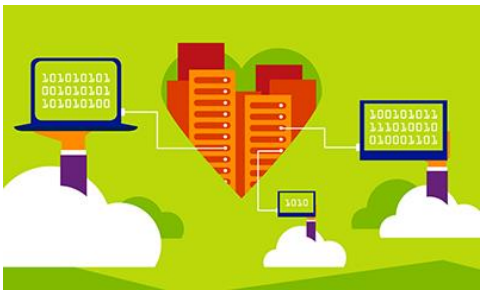
FY15 SPLA Reseller Playbook: **Transforming for Growth**

Business Development and GTM Tools for Expanding Your Microsoft Cloud Services Revenues

August 2014

Contents

Welcome SPLA-R!



Welcome to the FY15 SPLA Reseller Playbook, your primary resource for building out your SPLA reseller business.

Why This Playbook?

This playbook provides resources, requirements, definitions, guidance and best practices for selling Service Provider License Agreement (SPLA) licenses for Microsoft Cloud Services products to hosting service providers ("Hosters").

Because you are a SPLA Reseller (SPLA-R), this playbook can help you:

- Be **SUCCESSFUL** in recruiting, onboarding and equipping Hosters to sell SPLA licenses.
- Increase **REVENUE** by scaling SPLA license sales via multiple through-Hoster strategies.
- Stay **ALIGNED** with Microsoft SPLA Program operational excellence evaluation standards.

Empower Your SPLA Resale Business

Using this playbook and the other materials on this [drive/folder], you can:

- Learn about the current state of cloud services evolution at Microsoft and its role in the market.
- Develop a business plan to set your through-Hoster SPLA budget, growth and performance benchmarks
- Engage your Hosters in value- and revenue-driven conversations about selling Microsoft Cloud Services.
- Increase your SPLA resale business by identifying and executing on through-Hoster opportunities.
- Transform and grow your current SPLA resale business to become a trusted adviser to your Hosters.

Help Hosters Help Themselves

Your through-Hoster SPLA business plan will only be successful if you can help make your Hosters successful.

This [drive/folder] contains the following additional materials to help you execute through-Hoster SPLA sales:

- **Tele Discussion Guides** for talking to Hosters about reselling SPLA
- **Hoster-ready materials** to enable end customer sales (Tele Discussion Guide, Playbook, Campaign BOM)
- **SPLA-R Success Plan** infographic summarizing best practices for generating SPLA sales through Hosters

The Resources section at the end of this playbook includes additional links to helpful guidance and tools for SPLA-Rs.

The Cloud OS Opportunity

The IT market is always transforming itself. End customers, service providers, and Microsoft resellers are all aware of cloud-based IT services, but everyone seems to have a different story about what it means to them. Meanwhile, each segment seeks to benefit from the opportunity. End customers want the ingenuity and cost efficiency gains that hosted services promise, while resellers like you want a strategy for maximizing revenue.

As one of the world's largest hosters and developers of hosted technologies, Microsoft offers its partners many unique opportunities to profit from the hosted services supply chain at scale. The opportunity is constantly expanding as enterprise and SMB customers alike reevaluate their IT investments and look toward cloud-based solutions.

In the *mobile first, cloud first* era of IT computing, Microsoft channel partners like you are ideally positioned grow the hosted services market by selling SPLA-based hosted solutions through Hosters to end customers, generating exponential recurring revenue in the hosted services channel.

And it all starts with Cloud OS.

SPLA = Path to Revenue

With Cloud OS, Microsoft has created a comprehensive hosted services platform spanning a customer's on-premises infrastructure and their Hoster's platform to meet a variety of end customer requirements. In creating this platform, Microsoft has also built a profit engine designed to maximize channel partner revenue, based on a specific program for participation. The more Hosters you find to buy SPLA licenses and then market Cloud OS to their customers, the more your recurring SPLA-based revenues continue to expand.

As a SPLA-R, you profit from on this opportunity by:

1. Recruiting Hosters to sell Cloud OS services using the SPLA licensing framework
2. Executing programs that drive Hoster deployment of Cloud OS services
3. Identifying opportunities to convert existing Enterprise Agreements (EAs) to Cloud OS/SPLA
4. Reporting usage and revenue to Microsoft to achieve certified operational excellence

Your Hosters in turn profit from this opportunity by:

1. Working with you to acquire the SPLA licensing framework
2. Learning about the five Cloud OS-supported customer workloads and what they deliver
3. Deploying some or all workloads based on market opportunities and customer demand
4. Marketing and selling Cloud OS hosted services to their new and existing customers

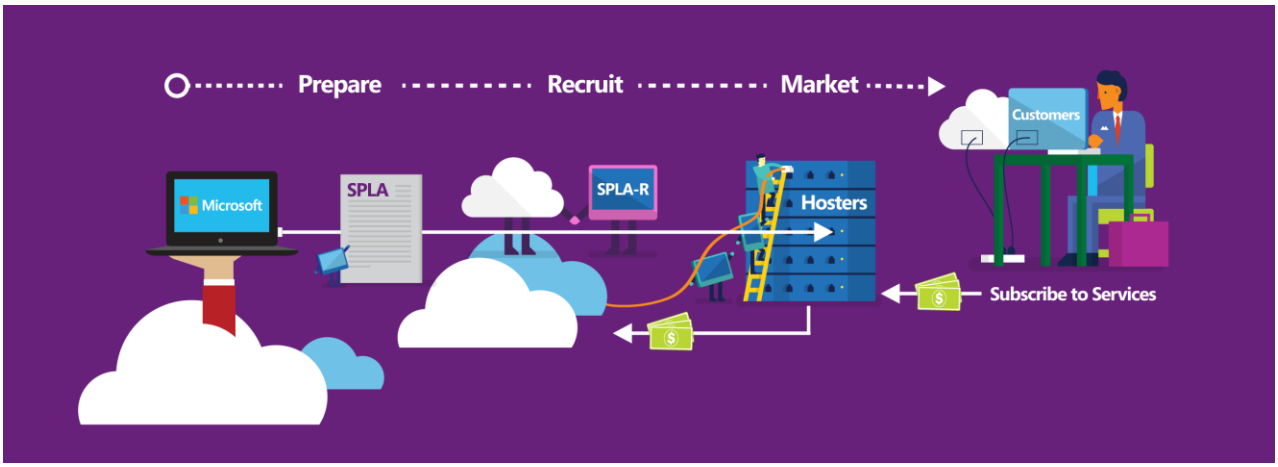


Fig. 1. Cloud OS enables the proliferation of license revenue within the Microsoft hosted services channel.

