

CASE STUDY

Premier Knowledge Solutions: Revisiting a Microsoft Information Worker Solutions Competency Partner

Sponsored by: Microsoft

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IN THIS PARTNER CASE STUDY

Smart IT vendors know that a healthy partner community is critical to their success. Since 2005, Microsoft has worked with IDC to research partner profitability and share the results with its partner community. The results of this research are very encouraging for Microsoft's partners (see next section).

To investigate how Microsoft's partners' businesses have evolved, in May 2008 IDC re-contacted sixteen Microsoft partners we originally interviewed in 2005/2006. Four of these companies (each with one of the four original Competencies we targeted) were selected to highlight their performance over time in the context of our original research. Readers are encouraged to use these case studies as examples of partners that are working with Microsoft to succeed in their respective business practices.

This IDC case study is the story of Premier Knowledge Solutions, a Microsoft Certified Gold partner in the US Midwest with the Information Worker, Business Intelligence, Learning, Security, and Data Management Solutions Competencies. We examine how Premier Knowledge Solutions has leveraged its Microsoft relationship to build its business, what lessons it has learned since 2005, and how it is positioning itself for future growth.

RECAP: PARTNER PATHWAYS TO PROFITABILITY

In 2005 and 2006, as part of a large initiative by Microsoft to investigate and better understand the importance of partner profitability, IDC surveyed over 1,000 companies (with and without a partner affiliation with Microsoft) and interviewed over 70 partners that had earned one of four Microsoft Partner Program Competencies: Advanced Infrastructure Solutions (AI), Information Worker Solutions (IW), ISV/Software Solutions (ISV), and Mobility Solutions. We measured and reported several key performance indicators (KPIs) designed to characterize the business performance of partners from four perspectives: overall company financial performance, business velocity, service fulfillment or productivity (depending on the type of company), and deal execution. Examples of KPIs include revenue growth, gross profit margin, operating profit margin, growth in number of customers, and average deal size. To provide context, IDC compared the KPIs of Microsoft's partners with the KPIs of benchmark companies with the same business focus.

IDC found that Microsoft partners with the AI or IW Competencies outperformed comparable industry benchmark companies on 12 of the 14 KPIs we measured. For partners with the ISV Competency, IDC found they outperformed benchmark ISVs whose primary operating system is Windows in 6 of 11 KPIs, and they outperformed benchmark ISVs whose primary operating system is something other than Windows in 10 of 11 KPIs. While IDC could not directly compare Microsoft's mobility solutions partners with benchmark companies at that time, we found that the sample of partners with the Mobility Solutions Competency we interviewed were experiencing strong business performance.

CASE STUDY: PREMIER KNOWLEDGE SOLUTIONS

Microsoft Certified Gold partner Premier Knowledge Solutions is located in St. Louis, MO, USA. Since 2005, its revenue has grown more than 50%, largely by leveraging training solutions based on Microsoft's broad product line. The company sees a bright future ahead, particularly in the areas of business intelligence, virtualization, mobility and cloud computing.

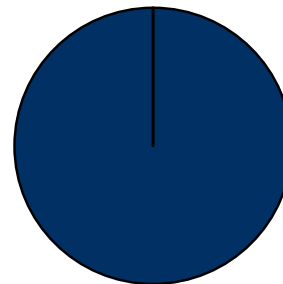
FIGURE 1

Premier Knowledge Solutions Business Profile

Company Profile

Business focus	Training solutions
Headquarters	St. Louis, USA
Revenue	\$3+ million USD
Revenue growth	22%
Employees	20
MSPP level	Gold Certified
MSPP competency	Information Worker Solutions
Competency revenue portion	70%

Revenue Breakdown



Services (100%)

Source: Premier Knowledge Solutions, 2008

Overview of the Company

Premier Knowledge Solutions (PKS) has developed a robust business providing training solutions to target customers in the Midwest USA. The company has 20 full-time employees, and fills peak demand with an additional four to six contractors.

Our original research with PKS focused on its business practice involving the IW Competency. While business based on this Competency contributes the majority of PKS' revenue, the company has invested in several other Microsoft Competencies as

well: Learning Solutions, Security Solutions, Data Management Solutions, and Business Intelligence (BI). By qualifying for and earning these Competencies, PKS is able to enhance its profile in the training area and to go to market with a focus on solution selling.

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About 20% of the company's business is in the small business area (up to 250 employees), 60% in the upper mid-market, and the remaining 20% in the enterprise space. As well, about a third of business is in the public sector, with the company employing product specialists for government accounts.

Drivers of Business Performance

PKS has invested in Information Worker Solutions and other Microsoft Competencies for a reason: these Competencies allow the company to demonstrate product knowledge to their customer base and differentiate itself from the competition. In addition, PKS has found it can significantly influence the purchase of Microsoft products. "We put a lot of skin in the game," says Richard Losciale, the company's president. "We prove out our competencies locally, and can show large account resellers that we can add velocity to their sales cycles by virtue of educating customers on future benefits. In effect, we can act as an extension of Microsoft's product technical specialists."

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As Microsoft rolls out more products with enhanced capabilities the demand for training is expected to increase, specifically in the BI space. "Microsoft's redoubled commitment to the BI space has led to more market share, and not just down market – it's in the enterprise sector as well," says Losciale.

