MICROSOFT ECOSYSTEM OPPORTUNITY:
Partner Paths to Profitability & Growth

SWITZERLAND

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Authors:
Stuart Wilson
Andreas Storz
Lynn-Kristin Thorenz

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Microsoft
Executive Summary

As customers in Switzerland accelerate the digital transformation of their businesses, it becomes important for Microsoft and its partners to co-innovate and go to market jointly to deliver solutions that meet those customers’ unique requirements. Many partners in Switzerland are transforming their business models to build software and services on Microsoft Cloud, capturing new opportunities beyond resell and stimulating rapid growth and higher profitability.

**MARKET INSIGHTS**

- Total IT spending in Switzerland will approach **$38 billion** per annum by 2026
- Software spending in Switzerland is forecast to achieve a **10% CAGR 2021–2026**
- The public cloud services market in Switzerland will exceed **$11 billion** a year by 2026

**MICROSOFT OPPORTUNITY**

- Partners that commit to Microsoft grow faster and achieve **higher margins**
- Partners that are actively engaged in co-selling with Microsoft **grow faster**
- Partners building software and services capabilities realize **greater profitability**

This InfoBrief provides guidance for partners in Switzerland on how best to leverage and maximize their relationship with Microsoft to expand revenue and margin opportunities.
Microsoft partners are bullish on revenue growth for their Microsoft business; industry-specific solutions are driving significant revenue.

**Revenue distribution of Microsoft partners in the DACH* region by solution type:**

- **Horizontal solutions:** 54%
- **Industry-specific solutions:** 46%

**DIVERSE BUSINESS MODELS**

There is wide variety in partner business models in Switzerland and different approaches to teaming up with Microsoft. Different business models yield different paths to economic value.

**GROWTH PROSPECTS**

In 2021, 98% of partners in DACH grew (64%) or maintained (34%) their Microsoft business and 98% expect to grow (77%) or maintain (21%) their Microsoft-related revenue in 2022.

**SOLUTION SPLIT**

Among the surveyed partners in DACH, almost half (46%) of the partner revenue is from industry-specific solutions, with the remainder (54%) aligned to horizontal solutions.

**DACH* Microsoft partner Microsoft business revenue direction in 2021**

- **64%** Increased
- **34%** Maintained
- **2%** Decreased

**DACH Microsoft partner expected Microsoft business revenue direction in 2022**

- **77%** Increased
- **21%** Maintained
- **2%** Decreased

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*DACH includes partners in Austria, Germany, Switzerland (n=95)

Source: IDC’s Microsoft Partner Economic Value Indicator Survey
We committed across the organization a long time ago to not focus on making money from reselling. *We pushed away resale and concentrated on clean services revenue.* So, our customers buy from Microsoft or from license service providers and they buy their services from us.

Ogi Stanovcic  
General Manager Cloud, Open Systems

We see significant traction in the cloud market in Switzerland, and partners must deepen their cloud expertise. *Customers realize they have a choice of partners to engage with for cloud* because they are no longer bound to the partner that hosts their servers in a datacenter.

Samuel Zürcher  
Leading Expert & Partner, Experts Inside

Partners in Switzerland place strategic importance on their Microsoft relationship as both a gateway to revenue growth and an opportunity to develop service attach propositions.
Customers’ digital transformation projects are creating new opportunities for partners in Switzerland

There is a window of opportunity around **cloud managed services** in the customers we serve. Many of them have a need for managed cloud services because these competencies and skills do not exist within their own organizations.

*Anees Qureshi*, CEO, One Step Beyond Group SA

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**IT MARKET DYNAMICS IN SWITZERLAND**

- The IT market in Switzerland will grow at an average rate of 6.5% between 2021 and 2026.
- The software market will outgrow the overall IT market (10% CAGR) as Swiss customers prioritize software-based solutions across their technology stacks and strategies.
- Partners in Switzerland stand to benefit from these spending trends as customers require third-party expertise to source, adopt, manage, and extend the right solutions.
- The Microsoft relationship creates major opportunities for partners, given the breadth of the portfolio and the large installed base in Switzerland.
Cloud is the core platform underpinning customers’ digital transformation projects; rapid growth in cloud services is changing the IT landscape in Switzerland

- The cloud market in Switzerland will more than double in size between 2022 and 2026, growing at a 5-year CAGR of 22%.
- SaaS remains the largest cloud services category (accounting for 56% of the cloud market by 2026) while PaaS is seeing the fastest growth at a 32% CAGR.
- Partners in Switzerland stand to benefit from this growth if they align their portfolio to the evolving cloud services market and help customers derive business value from their cloud investments.
We trust Microsoft to create the technology and innovations that we can leverage to drive our business forward.