The details about SPLA revenue are described later in this playbook. For now, simply know this: By leveraging their customer relationships, your Hosters can use Cloud OS to increase their service offerings, and thereby their revenue streams through you. As you recruit more and more new Hosters and equip them to market and sell Cloud OS, you scale up your share of the hosted services revenue passing from customers to Microsoft through the channel. In this way, you and your Hosters *accelerate cloud transformation* both in your businesses and in the global marketplace.

What is Cloud OS?

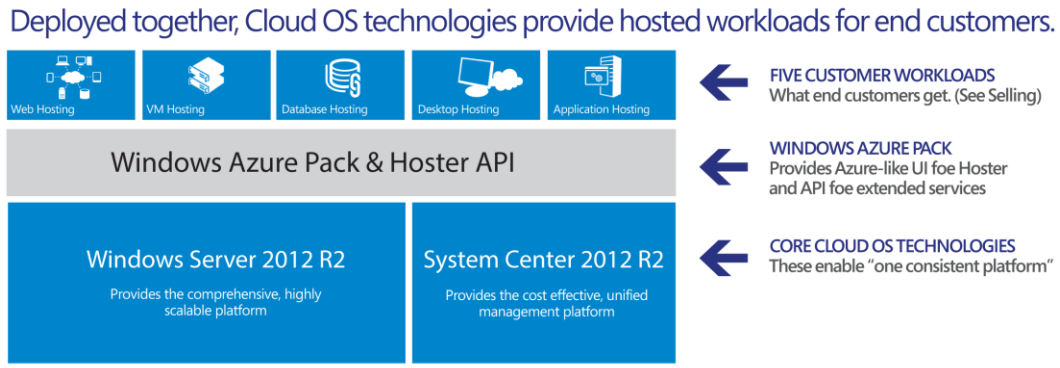


Fig. 2. Cloud OS high-level architecture, including enabled customer workloads.

Cloud OS uniquely enables a *single, consistent IT platform* across the three primary cloud environment types:

- **Private clouds** – residing within customer data centers
- **Third-party clouds** – hosted for the customer by Microsoft service providers (Hosters)
- **Public cloud** – hosted in Microsoft Azure

Increasingly, customers seek to use a combination of these clouds to support their IT needs, resulting in a *hybrid cloud environment*, configured as needed on a per-customer basis. The beauty of Cloud OS is that because it is based on Microsoft technologies, it still treats everything as one environment—even when it contains multiple hypervisors, such as VMware vSphere, Xen and Windows Server 2012 Hyper-V.

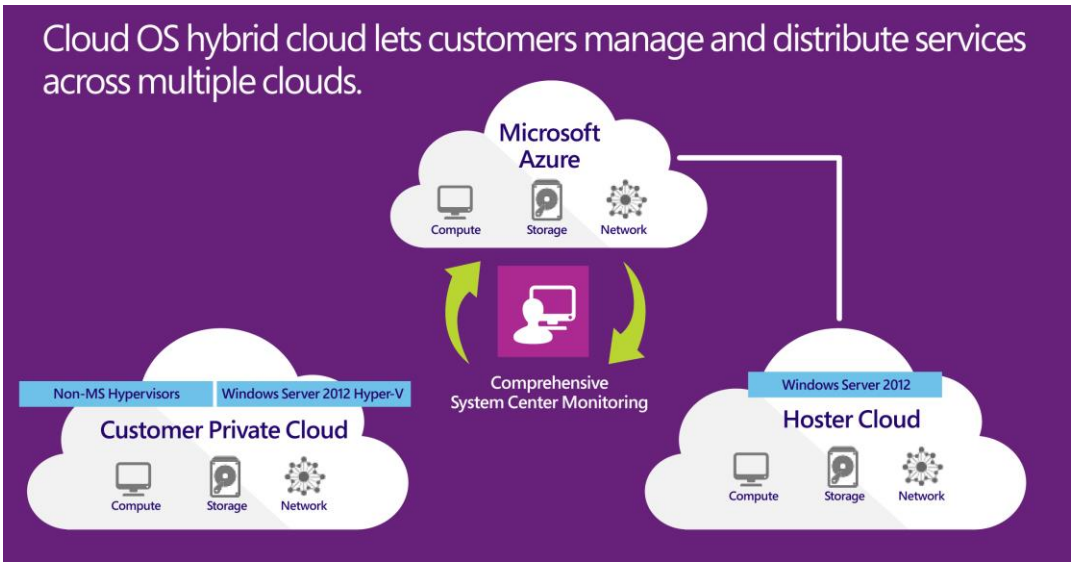


Fig 3. In Cloud OS, System Center manages all three cloud types and multiple hypervisors in a single, unified IT platform.

So, the Cloud OS value proposition that the Hoster can manage its hybrid cloud environment as a single platform using the features of the Cloud OS core technologies: Windows Server 2012 R2, Microsoft System Center, and Windows Azure Pack. In this way, Hosters can provide customers with more choice than ever before in bridging their on-premises IT investments to their strategic deployments in the cloud. This enables the Hoster to innovate faster, deliver new services and capabilities, improve market productivity, and lower infrastructure operating costs.

