of all sizes. So while they focus on small and midsize customers, that is actually relevant to customers in the enterprise.

But Rackspace is really on to something, focusing on that small and midsize business customer, because you know that there are 76 million customers in SMB. It is an \$80 billion market opportunity, and Office 365 has almost been 10 percent of those customers. That is a lot of upside for all of you.

And now, once you have that secure socket from which to build, literally, then you can start to add additional services, like Teams. How many of you think that Teams is just a Skype replacement? And how many of you are actively using Teams? (Applause.) Okay, so for those of you who don't have your hands up, I want you to stop by the Hub this week, because you already promised me you would get it on your phones, but I want you to really check it out to see what you can do.

I love Teams. Teams is my all-in-one shared workspace. It brings together, for me, my telephony, my meetings, my chat, my conversations, my documents, and all of my relationships. We believe that Teams is where people will start and live their day, whether they're on a laptop, a desktop, or a mobile device, from the time they log in to the time they log out.

How many of you remember the explosive growth of SharePoint about a decade ago? Teams is already on a faster trajectory than that. So, a couple months ago, I challenged you to send me your very best Teams story, and many of you did. So, I want to thank everybody who sent in a great Teams story. It was awesome. And I promise that I would share the best of the best here on stage, so here you go.

(Video/Applause.)

GAVRIELLA SCHUSTER: It's awesome, and the best thing about Teams is the way you can skim it and build on those APIs, just like Slalom, Medalsoft and Salestim have done. Where you were able to bring the entire business process and create whole new user experiences. You can bring all the business applications to the forefront of that user experience in one single, shared workspace. And the bridge between Teams and the backend of those business applications is PowerApps.

So let's talk about that business application opportunity. PowerApps is that citizen developer tool. It enables your team to build connectors, to build integration, and to build new applications, and bring it all the way back into business applications.

Let me tell you what I mean. There's a customer on the big island of Hawaii, one of my favorite places in the whole world, and their name is Jack's Diving Locker. And Palmetto Technology helps Jack's Diving Locker move to Microsoft 365 in Azure. When they were done, the owner asked, "Hey, we have this online schedule board. Is there anything you can do to update it, because it's really old?"

So, Palmetto Technology brought in another Microsoft partner, Confluent, to help rebuild this application. Within two weeks, Confluent was able to rebuild the online schedule board into their new environment, and wire it all the way back into their ERP system using PowerApps. Now, Jack's employees, they can manage and track their schedules, they can track their equipment and their certifications from anywhere, even when they're out on the boat in the water. It's cool.

Confluent is way ahead of the curve. They have already built over 500 applications using PowerApps, and that is a market that, according to Forrester, will trickle in the next three years from six and a half billion dollars today to \$21 billion.

That isn't even the half of it because what PowerApps enables you to do is to bridge back into the heart of a customer in their business applications. And then, you have the opportunity to look out over all of their applications, and think what could be migrated to the cloud? What could be rewritten? How you help that customer completely reimagine their business in digital transformation using Dynamics 365? And that market is more than five times, that market is \$134 billion market opportunity.

And their partners, like Stone Forest IT, are doing a great job of helping customers already. So, Stone Forest IT is a partner in Singapore, and I love this customer because they are a pioneer in car sharing. Their name is Car Club. They started car sharing before this was anybody else's idea of a business model, because they started this in 1997.

The challenge is that the technology they're using now is still like in 1997. So, they had a lot of different applications that didn't talk to each other, and a lot of disparate data sources, and it was really holding them back. Stone Forest IT came in and they built them an end-to-end, all-in-one business management system using Dynamics 365. And now, Car Club, they've looked to completely reimagine those customer experiences. They have increased profitability. They have increased revenue and they are poised for growth, maybe even a market near you.

And that's what you can do when you think holistically about your customer, when you think about bringing the back end of their business applications all the way through to the front end of user experiences, like Teams.

So now, I talked to you about two of Microsoft's three clouds and where the opportunity is. We talked about Microsoft 365. We talked about Dynamics 365. I want to talk about the Azure platform.

You know that we estimate about 60 percent of our server install base is still on Windows Server and SQL Server 2008. That's 24 million instances. That is a \$50 billion market opportunity that you should be going after right now, this year, because those customers are vulnerable and exposed. They are on server technology from 2008.

Do you remember what was going on in 2008? You run the risk of breaking trust with your customer if you leave them on that server technology, because you leave them unsupported. And you know you could easily migrate those VMs into Azure and remove that vulnerability for them.

And many of you are already doing a great job. We have moved a lot of customers this past year, and I want to thank you for that work that you've done. There is one partner that really stands head and shoulders above the rest in the work that they've done, and that is Accenture and Avanade. (Applause.) There's a lot of them here, obviously. (Laughter.)

