The Azure Marketplace Story

The WE GPS ISV team
Content

• What is (Azure) Marketplace?
• Why is Azure Marketplace relevant for both customer and ISV?
• How do I start the Azure Marketplace Journey?
(Azure) Marketplace is like an "App Store"
To meet customers’ new buying preferences and succeed at virtual selling, sales leaders must adopt a digital mindset.

B2B digital commerce, accelerated by the COVID-19 pandemic, is now top of mind for most sales organizations. Over the next five years, an even greater rise in digital interactions between buyers and suppliers will break traditional sales models.

The Gartner Future of Sales 2025 report predicts that by 2025, 80% of B2B sales interactions between suppliers and buyers will occur in digital channels. Chief sales officers (CSOs) and other senior sales leaders must accept that buying preferences have permanently changed and, as a result, so too will the role of sellers.

“Sales organizations must be able to sell to customers everywhere the customer expects to engage, interact and transact with suppliers”
STAMFORD, Conn., April 19, 2022

Gartner Forecasts Worldwide Public Cloud End-User Spending to Reach Nearly $500 Billion in 2022

SaaS remains the largest public cloud services market segment, forecasted to reach $176.6 billion in end-user spending in 2022. Gartner expects steady velocity within this segment, as enterprises take multiple routes to market with SaaS, for example via cloud marketplaces, and continue to break up larger, monolithic applications into composable parts for more efficient DevOps processes.

Table 1. Worldwide Public Cloud Services End-User Spending Forecast (Millions of U.S. Dollars)

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloud Business Process Services (BPaaS)</td>
<td>51,410</td>
<td>55,598</td>
<td>60,619</td>
</tr>
<tr>
<td>Cloud Application Infrastructure Services (PaaS)</td>
<td>86,943</td>
<td>109,623</td>
<td>136,404</td>
</tr>
<tr>
<td>Cloud Application Services (SaaS)</td>
<td>152,184</td>
<td>176,622</td>
<td>208,080</td>
</tr>
<tr>
<td>Cloud Management and Security Services</td>
<td>26,665</td>
<td>30,471</td>
<td>35,218</td>
</tr>
<tr>
<td>Cloud System Infrastructure Services (IaaS)</td>
<td>91,642</td>
<td>119,717</td>
<td>156,276</td>
</tr>
<tr>
<td>Desktop as a Service (DaaS)</td>
<td>2,072</td>
<td>2,623</td>
<td>3,244</td>
</tr>
<tr>
<td>Total Market</td>
<td><strong>410,915</strong></td>
<td><strong>494,654</strong></td>
<td><strong>599,840</strong></td>
</tr>
</tbody>
</table>

BPaaS = business process as a service; IaaS = infrastructure as a service; PaaS = platform as a service; SaaS = software as a service. Note: Totals may not add up due to rounding.

Source: Gartner (April 2022)
Top Reasons Buyers Buy on Cloud Marketplace

- 43% Leverage Committed Cloud Spend
- 42% Accelerate Time to Value
- 36% Simplify Procurement
- 32% Standardized Contracts
- 32% Fast Access to Tools

Aka “MACC”

Reduce number of SW vendors
(part of Azure invoice, invoiced by MS)

Survey Voices:
“[Marketplace] is a purchase vehicle that customers understand and can easily execute.”

Survey Voices: “This is highly visible within our C-suite ... and is gaining more traction. Our reps are proactively asking us for the ability to transact all solutions through the Marketplace.”
Why Software Companies Sell on Cloud Marketplaces

- 82% Access Buyers’ Pre-Committed Cloud Spend
- 77% Accelerate Deals with Easier Procurement
- 75% Advance Partnerships with Clouds
- 68% Improve Customer Acquisition

Aka “MACC”

Survey Voices: “The value [of Marketplace] is amazing because we want to provide our customers with the best experience. Giving them the ability to tap into committed cloud spend opens the door to larger deals and more opportunities to work with the customer.”
Why Azure Marketplace & **MACC**?

The Microsoft **Azure** **Consumption** **Commitment** (**MACC**) is a contractual commitment that your organization may have made to Microsoft Azure spend over time.

**Transact publishing option**

Choosing to sell through Microsoft takes advantage of Microsoft commerce capabilities and provides an end-to-end experience from discovery and evaluation to purchase and implementation. A **transactable offer** is one in which Microsoft facilitates the exchange of money for a software license on the publisher’s behalf. Transact offers are billed against an existing Microsoft subscription or credit card, allowing Microsoft to host cloud marketplace transactions on behalf of the publisher.

You choose the transact option when you create a new offer in Partner Center. This option will appear only if transact is available for your offer type.