Capitalizing on Cloud OS

As cloud adoption accelerates and competition in the hosted services space increases, Microsoft cloud partners are poised to benefit—but only if they take the right action. Hosters must *differentiate their service offerings*, and SPLA-Rs must *enable the Hosters they work with* to do so.

If that sounds challenging, there's good news: Microsoft has the platform, history, and proven cloud track record to help partners capitalize on hosted services trends. Consider the following facts:

- Hosters already have the customer base for Cloud OS, and many Hosters are already running Windows Server.
- SPLA-Rs have the power to scale Cloud OS by recruiting and enabling Hosters, and selling them SPLA licenses.
- Microsoft builds the Cloud OS applications that many customers want and use on-premises already.

Given these assets, success can be achieved when all three players—Microsoft, SPLA-Rs, and Hosters—focus on a single strategy: Generating new, recurring revenue streams through a proliferation of Hoster Cloud OS offerings in the channel, and empowering Hosters to market and sell these offerings to meet customer demand.

There Is Already Momentum

The Microsoft SPLA-R and Hoster community is vibrant and growing fast:

- More than 5,000 new partners in 2014, including 16,500+ infrastructure hosting partners and nearly 10,000 application hosting partners.
- More than one-third of all virtualization hosting partners are now running Hyper-V.
- More than half of all enterprises use System Center, and usage is growing daily as Cloud OS demand increases.

One clear indicator of this trend is the increase in server order placement by Hosters. As the following figure shows, hosted x86 servers have a significantly increased market share over traditional enterprise servers.

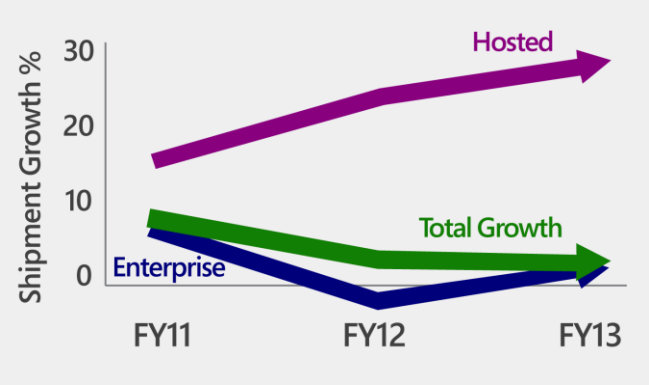


Fig. 4. Recent increase in hosted server demand over traditional enterprise servers. ***(Source: IDC Tracker 2013)***

This pattern tracks to the recent and projected growth in SPLA revenues among Hosters who already sell Cloud OS, shown in the following figure relative to market growth overall:

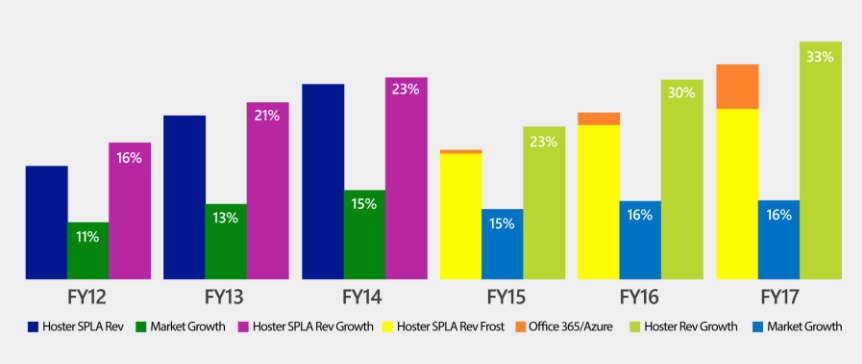


Fig. 5. Hoster revenue growth relative to market growth. ***(Source: Microsoft internal, 2012)***

Industry analysts are also taking notice. Gartner recently positioned Microsoft in the desirable "Leaders" section of its Magic Quadrant for Cloud Infrastructure as a Service (IaaS), recognizing Microsoft completeness of vision and execution ability.

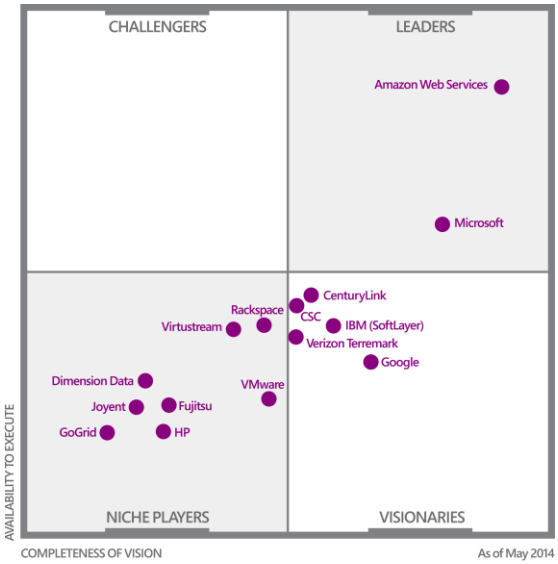


Fig. 6. Gartner Magic Quadrant for Cloud IaaS. ***(Source: Gartner May 2014)***

In its analysis, Gartner highlighted five key strengths in the Cloud OS offering:

- *Validation of the Microsoft vision* including seamless extension and interoperability with on-premises Microsoft customer infrastructure.
- *Leadership* including the Microsoft brand, existing customer relationships, deep investments in engineering, aggressive roadmap, and history of global-class Internet offerings.
- *Competitive pricing* including enterprise discounts and special pricing for Microsoft Developer Network (MSDN) subscribers.
- *Platform as a Service (PaaS) integration* using virtual machines that are integrated into the overall offering.
- *Windows Azure Pack* user interface providing an Azure-like experience for on-premises customer and Hoster infrastructure.

