
Why MSPs Prefer Microsoft 365 over Office 365

Three Words: Management, Management, Management | By Howard M. Cohen

The Reality of Software Margins

For many years, representatives of software companies have emphasized the profit margin available to resellers from their products. The margins they describe have always been somewhat of an illusion.

The reality is that they are telling you about the margin between the cost you pay to obtain their software licenses and the published manufacturer's suggested retail price (MSRP). It has been decades since anyone has sold software at MSRP. Many competitive retailers will gladly discount from an MSRP that produces a 40% to 50% margin down to a "street price" that provides perhaps 2%. Some will be satisfied earning basis points (fractional margin less than 1%) on the software they sell. Some software vendors provide "back-end" dollars in the form of rebates that supplement these miniscule margins.

If you're an MSP, it has probably been a long time since you worried about margins from software sales. Some MSPs have eliminated software and hardware sales entirely, pointing to operating expenses, credit costs, and the exposure to returns that make it an unprofitable business.

So what does this have to do with Office 365 and Microsoft 365, which are service subscriptions, not software products?

Where MSPs Make Their Money

Some MSPs have driven themselves out of business trying to earn income from products with little to no margins.

When interviewing software reps, smart MSPs ask more questions that focus on the customer services surrounding those software products:

- Can they make money consulting with the customer to strategically plan the deployment of the software?
- Can they make money assessing the customer's current state?
- Can they make money designing the future state solution?
- Can they make money installing the software?
- Can they make money migrating data from the existing system to the new one?
- Can they make money transitioning users from the existing system to the new one?
- Can they make money provisioning, deploying, and configuring the new system?
- Can they make money training users on the new platform?
- Can they make money providing user and platform support?

- Can they make money keeping the new platform secure?
- Can they make money monitoring and proactively managing the new platform?

These are the questions the smart MSP asks, because these are where those MSPs make their money.

When the new platform is based on a subscription-based SaaS solution such as Office 365 or Microsoft 365, the smart MSP also enjoys monthly recurring revenue (MRR) coming from the subscription, and from any related subscriptions like internet access and other utilities.

This is why so many resellers crossed the chasm to become MSPs. They knew profits came from managing the services their customers consumed, not the products that enabled those services.

Office 365 has grown to be a remarkably robust suite of services that goes far beyond just Microsoft Office.

“They’re Going to Eat Their Young”

When Microsoft first introduced their Business Productivity Online Suite (BPOS) in April 2009, partners were alarmed. They feared these new online versions of Microsoft Office would cannibalize their software sales, not to mention the servers those software products ran on.

They were right.

In October 2011 the name was changed to Microsoft Office 365 and the rise of the platform has continued to skyrocket ever since, becoming half of Microsoft’s stated core mission. When Satya Nadella first became CEO of Microsoft he declared that it would be “the productivity and platform company for the cloud-first, mobile-first world.” When he said ‘productivity’ he was referring to Office 365. Indeed, Microsoft is “all-in” to the cloud.

About Office 365

Far from the few web-based apps offered in the original BPOS platform, Office 365 has grown to be a remarkably robust suite of services that goes far beyond just Microsoft Office.

The Office 365 homepage explains, “Office 365 is a cloud-based subscription service that brings together the best tools for the way people work today. By combining best-in-class apps like Excel and Outlook with powerful cloud services like OneDrive and Microsoft Teams, Office 365 lets anyone create and share anywhere on any device.”

Office 365 more than fulfills that promise.

Most people think of Word, Excel, PowerPoint, OneNote, and Outlook when they think of Office 365. Many include SharePoint Online, Exchange Online, Skype for Business and OneDrive. Office 365 products now also include:

- Admin
- Bookings
- Business Center
- Calendar
- Delve
- Dynamics 365

- Flow
- MyAnalytics
- People
- Project
- StaffHub
- Sway
- To-Do
- Forms
- Outlook Customer Manager
- Planner
- Publisher
- Store
- Tasks
- Visio
- MileIQ
- Partner
- PowerApps
- Security & Compliance
- Stream
- Teams
- Yammer

Today's Office 365 delivers everything from business productivity to analytics to operations to customer management, robust communications in various media, and much more.

