

Microsoft: "\$6 Wasted For Each \$1 of Our Software"

Written by Bob Snyder
28 April 2011

Apparently Microsoft does want to change the conversation.



In an interview with All Things D about Office 360, Microsoft EPG VP Ron Markezich wanted to explain his point: "...Microsoft's online services may appear to cost more than an on-premises software license. But over time, customers will save money they would otherwise have spent on installing and maintaining that software on premises."

Another comment... "If you look at the total industry spend, most of it is on activities where there's no value added. Every dollar you spend on software from Microsoft, you spend \$6 trying to get it to do anything."

So much truth lives between those two lines if you know how to lip-read. And those statements explain what could really go wrong with the cloud revolution from the Solution Provider point-of-view.

First, it explains how vendors will try to leverage higher prices from cloud to maintain as much of their margin from box-based business as possible. OK, we expected that...

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Second, the \$6 that Microsoft views as wasted, comes from integration, helpdesk and those other services that the channel (who sell 90% of the software for Microsoft) provide. In other words, it's our money, the channel service fees, that Microsoft wants in their pocket via cloud. "So every one of these customers, we see their total spend with Microsoft go up anywhere from 2X to 6X what it was before," says Markezich. That's right...the whole thinking seems to be that Microsoft shifts the money from channel pockets to theirs. That's how Microsoft hopes to keep its empire through this IT disruption known as cloud.

Third, no matter what most vendors say...the minute they have the customer and they don't think they need channel: they will drop you. You are not family...you are not blood-related. You are a vehicle to them...not a destination.

The Microsoft interview illuminates even more: "Every customer loves the cloud. In fact, a lot of customers are embracing the cloud because their CEO is hammering them, asking for it. But it's dangerous. What people love about the cloud is the fact that they don't have to worry about upgrades, they don't have to worry about hardware, and they don't have to do a big capital investment. The flip side is that as a customer you're now one voice of many, and a lot folks don't realize what that means in terms of support and feature requests. One customer doesn't get prioritized over another. The other thing is the sense of control. When you're running everything yourself, you know exactly what's going on. In the cloud, you're running with thousands of other customers and you have to rely on the provider to let you know what's going on. Some customers love it. Some struggle with it at first until they realize, for example, that they're benefiting from the scale."

Or in other words: in the cloud, a customer is just one of many, just part of the skyscape to a big vendor. Blowin' in the wind, so to speak.

What a master stroke...with cloud, Microsoft can reduce the power of their clients as well as their eventual need for the channel. It's a new world...

With all this analysis, you'd think I am not in favor of the cloud. Whether I am or not, the clouds are rolling in...and as a reseller you'd better accept that fact with me. What I do favor, however, is walking into the cloud with eyes WIDE open.

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The shift from reseller to Solution Provider means that you first have to provide a solution for yourself. You have to figure out what value you can add to the cloud/client formula that makes your vendors depend upon you...so that despite their best intention to dump you, they really can't afford to.

Some vendors will scream at this type of frank talk because it strips away their ability to pretend they care about you. And truly some channel executives do really care... but they care as individuals. It's their Company Boards, their CFOs...even shareholders...who don't care about you. When you strip away that veneer of civilization, when you peel it back from the raw skin, it hurts because it's true. And who would likes to think they are going around taking advantage of folk for a living?

Our real role in cloud will be to continue "integration" by finding the best of all competitors, trying to weave various vendor offerings into a Best-of-Class cocktail service. That may even mean working with PaaS and IaaS providers to offer our own cloud for certain basic services. Why give that away to the big brands when you can white label it from large providers...think of this as the cloud equivalent of an Apple having Foxconn build its award-winning products. We will be able to buy and taper services as specifically to our clients while big companies can only taper to larger groups.

While the cloud may reduce clients to one-of-many to a big vendor, each client will remain very important to us.



That \$6 that Microsoft talks about was never wasted. The market isn't that dumb. Those dollars (and euros in our case) were spent to improve upon a basic Microsoft product and that's probably how we will continue to make our living.

How best to prepare for cloud disruption? If you aren't already, start using cloud services in your own business as much as possible. Live the dream, walk the talk, swim in the same sea...but

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get everyone in your organization to experience cloud as much and as fast as possible.

For his sinful comments, Mr. Markezich appears here, dressed up in his Satan outfit, a channel devil. You can read his full interview by the link below.

Go [Ron Markezich Interview](#)