The overall momentum of Cloud OS can be summed up in the following data points:

- Hosted private cloud has the highest rate of growth for cloud-based infrastructure—32 percent of hosted spending in the past two years. The SMB growth rate is expected to reach 38 percent by 2017. *(Source: IDC Tracker 2013)*
- Private-plus-third-party (Hoster) cloud is the dominant hybrid model among 61 percent of hybrid cloud users. *(Source: 451 Research Group, March 2013 study of 2,050 SMB and enterprise customers)*
- SPLA hosting is growing at a rate of 3x faster than traditional Microsoft licensing. *(Source: Microsoft internal, 2012)*
- Cloud solutions are projected to constitute 45 percent of total IT spend by 2020. *(Source: Forrester Research)*

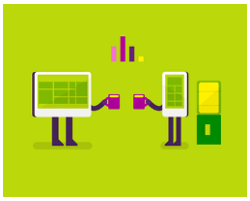
FY15 SPLA-R Incentives

Reselling SPLA is a win-win for Microsoft and SPLA-Rs. SPLA-R incentives for FY15 are focused on:

- Hoster recruitment
- Driving business by managing the Hosters you recruit

FY15 incentives for SPLA-Rs include:

- Rebates of up to 8 percent for on-time usage reporting of Non-Named Hosters
- Rebate of 2 percent to continue active management of Named Hosters
- Additional 1 percent accelerator based on quarter-over-quarter new Hoster growth



Note that Microsoft provides the generous 8 percent rebate incentive with the expectation that you will invest some of these dollars in Hoster recruitment and readiness planning in order to grow the hosted services market for Microsoft and for your business.

Mobile First, Cloud First: Driving Cloud OS Adoption

The SPLA licensing model enables Hosters to host Microsoft infrastructure products and applications on a pay-as-you-go basis with no annual contract for end customers. By selling SPLA licenses to Hosters, you enable them to deploy and sell Cloud OS services to their customers. So, growing the Cloud OS footprint in the Hoster community is key to capitalizing on SPLA revenues. Strategically, this means:

1. **Identifying and recruiting new Hosters to sell Cloud OS.** Each Hoster you recruit builds out its infrastructure using the core Cloud OS technologies (Windows Server, SQL Server, System Center, and Azure Pack).
2. **Assisting with Hoster business planning.** You review with Hosters the Cloud OS offerings that they can sell to their customer base. The Hosters then market, sell and deliver cloud services to customers on demand, reporting every customer's usage back to you on a monthly basis.

3. **Reporting through-Hoster usage revenues to Microsoft.** Each month, you aggregate the Hosters' usage reports and issue a purchase order (PO) to Microsoft. Microsoft pays you the channel incentives for the usage that you report. Meanwhile, you invoice the Hosters for their usage, and they invoice their customers.

As you recruit more Hosters and each Hoster deploys its services to customers, channel revenues continue to scale.

Strategies for Success

Fig. 7. Top 10 SPLA-R Best Practices for Through-Hoster Revenue Success

The following sections summarize the strategies for achieving success at growing your Cloud OS revenues as a SPLA-R. A later section, Achieving Operational Excellence, describes specific measurements for execution by Microsoft standards.

Develop a SPLA Business Plan

The best way to get started and stay on track with building your through-Hoster SPLA business is to work with Microsoft of developing a business plan. Use this plan to forecast your expectations for growth and performance, and tie these expectations to the five operational pillars in the Profile of Excellence. Make sure the business plan includes a committed budget for marketing and business development activities, including go-to-market (GTM) investments that will help you reach your recruitment and activation targets. You can also use this plan to check your business growth against quarterly business review (QBR) performance metrics throughout the fiscal year.

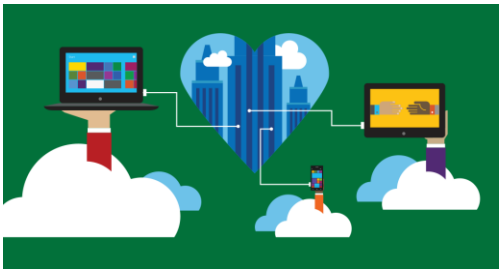
Recruit, Recruit, Recruit

As a SPLA-R, your business needs to be in constant Hoster recruitment mode in order to remain competitive. SPLA holds an estimated 55 percent penetration among Hosters globally, intensifying the competition for hosting platform sales as cloud services proliferate and become the preferred delivery mechanism for consumption of applications. Companies like VMware and technologies like Open Source are vying to capture Hoster infrastructure market share.

The following tactics have all proven to be highly effective Hoster recruitment tools:

- Recruiting events, webinars, roadshows, and boot camps
- Email and telemarketing campaigns
- Inclusion of SPLA in Office 365 and Cloud campaigns

Deploy, Deploy, Deploy



Recruiting and signing new hosters to SPLA agreements is only the beginning. Hosters technically have no financial commitment to Microsoft beyond a $100 monthly minimum, so it is crucial that SPLA-Rs take steps to ensure that each Hoster actually deploys the Microsoft hosting platform infrastructure after agreeing to do so. A Hoster who has not deployed and is reporting zero usage each month represents an empty cost overhead for the SPLA-R, who is obligated to provide ongoing support for up to six months without revenue, at which time the Hoster's agreement is automatically terminated.

Some SPLA-Rs can help alleviate Hoster deployment challenges by providing system integration services to the Hoster. This makes for a win-win because it creates an additional revenue stream for the SPLA-R while enabling the Hoster to get up and running to sell services to their end customers.

Identify Hoster Offerings

Part of preparing Hosters to succeed at selling Cloud OS is to make sure they are aware of all Microsoft offers, starting with the five primary workloads (see Selling Cloud OS Solutions) but also including new hosting offers, new solutions and products, and bundled licensing opportunities. This preparation assistance on the part of SPLA-Rs is critical to optimizing the Hoster's time-to-market and getting the Hoster to begin reporting as soon as possible. On average, this time-to-market is 90-120 days, but some subsidiaries have been able to reduce this to around 60 days by carefully orchestrating their Hoster recruitment and onboarding activities.