A couple of months ago, I was asking them what was their best practice, and they shared with me that they have this flywheel of success. And as they were sharing with me what they were doing, I kind of timidly asked if there was any way they would let me share it with all of you here at Inspire. And to my surprise, they actually agreed. So, that's what a network of trust will buy you.

So, I'm excited to be able to share with you the ready by design flywheel of success go-to-market framework that Accenture and Avanade uses. And I'm actually going to explain to you how it works.

They go into a customer and they identify server workload, and they do a cloud assessment, and they immediately start migrating it to the cloud. This isn't a six- to 12-month project. This happens right away. And they use that to build the business case to go back to the business decision maker, and then identify the next server workload, and the next server workload, and the next server workload. And pretty soon, they have dozens of projects going with this customer.

This isn't limited to just to their Windows Server environment. When they're in there doing these assessments, they identify OSS workloads that they can move to Azure, SAP migrations they can move to Azure. And then, they find themselves in a conversation with their customer about a complete application platform modernization redesign and roadmap.

So, that Windows Server, SQL Server conversation really is a catalyst for a whole new set of services and book of business with that customer. Once you're in, you're in. And that earns you a way into the real conversation that you want to have because every single

one of us knows that just moving legacy workloads to the cloud is not really what the cloud is all about, right? But the cloud is all about, where you get the power of the cloud is when you can drive digital transformation, like Judson was talking about with Unilever. And you have to earn your way into that conversation.

And we have barely scratched the surface there because if you take all of the work that we've all done, that every cloud service vendor has done over the last few years, we are still only five percent of that total addressable market. And that market is poised for explosive growth. And we want to help you take advantage of it.

You told me one of the things that's holding you back is Azure skills. You don't have enough skilled individuals to really drive that. We're going to invest in helping you train up all of your people on Azure skills, and not just your team, but we're investing in our teams. We're investing in our customers. We are investing in the market to help you grow new talent.

Then, we also want to make Azure your best platform for delivering managed services to your customers. And so, we're investing in you with a new service that we call Azure Lighthouse. Azure Lighthouse builds partners in by design into Azure by enabling multicustomer, multitenant management at scale in a secure environment with automation so that Azure becomes your best platform to deliver those managed services to your customers. And we're going to continue to invest in that service for you.

And once you unlock cloud migrations, you unleash the customers' data. And data is the currency of the cloud. Then, you have the opportunity to start reasoning over that data to build intelligent design with AI and analytics and help the customer to re-look at their whole business and think about it in a totally different way and think about their business decisions completely differently. And that moves you from being a strategic supplier to a strategic adviser. And I know that that is a place that we all want to be.

So, I ask you which of these six opportunities are you going to take advantage of this fiscal year? And if you're all doing some of these already, how are you going to turn up the volume so that you really take advantage of it? That's what I want you to do this week. I want you to work with our Microsoft teams, talk about what you're going to do, work with each other, build your businesses and walk out of here, Inspire, with your business plan, OK?

I know, now you're probably saying, "Yeah, OK, Gavriella, but you only told us like a third of the business plan, which is what is the opportunity. You didn't actually talk about what's Microsoft doing and what are you going to invest in." I guess I'll tell you that, too. (Laughter.)

Microsoft, every July, we kick off with a set of themes about what we're going to do internally. And it is Ready as well as Inspire. And so, we're going to be sharing this with all of our teams this week.

So there are three core themes to our field this year: Technical intensity, customer centricity, and simplicity. Technical intensity is all about raising the level of the conversation with our customers to match the technical intensity in which they are living today. Every single customer is a technology company, and we all need to raise the bar on the conversations that we have about their business and how technology can work within it. And so, that means that we have to invest in delivering better skills to everybody to be able to have the right conversation.

And so, we're investing in all of our teams across the field, and it has a side benefit to you because every investment we make in training our teams, we immediately deliver out to you. And it means that all of our teams will help you in a much better way to build your businesses on that technology. And when you're side-by-side with our teams with a customer, you get much more technical savvy people.

Customer-centricity is all about putting the customer at the center, building our trusted network around each and every customer, working together in unison to help them to manage their now-collapsed supply chain.

Simplicity. Okay, don't laugh. It's a lifelong journey, okay? This year, simplicity is about simplifying the roles within our fields to enable people to navigate and orchestrate in an easier way. So, you can go to some sessions and learn more. You can talk to your PDM to learn more. We're going to simplify, of course.