**MACC program**

The Microsoft Azure Consumption Commitment (**MACC**) program is for transactable offers that are published to Azure Marketplace. **Azure Marketplace purchases of transactable offers** that are enrolled in this program **contribute towards an organization’s Microsoft Azure Consumption Commitment**

**Requirements for an offer to be enrolled in MACC**

An offer must meet the following requirements to be enrolled in the MACC program:

- Transactable with a pricing plan greater than $0
- **Note**
  - Free and BYOL (bring your own license) offers are **NOT** considered transactable.
  - Azure IP Co-sell Incentivized
  - Published live in Azure Marketplace

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**Marketplace purchase may contribute towards the MACC!**
Why Azure Marketplace & **Procurement**?

Lots of interest - or even demand - already today, especially from our largest customers.
If you need a recap 😊

(99+) Azure Marketplace - Start Simple but Start Now! | LinkedIn
The Five Steps to Azure Marketplace

Start Simple but Start Now!

If you are an ISV with a SaaS solution in Azure and not yet on Azure Marketplace, you should get there now! If you do your "homework" (as described below in the Preparation part), it will take 1-2 weeks or even less.

Don't over-engineer the Azure Marketplace journey

Using Azure Marketplace as a fully integrated (and automated) sales and delivery engine will be a game changer for all SaaS ISVs, but it will require significant investments in technology and especially in changing your organization - so start simple and grow as your organization learns how to sell on Marketplace.

Find the customer first

By experience, we know that your Marketplace journey will be much easier if you have a customer who is ready to buy your solution on Marketplace as it will be much more concrete, especially for the critical Finance and Legal part. Start with your existing customers or with customers with a MACC.

Focus on Private Offer's

For most ISVs, the Azure Marketplace journey will start with custom deals (pricing, terms etc.) to individual customers. Consider using the "Private Offer Shortcut", described later, if you primarily expect to use custom deals.

Don't let technology block you

This article will give you most of the technical details you need, but if you have a customer that wants to buy your product on Azure Marketplace and you need any help, reach out to your Microsoft contact - or to me - and we will help!
Terminology

**Offer (Product)**
A single unit representing an offer in Azure Marketplace. There's one offer per listing page in Azure Marketplace.

**Plan (Pricing Model)**
A single version of a particular offer.
There can be multiple plans for a given offer with different levels of pricing and/or terms.

**Private offer ("Deal")**
A custom deal with a specific customer with customized terms and pricing for one or more plans in Azure Marketplace.
Marketing

- Product Information
- Media
- Category, Industry
- Additional services (Implementation, Support, Consultancy ...)

Pricing

- Flat rate (Annual/Monthly)
- Public/Private Plan (Pricing/availability)
- Customer Meters (Billing Dimensions)
- Markets (Currency, VAT, Tax)
- Procurement Experience (MACC – One Invoice)
- Private Offer

Legal

- Microsoft Standard T&C’s
- Custom T&C’s

Technical

- Landing page (customer configuration)
- Webhook (customer events)
- AD Integration
- Publisher Portal
- Custom Meter Billing (if used)
- (much more for Integrated Offer)
SaaS Pricing Models

Offer + Plan

Pricing is per plan
May be flat rate or per user
May be monthly or annual
Usage based pricing (metered)
<table>
<thead>
<tr>
<th>Billing terms</th>
<th>Per month</th>
<th>Annual</th>
<th>One-time payment</th>
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</thead>
<tbody>
<tr>
<td>1 month</td>
<td>Same as 1 time payment</td>
<td>N/A</td>
<td>1 month paid upfront</td>
</tr>
<tr>
<td>1 year</td>
<td>12 equal payments</td>
<td>Same as 1 time payment</td>
<td>1 year paid upfront</td>
</tr>
<tr>
<td>2 years</td>
<td>24 equal payments</td>
<td>2 equal payments</td>
<td>2 years paid upfront</td>
</tr>
<tr>
<td>3 years</td>
<td>36 equal payments</td>
<td>3 equal payments</td>
<td>3 years paid upfront</td>
</tr>
</tbody>
</table>
Microsoft will handle “VAT and tax” in 55 markets (of 141)
Account Tax Scenario
Commercial Marketplace payout scenarios – End Customer Taxation

- Scenario two: Customer in a Microsoft-managed country purchases an offer (Publisher country irrelevant)