Note that many Hosters have already deployed Windows Server. To these Hosters, the message is: Add Cloud OS services to your existing Microsoft stack to create bundled solutions for your end customers.

Maintain On-Time Reporting, Licensing Compliance, and Monthly Reviews

Because Hosters using SPLA do not sign a commitment, usage reporting is the only feasible mechanism for capturing revenue. *On-time reporting* by SPLA-Rs (no later than the 15th of each month) is crucial in order to capture maximum channel incentives, which is 8 percent of the Microsoft PO value reflecting SPLA usage for the prior month.

Licensing compliance is also critical in the absence of a Hoster contract. Honor-based reporting leaves room for abusive practices, such as under-reporting or misreporting cheaper SKUs, as well as honest licensing errors due to rules complexities. The SMSP Hosting Service Provider (HSP) team estimates that compliance issues leave as much as an additional 25 percent revenue left on the table each month. It is the SPLA-R's responsibility to inspect usage reports, minimize the number of zero usage reports, and ensure that the correct licensing scenarios are being respected.

In addition to establishing a monthly reporting compliance rhythm and checking for licensing compliance, SPLA-Rs must also systematically *review all monthly reports* to check for the correct country of usage by the end customer.

Invest in Hoster GTM Strategies

Once the Microsoft Cloud infrastructure is deployed at the Hoster site and offers are in place, the Hoster needs go-to-market (GTM) strategies and activities to create demand generation from end customers for cloud services. Some of your Hosters will immediately be able to start marketing efforts to attract Cloud OS business. However, many Hosters lack the marketing expertise to develop and execute demand generation campaigns.

Bear in mind that the lack of Hoster awareness of GTM strategies represents an opportunity for you as a SPLA-R. In addition to building revenue through Hosters sales to end customers, you can develop additional lines of business by consulting with Hosters to create and implement their demand generation campaigns. By charging Hosters for these services, you can apply your channel marketing expertise in ways that benefit both you and your Hosters financially.

Microsoft has made tools and resources available to help support this motion including best practices, including:

- Hoster-ready GTM campaign assets for selling Microsoft Cloud to end customers
- Other Hoster-ready resources, including playbook and end customer tele discussion guide
- Additional Hoster assets and resources in the Microsoft Partner Marketing Center (PMC)

SPLA-Rs are free to leverage this content and to extend it to their Hosters to assist in driving demand, increasing end customer usage, and building recurring revenue streams. Microsoft also encourages SPLA-Rs to use these tools to conduct online Hoster training on the following topics:

- Creating awareness
- Search engine optimization (SEO)
- Utilizing tele discussion guides
- Driving social media results
- Co-opting and tailoring Microsoft Cloud OS campaign messaging

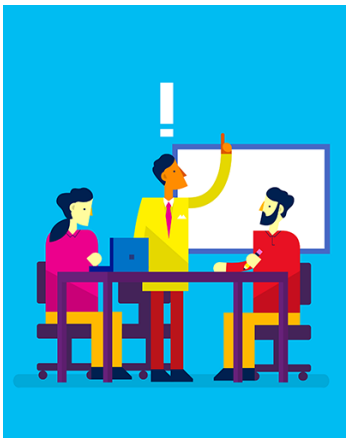
Dedicate a Staff Person or Team to SPLA

Because SPLA comprises many SKUs and interdependencies between SKUs for achieving licensing compliance, SPLA usage reporting is more operationally intensive than traditional volume licensing practices. For this reason, SPLA operations require a dedicated staff person to maintain efficiency and accuracy in your Cloud OS through-Hoster business. Request up-to-the-moment channel readiness content from Microsoft and use these materials to continue educating your SPLA team on a monthly basis.

Provide a Hoster "Welcome Kit"

Another effective strategy for aligning newly recruited Hosters with the Cloud OS channel sales vision is providing a Hoster Welcome Kit. Each SPLA-R can create a custom kit to suit its needs, but typical contents will include:

- Key technical and business issue SPLA-R and Microsoft contacts
- Training assets, including how to use the SPLA-R's reporting tools to report monthly end customer usage
- Deadline dates for reporting usage
- Access to the most updated price lists
- Billing details (CC info or PO process)
- Where and how to address specific licensing questions
- Answers to frequently asked questions (FAQs)



Develop a Hoster Onboarding Program

Some SPLA-Rs, realizing the significance of scaling Hoster recruitment, have developed onboarding programs that formally engage Hosters and guide them through the process of deploying Cloud OS for their end customers. By organizing the process into a series of requirements and steps, the SPLA-Rs provide a clear point of entry for the Hosters they recruit, as well as a way of setting Hoster expectations and tracking each Hoster's readiness to deploy. Most importantly, the onboarding program model also enables SPLA-Rs to scale its message and Cloud OS business model to many hosters via a repeatable "specify once, deploy many" Hoster-based Cloud OS footprint design.

If you build a Hoster onboarding program, consider including the following contents:

- Partner enrollment form, capturing basic critical information about the Hoster's business.
- Program overview, including the message to Hosters about what they're committing to, and summarizing the benefits to Hosters and their end customers.
- Program enrollment process overview, setting expectations for how the Hoster will onboard to Cloud OS.
- Program prerequisites, including some number of dedicated physical servers and an active SPLA agreement.
- Business planning guidance, telling Hosters how to create a Cloud OS business plan for the SPLA-R to review.
- Scope of the program engagement, including design/architecture, guided deployment, training, and support.
- Infrastructure requirements, including both hardware and software in the Hoster environment.
- Commercial model, describing how the Hoster and SPLA-R make revenue together via monthly reporting.

Use the Microsoft SPLA-R channel reporting tools

Microsoft provides an online toolset to assist with reporting and aggregating SPLA performance in your pipeline. These tools provide an easy way for you to document achievement of your recruitment and activation targets, as well as your progress toward Microsoft operational standards put forth in the Profile of Excellence.