Now, I'm going to tell you about the flip side. What investments are we going to make in you? We're making a lot of investments. As a matter of fact, okay, even more so now, about \$3 billion this year, we'll invest in you. And you can hear a lot about that in all these sessions, right -- the investments, the programs, the resources, the incentives.

But what I want to do is I want to talk about three because they're the most important, and they're all about connecting you to customers. The first one is marketplace. The second one is CSP. And the third one is co-sell.

Marketplace. Now, last year, I told you do you want to be in the marketplace, and many of you heeded my advice. We now have over 12,000 applications and services in the marketplace. We are delivering over 350,000 leads every single month on those solutions out to you. And we're doing about \$90 million a month in the Azure marketplace, which is really enabling services.

We started a pilot on what we call transactable offers in App Source, and that's really where you want to be. So this year, I'm going to say that not only do you want to be listed in the marketplace, but you actually want to have a transactable offer because that enables us to activate three additional channels to market for you.

One is the marketplace itself, where the customer can buy directly on your paper. The second is enabling us to pull your services through our sellers on our paper, our Microsoft paper. The third is to enable all of those partners' transactions CSP to be able to pull your

services through their paper in CSP. So, that is not only activating 22,000 Microsoft sellers all around the world, but the 70,000 Microsoft partners that we have transactions through CSP on your behalf.

And we are going to incent our sellers on your services. We are also going to incent our partners through CSP on your behalf. And we will put more go-to-market dollars in for every service that you have listed in App Source as a transactable offer.

So, I talked a little bit about how our relationship has changed. The tables have turned, and we have become your channel. Think about that.

So, let's talk about the flip side. The flip side of marketplace is CSP. If you are delivering services, CSP is the way that you want to deliver those services into the marketplace because CSP enables you to embed not only Microsoft's first-party services, but any of those third-party marketplace services into the packages that you offer to your customers. So, you can make them completely unique and differentiated out to your customers, and then provide managed services on top of that.

This year, we've already crossed the \$4 billion mark in CSP together, and we have over three and a half million customers under contract in CSP now. And those partners transacting CSP are seeing 40 percent year-over-year growth.

This year, we're moving CSP onto the modern commerce platform, which enables us to actually collapse that delta in the Azure engineering roadmap so that we can deliver all of those Azure services to you through CSP; and it enables the customer to be more mobile on their purchasing. And we are building in, by design, security and data privacy through multifactor authentication and Azure Active Directory.

When you take those two investments, what it enables us to do is to co-sell even more together in the market. We've had some tremendous success together in co-sell. We have sold almost 99 and a half billion dollars of your services, in annual contract value, through our sellers.

And I think that we might have discovered the secret sauce, because the secret sauce to co-sell is you. We're selling your services and your value to our customers together. And when we do co-sell, we find that our deals close almost three times faster, the initial project size grows almost six times larger, and the Azure consumption grows almost eight time higher. That's something we want to continue to invest in, and we want to expand it. So not only are we going to expand it out to our CSP partners, but we're moving beyond Azure into Teams applications and Dynamics 365 applications, as well. (Applause.)

But we need to make this process easier. We need to make this process easier, right? How many of you have heard of something called Partner Sales Connect? Yeah, I know. You can moan. It's okay. (Laughter.)

We have completely reimagined this experience and rewritten it in partner center APIs, right? So now, we are enabling you to use your own CRM systems to manage your opportunities, manage your leads, and manage your pipelines. (Applause/laughter.) And through these APIs, you can pop up lead sharing and we will funnel it all the way back to our specific sellers through our MSS CRM, and our sellers can pop up their lead sharing all the way out to you through those same APIs right into your sellers, so that we can have a much stronger connected experience without all that overhead.

But don't take it from me, because you know I am not in that every day. (Laughter.) Take it from our partners, Sentral, in Australia.

(Video.)

GAVRIELLA SCHUSTER: And that enables us to capture more opportunities, to reach more customers because partners make more possible. It enables us to make more of a difference. It enables us to make more change in the world because, after all, we are about more than just making money, right?

It is July in the U.S., which means that it's the beginning of hurricane season here. And every year, thousands of people all around the world -- die in natural disasters. What if we could take the power of our network and help people in their darkest hours?

That's exactly what two partners, Inova and InMobi, have done when they teamed up with FEMA, the U.S. Federal Emergency Management Agency. They pulled together telco data services, location tracking and Azure AI to help first responders locate and find disaster victims and save their lives. I believe when we work together, anything is possible.

(Video.)

GAVRIELLA SCHUSTER: Wow. That is why I stand here in awe before all of you today, because none of this is possible without you. I want to thank you for choosing to partner with Microsoft. And I want to thank you for making more possible.

Thank you. (Applause.)

(Break for direction.)

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