Office 365 from the MSP Perspective

It is unlikely that a business can succeed through subscription sales alone. Applying the MSP lens discussed earlier, Office 365 certainly offers the MSP opportunities to deliver excellent services surrounding the subscription:

Initial Assessment

Before any platform transition can be considered, it is vital to take a comprehensive inventory of the current state. What applications are in use by which user groups? What are each of the data assets? How much is each data asset worth? Where are they located? Which client devices are in use? What is the current network design? What internet and communication services are provisioned?

Strategic Planning and System Design

Any platform change is a major event with great potential for business disruption and the associated risks, so it must be considered and planned carefully by professionals. MSPs earn robust fees by consulting with clients to plan their transition to Office 365. Which applications will be introduced, when, and how? Which data assets will be migrated to the online platform and which to external archive? What applications currently in use can be discontinued, transitioned, re-platformed, or left as is? What is the current state and what is the desired future state?

Data, Document, and Mailbox Migration

A comprehensive migration plan must be developed and executed for each identified data asset, all documents, and the email accounts and mailboxes for each user. This must be accomplished without disruption to business operations and users must be able to access all their resources on day zero.

Provisioning and Deployment

Accounts must be provisioned and configured for each user. If the hardware inventory exposed any client devices that will not be adequate for use on the new platform, they must be upgraded or replaced. New and existing client devices are now re-configured to access the new services.

User Training

The most critical factor contributing to a successful platform migration is user adoption. Failure of users to readily and enthusiastically adopt the new platform can spell disaster. The best way to promote excellent user adoption is to train users thoroughly on the use of their new platform as close to the cutover as possible so they can apply their learnings immediately and be there to support them on day zero.

Support

As with any software services, readily available support is critical to ongoing success, and is perhaps the MSP's best and most profitable MRR opportunities.

About Microsoft 365

The Microsoft 365 homepage describes it as "A complete, intelligent solution, including Office 365, Windows 10, and Enterprise Mobility + Security, that empowers everyone to be creative and work together, securely."

Microsoft 365 effectively extends the services of Office 365 to include tools for the complete management of the users' operating system, management of their mobile devices, and management of effective security for the entire ensemble.

Note that the last sentence included the word "management" three times. This is at the core of the reason that this paper is titled "Why MSPs Prefer Microsoft 365 over Office 365."

Management tools do not work all by themselves. They require capable users to drive the most effectiveness, performance, and value from them. While it is possible that the customer may be able to use these tools themselves, isn't that the reason they hired an MSP in the first place?

Windows 10 in Microsoft 365

Windows 10 in Microsoft 365 provides all the tools you need to effectively manage the customer's entire environment, delivering intelligent security, simplified updates, flexible management, and enhanced productivity.

Enterprise Mobility and Security

Users want to work from wherever they are on whatever device they want to use. With Microsoft 365, you control identity and access to all cloud services by centrally managing single-sign-on across all devices. This enables comprehensive, intelligent, identity-driven protection against advanced attacks and threats, providing security for your customer's entire network and all data assets.

Whether your users prefer Apple iOS, Android, or Windows-driven mobile devices, you'll manage them from a single console. For greater control and improved support, encourage customers to choose to virtualize the user experience on these devices as well.

Any tool is only as good as the professional who wields it. This is as true for the MSP as it is for any other craftsman. You use tools like MigrationWiz to reliably migrate customer assets from their original platform to Microsoft 365. Once you have, leveraging the tools available in Microsoft 365 increase the value you've already delivered by providing Office 365.

Why MSPs Prefer Microsoft 365 over Office 365

Obviously, Microsoft 365 is not an alternative product to Office 365. Rather, it is an extension of it to include robust management and security services for the entire network, all data assets, and all client devices.

You became an MSP so you could transition from selling customers products you can obtain to selling those customers the things you can do for them that deliver high value.

Recommending and selling Microsoft 365 to your customers opens the door for you to deliver more services and value than ever before. Beyond application-based services and support, you now own responsibility for the operating system they depend upon, the management of their mobile and desktop devices, and the security that protects all of it.

Perhaps most important to note is that most services you provide around Office 365 offer one-time, upfront revenue that contributes significantly to bottom-line profitability. Meanwhile, services you deliver using the extensions available in Microsoft 365 produce more profitable MRR than the subscription itself. You're also demonstrating concern that their environment is always properly managed and thoroughly supported, and that they enjoy returns on their IT investments.

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