Leverage Existing Enterprise Relationships

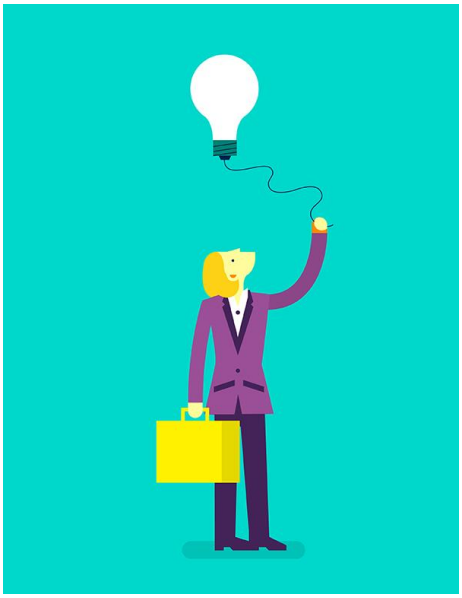
So far, this playbook has discussed engaging new and existing Hosters as a way of increasing Cloud OS revenues. This represents the primary strategic path to maximizing SPLA revenues through Hosters. But for SPLA-Rs who also manage Microsoft enterprise agreements (EAs) with large customers, there's another path as well—engaging enterprise customers directly, then redirecting them to Hosters based on the customer's interest in converting from on-premises solutions to a hybrid cloud.

Here's how it works:

1. If you're a Microsoft licensing solution provider (LSP), monitor your accounts for soon-to-expire EAs that involve Cloud OS core technologies (Windows Server, SQL Server, and System Center).
2. When discussing EA renewal options with an account, if the customer expresses an interest in pursuing a hybrid cloud solution in lieu of renewing its EA, tell the customer that you also resell SPLA licenses.
3. Describe the Cloud OS value proposition to the customer and direct them to a list of Hosters they can contact who offer Cloud OS solutions that meet the customer's hybrid cloud needs.

Additionally, if you're a Microsoft software asset management (SAM) provider, you can work with your enterprise accounts to audit existing licensing conditions at each account, and propose Cloud OS scenarios based on each customer's scenario.

Selling Cloud OS Solutions



Hosters are in a unique position to help grow Cloud OS channel revenues, First, most Hosters already have a Windows Server infrastructure in place. Second, they have an existing relationship with end customers that can be leveraged to address each customer's need for premium or upgraded hosted services.

The key to success, then, is enabling Hosters to expand their Cloud OS business. To do this, Hosters need to not only understand the basics of marketing Cloud OS services to end customers—they also need to understand how the various Cloud OS offers can be differentiated to provide unique value depending on a specific customer scenario.

In this way, reselling Cloud OS is a consultative, not a transactional, sale. Instead of matching some number of licenses to a customer's headcount, Hosters must apply the basic marketing principles of qualifying and targeting customers to determine their overall needs, and guide each customer to make the best decisions about which services the Hoster will provide.

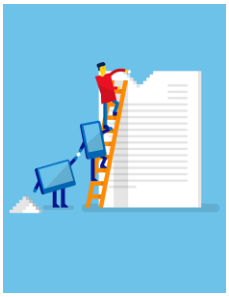
Hosters can offer up to five Cloud OS solution workloads to their end customers, depending on the Hoster's range of capabilities and the end customer's needs:

- **Web Hosting.** Web Hosting is the #1 hosted workload and is usually the foundational offering for most Service Providers. If your hosting partners are offering web hosting, ask them about their current hardware and software infrastructure—there may be an opportunity to modernize.
- **Infrastructure Hosting.** More businesses are turning to outsourcing providers for their IT infrastructure. Nearly 5 percent of the total server install base is expected to migrate to hosted infrastructure within the next five years. Hosters who resell this workload will consume not only SPLA licenses, but also a rapidly increasing amount of storage, server and networking hardware.
- **Database Hosting.** In the next wave of SQL Server investments, Microsoft is delivering its cloud-ready information platform to organizations looking to efficiently protect, unlock and scale the power of their data across the desktop, device, datacenter and private or public cloud.
- **Desktop Hosting.** Desktop hosting is an incredible opportunity for hosting service providers. IDC has forecasted the market at $87M in 2012 and its anticipated to grow to $661M by 2016.
- **Application Hosting.** Microsoft productivity workloads such as Exchange and SharePoint will experience the best performance on Windows Server 2012. By introducing Microsoft application hosting, Hosters have the opportunity for new recurring revenue and upgrade potential from older versions of Windows Server.

The design and differentiation of these workloads is being driven by broad changes in the end-customer IT market, including modern datacenter management, increased demand for collaboration tools, the fragmented workforce reality, and the explosion of big data.

The *FY15 Hoster Playbook* includes a section titled Selling Cloud OS Solutions, that discusses each of these workloads in detail, including each workload's benefits, what offers to sell, and what customers are likely to be interested.

About SPLA Licensing



The Services Provider License Agreement (SPLA) is the licensing engine that enables the whole Cloud OS sales motion throughout the Microsoft channel, from end customer to Hoster to SPLA Reseller to Microsoft. With SPLA, your organization can license Microsoft products and use these products to provide software services and hosted applications to your customers.

With SPLA, you are the licensee, not the customer. SPLA is intended for companies that want to offer hosted services to customers, such as web hosting, hosted applications, and hosted platform infrastructure.

Under SPLA, licenses are subscriptions that can be used during the agreement term in the following ways:

- **Per subscriber.** A Subscriber Access License (SAL) is required for each unique individual user or device that is authorized to access or otherwise use the licensed products. You do not need a separate server license.
- **Per processor.** Each Processor License (PL) allows an unlimited number of users to access the server software. You do not need separate SAL.
- **Per core.** Each Core License (CL) allows an unlimited number of users to access the server software installed on the licensed server with a determined number of physical cores for products licensed through a per-core model.