Dominic Haas  
Managing Director, ORBIS

We are a born in the cloud Microsoft partner that is only two years old with huge expertise in data and AI. We had the ability to launch our business and create an offer that aligned perfectly with the needs of customers and understood how to map on to their long-term vision.

Maxime Gouffé  
CEO, MDW

Partnering with Microsoft enables Swiss partners to respond to changing customer needs and requirements, benefitting from Microsoft’s open approach.
Microsoft partners are expanding their activity mix; this evolution positions Microsoft as a platform for increased partner economic value creation.

**ECONOMIC IMPACT**

IDC has established that for every $1 of Microsoft revenue partners in Western Europe sell, customers purchase an additional average of $6.70 of the partner’s services and products. This is slightly higher than the global figure of $6.10. The level of economic opportunity varies considerably based on an individual partner’s activity mix.

**BUSINESS MODELS**

Microsoft partners in DACH countries are diversifying their business models with a focus on developing their own services and software propositions. More than 1 in 4 Microsoft partners in DACH is now active across all three core activity areas: sell, service, and build.

For every €1 of Microsoft products or services we sell, we are probably selling somewhere between €6 and €7 of our own products and services.

*Anees Qureshi, CEO, One Step Beyond Group SA*
Microsoft partner economic value impact varies based on a partner’s business model; software-led partners create the highest economic value.

**VALUE CREATION**

Microsoft partners can be segmented into three categories based on their revenue mix: resale-led, services-led, and software-led. Importantly, activities that partners perform have different levels of economic value in their relative relationship with Microsoft. And since partners tend to have a revenue mix from these activities, every partner may have different economic outcomes. A key insight in expanding economic value and pathways to growth is that services-led partners in Europe make $5.75 and software-led partners make $7.86.
Software-led Microsoft partners achieve the highest gross margin on their Microsoft business, and forecast strongest revenue growth

Microsoft Business **Gross Margin** (Europe)

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<thead>
<tr>
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<th>Resale-led</th>
<th>Services-led</th>
<th>Software-led</th>
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<tbody>
<tr>
<td>Gross Margin (%)</td>
<td>18%</td>
<td>26%</td>
<td>32%</td>
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</table>

Microsoft Business **Revenue Growth** Expected in 2022 (Europe)

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<tr>
<td>Expected Growth (%)</td>
<td>15%</td>
<td>16%</td>
<td>43%</td>
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**PARTNER IP**

Microsoft partners in Europe are increasingly recognizing the value of developing their own IP and bringing it to market. Broadly speaking, there are two primary types of partner-developed IP: services, which could take the form of project-based services or managed services; and software, which could include industry-specific or horizontal applications, more often cloud-based than on-premises.

**MARGIN BOOST**

Microsoft partners with a higher IP focus tend to generate higher margins. Services- and software-led partners in Europe are more profitable, operating at 26% and 32% gross margins, respectively, compared with 18% for resale-led partners. European software-led partners also expect to grow their business by 43% in 2022, compared with 16% for services-led partners and 15% for resale-led partners.

Source: IDC’s Microsoft Partner Economic Value Indicator Survey
Partners with a deeper commitment to Microsoft achieve superior profitability and have higher revenue growth expectations

**Profitability** of Microsoft-related business by revenue share from Microsoft business (Europe)

<table>
<thead>
<tr>
<th>Share of Microsoft-related revenue</th>
<th>Gross margin</th>
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<tbody>
<tr>
<td>Low (1%–25%)</td>
<td>14%</td>
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<tr>
<td>Medium (26%–50%)</td>
<td>22%</td>
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<tr>
<td>High (51%–75%)</td>
<td>28%</td>
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<tr>
<td>Very high (&gt;75%)</td>
<td>30%</td>
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**Expected growth** in Microsoft-related business in 2022 by revenue share from Microsoft business (Europe)

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<th>Share of Microsoft-related revenue</th>
<th>2022 expected revenue growth</th>
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**MICROSOFT FOCUS DRIVES MARGINS**

European partners achieve stronger profitability as their overall business commitment to Microsoft grows. Partners deriving more than 75% of their total revenue from their business activities related to Microsoft achieve the highest margin (30%) on their Microsoft business. Conversely, partners with the lowest revenue share from their Microsoft-related activities (1%–25%) report an average gross margin of 14% in their Microsoft business.

**MICROSOFT FOCUS UNLOCKS GROWTH POTENTIAL**

European partners with the highest revenue share of their Microsoft business (>75%) are most optimistic about the growth prospects for this business, predicting 28% growth in 2022. In turn, European partners with the lowest share (1%–25%) of their Microsoft-related business activities in their revenue mix only expect this unit to grow 12% in 2022.