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Best Practices and Lessons Learned

As a company focused on learning solutions for Microsoft, PKS considers one of its core best practices to be its ability to align itself with Microsoft's vision, and to articulate this to its customers. Given the size, diversity, and close integration of Microsoft's offerings, PKS is able to demonstrate to its customers how to leverage Microsoft's product interoperability to improve their efficiencies and enhance profitability.

Another best practice is resource management. According to Losciale, "We have to know how to allocate our resources, to know how much emphasis to put on our Security practice, on PerformancePoint, or on Business Intelligence for example. We aim for the lowest cost of entry and the highest potential for revenue."

Given that training on Microsoft products represents 82% of PKS' revenue, it's crucial that it be able to read business trends and to know how these will be reflected in product adoption. A great example is the company's decision to expand its knowledge of BI products, a product set that is quite complementary to the company's original IW focus. Revenue from the BI Competency line of business now represents 15% of total revenue, while the IW Competency line of business remains steady at 55% of total revenue, with total revenue growing by 50% in the past 3 years since IDC last spoke to the company. "We picked the right pony with Business Intelligence," says Losciale.

Revenue from the BI Competency line of business now represents 15% of total revenue.

PKS pays close attention to its own people, crediting at least some of its success to strong employee relations. "We have an ownership culture here," says the president. "Every employee can own 1% of the company; this means they care a bit more. We're a training company, so we take our own advice: we have lunch-and-learns and motivational training events. Given what we do, retention is extremely important."

TABLE 1

Premier Knowledge Solutions internal comparison: 2005 and 2008

	2005	2008 (est.)
Revenue (est. USD)	\$2 Million	\$3+ Million
Revenue Growth	17%	22%
Gross Profit Margin	60%	63.5%
Average Deal Size (USD)	\$5,000	\$7,200
Average Sales Cycle	1.5 months	1 month

Source: Premier Knowledge Solutions, 2008

The data provided in Table 1 show how PKS has made gains in revenue, gross profit margin, deal size, and sales cycle. This has happened as a result of a clear-minded focus on enhancing how the company goes to market. "We have gotten better at focused deal generation," says Losciale. "We have gone beyond a solution selling model and are now in an optimization model. We are better at discussing how customers can mature to readiness, and how to leverage their internal IT as a core business strength." This is a significant shift in focus, and an important message to send to customers: their IT department needn't be considered as a cost center or burden. This message combined with a focused line of training based on Microsoft's products has been well received by customers.

PKS has made gains in revenue, gross profit margin, deal size, and sales cycle.

As well, the company has greatly improved its lead qualification, and Microsoft has been a big part of the story. "We are all over Microsoft's 'Ready-to-Go-' Campaigns," says Losciale, referring to Microsoft's co-branded marketing materials and services. "We have moved beyond random demand generation and act more as an influencer. Now, instead of a half-day overview on SharePoint, we will do a 90 minute dive in the morning, then move to workflow automation for small- to mid-sized businesses, and in the afternoon perhaps go into customizing enterprise search functions." In short, the approach has shifted the company from shot-gunning feature benefits to looking specifically at optimal business case solutions.

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Future Outlook

There are two main factors shaping the company's future outlook: Microsoft's vision and product rollout, and macro-economic forces.

With respect to Microsoft's product strategy, Losciale states "For us the future is all about Windows Server 2008, Virtualization, and Terminal Services. The Microsoft

ecosystem is extremely dynamic. We also see big plays in Unified Communications, the System Center family of management products, and some middleware. SharePoint will continue to grow, as will BI as a democratizing tool.”

PKS also sees custom applications getting pushed down into the Information Worker space, and getting richer and easier to implement. As a result, the company will remain focused on Information Worker solutions.

Longer term, mobility and cloud computing are potential areas for future growth. “We have no commitments to mobility yet, but it’s a possibility – we’ve been invited to join the Mobile Communications Business (MCB) group. With respect to cloud computing, we are waiting on CRM and Office in the cloud, which we think will be very strong. We are looking at Silverlight, and Ajax, and lighter developer tools for customer readiness, so that we can train customers to customize configuration in the cloud. We see cloud computing not as a threat but as a slight shift in terms of how we train our customers,” says Losciale.

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From a macro-economic perspective, the Midwestern United States is being buffeted by some ill winds, but to date the effects have been modest. “We see a softness in the enterprise space,” says Losciale, “and also with small businesses. Interestingly, the mid-market seems to be OK. We are retrenching ourselves in the public sector to ride us through whatever softness may be occurring in the small and enterprise space.”

Conclusion

Over the past three years this Microsoft partner has honed its business by getting better at focusing its demand generation, sizing opportunities before they get into the pipeline, increasing deal size, and investing in a well-trained, mature sales force. Currently the company is focusing on the macro-economic climate and on how best to position itself with Microsoft. By emphasizing Information Worker and Business Intelligence, keeping abreast of developments at Microsoft, and leveraging co-marketing, customers are hearing the business case for training. Emerging areas such as virtualization, mobility and cloud computing represent the next wave of business opportunity for PKS.

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