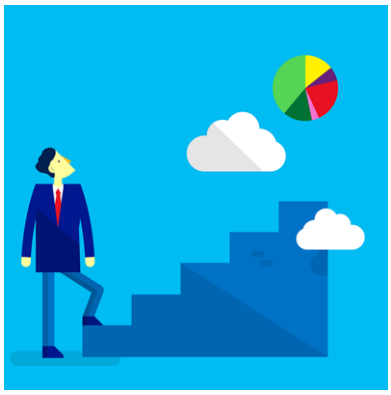
SPLA provides many benefits over per-seat traditional licensing models. With SPLA, you can:

- *Deliver a customized service.* Flexibility to deliver tailored IT services to your customers through a dedicated or shared hosting environment. Increase the value of your services by managing software use rights for your customers.
- *Pay as you go with no up-front costs.* Pay only for the products that you made available to your customers to use the previous month. There are no start-up costs or long-term commitments.
- *Access the most current product versions.* Give your customers the most current and capable Microsoft platform. Download your products at no charge through the Microsoft Volume Licensing Service Center (VLSC) instead of ordering physical media.
- *Offer software services worldwide.* Use Microsoft products to deliver software services to end customers in any part of the world where distribution is legally allowed.
- *Expand distribution capabilities through Software Services Resellers.* Expand business reach to small- and medium-sized end customers by providing software services through additional resellers.
- *Leverage Data Center Providers for infrastructure capabilities.* Have the option to focus on hosting your application solutions and acquire infrastructure as a service (IaaS) from a Data Center Provider.
- *Leverage Data Center Outsourcing.* Install Microsoft products on servers under the day-to-day management and control of an outsourcing company to deliver your software services based on your capacity and server management capabilities. The outsourcer can then perform data center administration, testing, and maintenance support services on the end customer's behalf.
- *"Try before you buy" licenses.* Test and evaluate products internally before offering them to your customers as a service.
- *Install at customer facilities.* Install Microsoft products on servers located on an end customer's premises under your management and control.
- *Offer demonstrations and evaluations.* You can have up to 50 active user IDs for service/product demos and give your customers a free 60-day trial period.
- *Include your affiliates under a single agreement.* Your affiliates do not have to sign a separate SPLA.
- *Expand your reach to academic institutions.* Potentially expand your business with specific price offerings available to your academic customers through the SPLA.

Positioning Cloud OS vs. the Competition

When positioning Cloud OS against its competitors, use the following data points to amplify your message:

- **Microsoft is cost-competitive.** Microsoft customers who sign a contract can receive their enterprise discount on the service, making it highly cost-competitive. Microsoft also extends special pricing to Microsoft Developer Network (MSDN) subscribers.
- **Cloud OS outperforms VMware.** Microsoft offers a complete cloud platform that out performs VMware and enables new opportunities for high profit services. Cloud OS offers a complete cloud platform built to meet the needs of service providers, and Microsoft works closely with its partners to uncover and build solutions for high profit hosting services.



- **Cloud OS outperforms OpenStack.** With OpenStack, partners are required to invest in developer resources to assemble various components into a customer-ready offer, then maintain this custom code as new versions of the components are released. By contrast, because Microsoft operates some of the world's largest datacenters and 24x7 cloud services, it has put those learnings directly into its infrastructure products, designing them to work together and to help get partners into production faster.
- **Cloud OS can coexist with Linux.** Many enterprise IT departments and service providers today run a mix of hypervisors, operating systems, and applications in their datacenter. Often, cross-platform migration is not technically possible.

  Although Linux is a Microsoft competitor, Cloud OS provides first-class citizen support for Linux as a guest. Designed to integrate well with heterogeneous IT environments, Windows Server 2012 R2 supports a cross-platform cloud infrastructure by adding comprehensive functional support and full dynamic memory support for Linux guests running on top of Hyper-V, including:

  - Minimum memory setting — ability to set a minimum value for the memory assigned to a virtual machine lower than the startup memory setting.
  - Hyper-V smart paging — paging used to enable a virtual machine to reboot while the Hyper-V host is under extreme memory pressure.
  - Memory ballooning — reclaiming unused memory from a virtual machine for another virtual machine with memory needs.
  - Runtime configuration — adjusting the minimum memory and maximum memory configuration setting on the fly, without requiring a reboot, while the virtual machine continues to run.
- **Amazon's solution is more siloed.** Compared to the integrated Cloud OS design, Amazon's services are more segmented and isolated within its IT solutions. By contrast, Microsoft customers get fully supported, enterprise grade, infrastructure and platform services that work consistently across a variety of cloud environments (local, Hoster and Azure).

  Cloud OS offers the following integration benefits over the Amazon IaaS solution:

  - *VM portability* – Microsoft Azure Virtual Machines use the same underlying format as Hyper-V, allowing customers to easily move their virtual machines easily between on and off – premises environments. If apps work with Hyper-V, they work with Virtual Machines. AWS converts into a proprietary format called AMI that runs in AWS cloud only. And the portability of AMI's is extremely restricted.
  - *Better by design* – Microsoft Azure Virtual Machines integrate with Microsoft Azure Storage. For example, Microsoft Azure drives are built on the same underlying Blob storage system and hence they inherit the durability of Blob storage. In AWS, instances use EBS which is a different system than S3. EBS doesn't carry an SLA and it does not inherit the durability of S3 object storage system.
  - *Better support* – For customers running supported Microsoft workloads, the entire stack is supported. If anything goes wrong, you only have to call one number to get it fixed.

- **Cloud OS features an integrated partner network.** The Cloud OS Network is a premier group of partners who work closely with Microsoft to both design and implement their solution as well as on how they go to market with it. This is a closer alignment than what you'll find with the VMware Service Provider Program (VSPP) or Amazon (APN) Those programs are designed to accept anyone who has deployed their technology with no assurance for the quality of service they will be able to deliver. And only the Cloud OS Network program enables the partner to provide customers with a complete hybrid cloud solution between all three clouds.