$500 Marketplace offer

Purchase Price + 10% Sales Tax/GST/VAT

Customer payment

Publisher Payout

Store Service Fee to Microsoft

MS Pays Tax to Tax Authority

$500

$50

$550

$485

$15

$50

Microsoft-managed countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Countries (cont.)</th>
<th>Countries (cont.)</th>
<th>Countries (cont.)</th>
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<td>Spain</td>
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<td>Ireland</td>
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<td>Germany</td>
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<td>Belgium</td>
<td>Greece</td>
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<tr>
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<td>Canada</td>
<td>Greece</td>
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<tr>
<td>France</td>
<td>Cyprus</td>
<td>Croatia</td>
<td>Croatia</td>
</tr>
</tbody>
</table>

Resource: Tax details for Microsoft commercial marketplace - Partner Center | Microsoft Docs
Multiple Plans from Multiple Offer Types

- **Standard VM offer**
  - Silver
  - Gold

- **Standard SaaS offer**
  - Silver
  - Gold

- **Private offer**
  - Silver VM
  - Gold SaaS

A specific customer can choose plans from different offer types.
The Private Offer Shortcut
Reduce the time/effort if you only expect to transact through Private Offers.

The Minimal Public Offer

• Marketing Shortcut
  • Focus on 'Must have" sections and minimize time/effort on "Nice to have".

• Legal Shortcut
  • Minimize time/effort on Legal section, maybe use Microsoft Standard T&C’s.

• Pricing Shortcut
  • Focus on getting the right structure in the Public Plan (=Pricing model); i.e.
    • Flat rate/user based
    • Potential custom meters
    • Market/currency

• Technology Shortcut
  • Start Small, but Start Now
  • Landing page + Webhook

The Private Offer Shortcut

• Marketing
  • The Private Offer will likely be sold 'outside' Azure Marketplace

• Legal
  • The Private Offer will have custom T&C’s, agreed with the specific customer

• Pricing
  • The Private Offer will have custom prices, agreed with the specific customer
  • Recommendation:
    • Use ZERO prices in your Public Plan!

• Technology
  • Don’t over-engineer
  • You can
**ISV Solutions from an ACR & MACC perspective**

**Non-Marketplace & Marketplace**

**Non-SaaS**
(Virtual Machines Licenses/Azure Applications)

- ISV solution (Non-SaaS)
  - ISV IP cost
  - ISV Add-on’s
  - Azure Infrastructure cost
  - Actual Azure cost in Customer tenant

- Payment by end customer
  - MS sends invoice to customer (“MP billed”)
  - ISV sends invoice to customer

- Decrement customer MACC (***)

- Payment by ISV
  - Estimated Azure cost
  - ISV Add-on’s (<10%)
  - Managed Service
  - Margin

**SAAS**

- ISV solution (SaaS)
  - ISV IP cost
  - ISV Add-on’s (<10%)
  - Managed Service
  - Estimated Azure cost
  - Margin

- Payment by end customer
  - MS sends invoice to customer (“MP billed”)

- Decrement customer MACC (***)

- Payment by ISV
  - Actual Azure cost in ISV tenant

(*) ACR = Azure Consumed Revenue  
(**) MACC = Microsoft Azure Customer Commitment  
(***) PRACR = Partner Reported ACR
Margin

ISV IP cost ("Licenses")

Consultancy (Support, Setup ...)

Managed Service

Azure cost
Before

1. Discuss Offer with Customer
2. Prepare Contract
   - Price
   - Payment terms
   - Other T&Cs
3. Send contract to Customer
4. Customer receives Contract
5. Customer signs contract
6. Customer sends PO
7. ISV setup solution
8. ISV handles/pays VAT and/or Tax
9. ISV books payment based on invoice/PO
10. Customer sends payment to ISV
11. ISV sends invoice to customer with ref to PO
12. Customer uses solution
13. ISV handles/pays VAT and/or Tax
After

Azure Portal
Partner Center
(recurring monthly)
Prepare Private Offer
- Price model
- Currency
- Other T&Cs
(Note: No payment terms)
Discuss Offer with Customer
Submit Private Offer to Microsoft

Customer receives Offer in their Azure Portal
Customer accepts Private Offer
Customer rejects Private Offer

Customer rejects Private Offer

Currencies
- Offer currency: EUR
- Customer invoice: GBP
- ISV payment: EUR

Scenario: Dutch ISV + UK Customer

(recurring monthly)
ISV setup solution
MS handles/pays VAT and/or Tax (selected countries)
ISV books payment based on usage info
MS sends invoice to customer
Customer uses solution
MS sends payment to ISV

Event | Description | Reporting Visibility | Timing
--- | --- | --- | ---
Month of transaction | Customer buys a service | Order dashboard | Month 1
Transaction reported | Determine store service fee and calculate earnings | Marked Unprocessed in Transaction History in the transaction history | Month 2
Prepare payout | Earnings are prepared for monthly payment | Marked Upcoming in Transaction History in the transaction history | Month 2 (First week)
Payout sent | Payment is sent to publisher | Marked Sent in Transaction History and in the Payments section of the transaction history | Month 2 (no later than the 15th)
Invoice paid by customer | Microsoft collects payment from customer | No change | Month 3 through 12
Enterprise Agreement (EA) Order/Subscription Payment Schedule