"Microsoft like working with us because we are dedicated to Microsoft — we will never work with or recommend an alternative vendor. We have a great deal of recognition from Microsoft, despite our limited size."

**Maxime Gouffé, CEO, MDW**
Joint engagements and strong commitment help partners unlock tangible business benefits

**CO-SELL AS A BUSINESS ACCELERATOR**

Deeper relationships drive better economic outcomes. A key example of this is the impact that partners see when going to market jointly with Microsoft. The Co-sell program is a critical business benefit that partners can tap into. Partners that leverage this opportunity experience tangible rewards.

Across Europe, partners that participate in co-sell motions reported higher revenue growth in 2021 (24%) compared to partners that do not engage in co-sell (15%). Co-selling partners are particularly optimistic about continued revenue growth in 2022, with an average of 32% anticipated.

Microsoft co-sell incentives for their field teams really help to drive the business. **Microsoft has really invested in IP co-sell motions** and we see clear benefits from this.

Ogi Stanovcic
General Manager Cloud, Open Systems

<table>
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<th>2021 revenue growth in business with Microsoft (Europe)</th>
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<td>Co-sell: 24%</td>
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<td>No co-sell: 15%</td>
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Partners that invest more in their own IP are growing faster; IP focus is a gateway to expanded market opportunities

IP INVESTMENT PAYS DIVIDENDS
Partners’ economic performance is stronger with growing IP focus in their business models. IP development requires dedicated and continued investments. Survey data underscores that partner investments in IP are consistently linked to positive economic outcomes. Partners that invest more than 10% of their revenue in IP development see faster revenue growth compared to partners with lower investment levels (10% or less).

One of the reasons we're focusing on specific industries is to create the opportunities to sell our own IP, which helps to increase our profitability. Our IP provides advantages in the sales cycle and helps us increase our win rate in the industries we focus on.

Dominic Haas, Managing Director, ORBIS

2021 revenue growth by ratio investment in IP (Europe)

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Key benefits support a strong partner ecosystem and differentiate Microsoft as a strategic supplier to partners in Switzerland

- Vendor selection is critical for every partner. Partners in Switzerland recognize a range of advantages and benefits that distinguish their relationship with Microsoft.
- Top differentiators that set Microsoft apart from other suppliers in the eyes of leading partner executives in Switzerland include:

  - Partner-centric business model
  - Open technology and innovation approach
  - Breadth of portfolio
  - Trusted brand and products
  - Vast existing customer base

“...We work with Microsoft because we believe in the vision of empowering people to achieve more. **We have trust in the relationship at a local level** and Microsoft is providing the innovative technologies that can empower our customers.”

Nicola Moresi, CEO, Moresi

“...Customers running Microsoft Cloud can be managed by any partner with the right skills. **We see many customers switching to us** because they are unhappy with the approach of legacy partners.”

Samuel Zürcher, Leading Expert & Partner, Experts Inside
The economic value that partners realize in their Microsoft relationship is linked to their level of engagement and investment, as well as their business focus.

The following four guiding principles for Microsoft partners in Switzerland can provide a pathway to enhanced profitability and growth:

1. **Invest in the Microsoft relationship.** The more-profitable partners consider their Microsoft relationship to be a strategic asset and invest the time, resources, and energy to maximize its value.

2. **Expand Microsoft Cloud engagement.** Partners with engagement across Microsoft Cloud solution areas are in a strong position to add value across use cases.

3. **Develop IP.** Partners that develop their own software and services command a higher impact to their overall economic prosperity relative to Microsoft.

4. **Engage Microsoft’s go-to-market engine and co-selling opportunities.** Successful partners engage with the Microsoft go-to-market offerings, with a special emphasis on Microsoft field-sales engagement.
Message from Microsoft

Andrew Reid, Global Partner Solutions Lead
Switzerland, Microsoft:

“With over 4,600 partners in Switzerland we truly can make more possible by empowering our joint customers of all sizes on their digital journeys in our country.”

Evolving the Microsoft Partner Network program

Building on our 30-year relationship with partners, we’re evolving to help grow your business and meet customers’ changing needs. Learn more about the new Microsoft Cloud Partner Program aligned to our six Cloud Solution Areas: Digital & App Innovation, Data & AI, Infrastructure, Business Applications, Modern Work and Security.

Grow your cloud business with Azure Marketplace

Azure Marketplace is a powerful channel to market and sell your cloud solutions certified to run on Azure. A great listing and a test experience will help you attract and engage customers. Learn how to maximize your listing’s impact and your go to market benefits.

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LEARN MORE
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