Achieving Operational Excellence

Operational excellence starts with effective onboarding of new hosting partners, and continues through accurate usage reporting, comprehensive license compliance, Hoster services deployment, and Hoster marketing readiness assistance.

Because SPLA comprises many SKUs and interdependencies between SKUs for achieving licensing compliance, SPLA usage reporting is more operationally intensive than traditional volume licensing practices. For this reason, SPLA operations require a dedicated staff person to maintain efficiency and accuracy in your Cloud OS through-Hoster business.

To help your dedicated SPLA usage reporting staff person achieve the most profitable and compliant operations, Microsoft developed the Profile of Excellence (PoE) for SPLA-Rs. The PoE provides guidance on how to optimize your SPLA business through the five main SPLA-R activities:

- Recruit Service Providers
- Reporting
- Licensing and Compliance
- Deploy Platform
- Offers/ Go-to-Market

The following diagram outlines Microsoft's expectations for SPLA-Rs to achieve operational excellence.

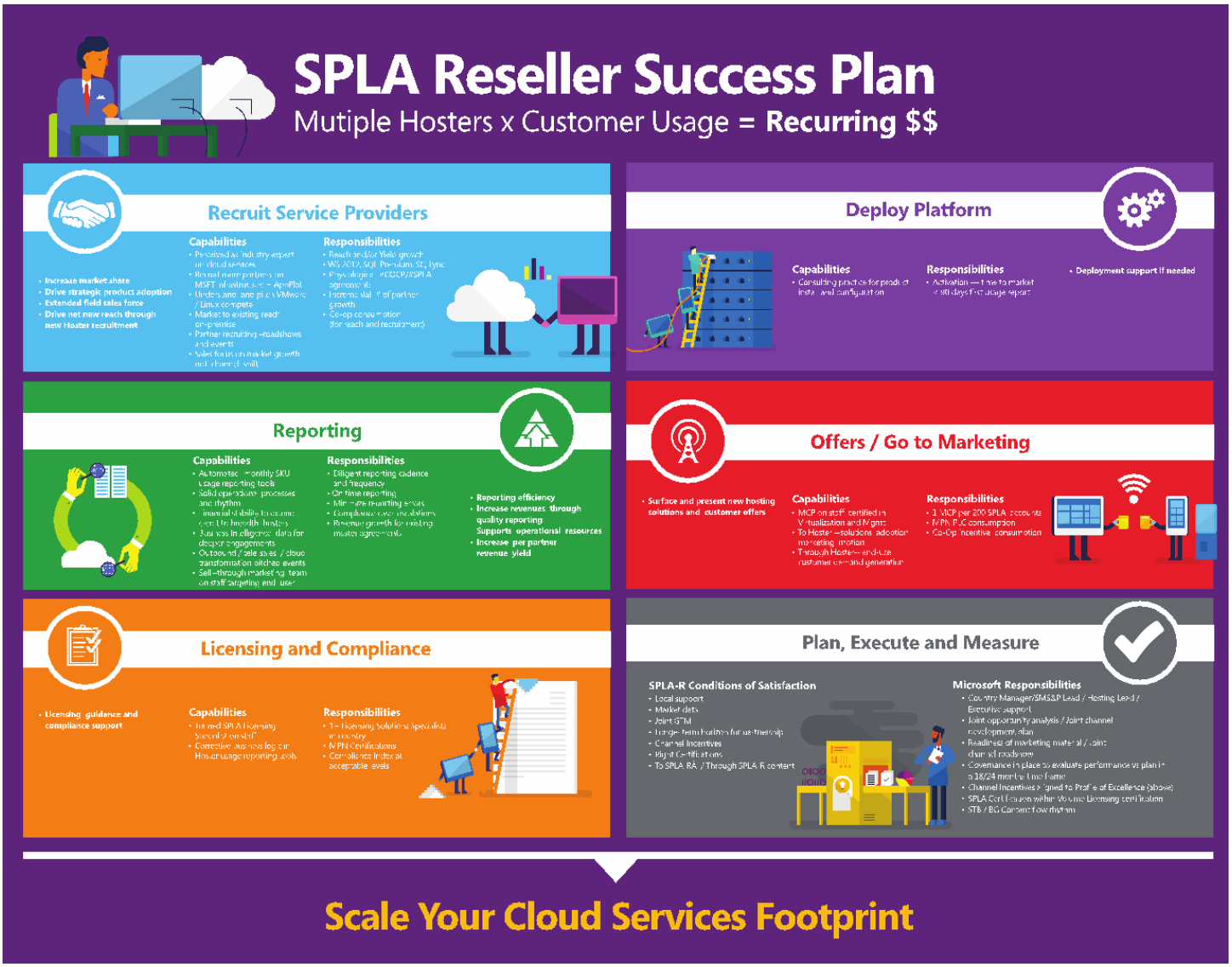


Fig. 8. Microsoft SPLA-R Profile of Excellence for SPLA usage reporting.

Resources

Helpful Links

- Microsoft Cloud OS: www.microsoft.com/cloud
- Microsoft Hosting: www.microsoft.com/hosting
- Microsoft Hosting Service Provider resources (in the Partner Marketing Center): https://readytogo.microsoft.com/global/_layouts/RTG/CampaignViewer.aspx?CampaignUrl=https://readytogo.microsoft.com/global/campaign/pages/hosting%20service%20provider%20(global).aspx
- Windows Azure Pack: www.microsoft.com/en-us/server-cloud/products/windows-azure-pack
- Microsoft Azure: azure.microsoft.com/en-us
- Microsoft Azure free trial: azure.microsoft.com/en-us/pricing/free-trial
- Developer information: http://msdn.microsoft.com

Microsoft Partner Network

The Microsoft Partner Network (MPN) is a business networking community and software repository for businesses who work with Microsoft. MPN offers three levels of enrollment for companies like yours to access resources and benefits. As an MPN member, you will have access to valuable marketing campaign assets, as well as community participation with large and small Microsoft partners all over the world.