Month 1

Customer buys a service

Month 2

1st week:
- Payout posted: Unprocessed status
- Prepare payout: Upcoming status
15th: Payout sent

Microsoft Customer Agreement (MCA), CSP, GTM Order/Subscription Payment Schedule

Month 1

Customer buys a service

Month 2

5th: Microsoft bills customer

Month 3

- Customer pays invoice
- Payout posted: Unprocessed status

Month 4

1st week:
- Payout posted: Unprocessed status
- Prepare payout: Upcoming status
15th: Payout sent

*Credit Card has additional 30 day hold before prepare payout.
Main Takeaway’s

• Two main customer arguments for Azure Marketplace
  • Leverage a MACC
  • Improved procurement

• Technology is 1% of the work
  • At least until you get to ”Integrated Offer”

• Use the Private Offer Shortcut
  • Most ISVs will always use Private Offers
  • Scale ISVs may use Public Offer

• Consider to position your next opportunity as a Private Offer
  • Your customer will likely be very interested
  • You will get all the support you need from Microsoft, business wise and technically
Pricing model
Prices input in USD are converted to market-specific currencies using current exchange rates when saved. You can also use price export and import to review and set market specific prices. The pricing model and prices cannot be changed once the offer is published. In addition, all plans for the same

- Flat rate
- Per User

Billing term
- Monthly
  - USD per month
- Annual
  - USD per year

Marketplace Metering Service dimensions
Define the dimensions that your service will use to emit usage events to charge customers who exceed the included quantity. Once published, dimensions for a plan cannot be changed. All dimension details except for prices and included quantities are shared across all plans.

<table>
<thead>
<tr>
<th>Enabled ID</th>
<th>Display Name</th>
<th>Unit of Measure</th>
<th>Price per unit in USD</th>
<th>Monthly quantity included in base</th>
<th>Annual quantity included in base</th>
<th>Remove</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>add ons</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
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</tbody>
</table>

Add another Dimension (Max 30)
Export pricing data
Import pricing data

Select your markets and save your pricing changes to enable export of pricing data.

Free Trial
Free trial cannot be used in combination with custom meter dimensions.

Plan visibility
- Public
- Private

This plan will be available to the audience configured below. Private plans will only be visible in the Azure Portal. Use the import audience option for more than 10 Azure AD tenant IDs. Private plans cannot be extended to partners in the CSP program.

Restricted Audience (Tenant IDs)

<table>
<thead>
<tr>
<th>Tenant ID</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>client1azureid</td>
<td>client 1</td>
</tr>
</tbody>
</table>
A Potential Webhook Architecture for Manual Fulfillment Scenarios
A Potential Webhook Architecture for Automated Fulfillment Scenarios

- **Azure Marketplace**
  - SaaS APIs
  - SaaS Client Libraries

- **Your Webhook**: POST 202

- **SaaS Solution**
  - New Customer Tenant Config

- **Queue**: Reads
  - Automated Account Creation Process

- **Subscription Data**

- **Publisher Portal**: Reads/Writes
Pricing and Currency

- Commercial marketplace offerings can be purchased in 141 geographies as defined by the customer's billing address, and transactions can be completed in 17 currencies.

- Prices set in United States Dollars (USD) are converted into the local currency of all selected markets using the current exchange rates when saved. ISV can upload prices in local currency as well.

- Customer will see the listing price in their local currency based on their billing address whenever they view or purchase the offer. This price shown to the customer doesn’t change.

- Customer will be billed in their agreement billing currency which could differ from their local currency. Listing price in local currency will be converted into billing currency using the exchange rate of the transaction month.

- ISVs will receive the payment in currency selected in Partner Center, which will be the transaction amount billed to the customer in customer billing currency – agency fee, converted to ISV payout currency using the exchange rate of the transaction month.

EA transactions for orders/subscriptions.

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
<th>Reporting Visibility</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month of transaction</td>
<td>Customer buys a service</td>
<td>Order dashboard</td>
<td>Month 1</td>
</tr>
<tr>
<td>Transaction reported</td>
<td>Determine store service fee and calculate earnings</td>
<td>Marked <em>Unprocessed</em> in <em>Transaction History</em> in the transaction history</td>
<td>Month 2</td>
</tr>
<tr>
<td>Prepare payout</td>
<td>Earnings are prepared for monthly payment</td>
<td>Marked <em>Upcoming</em> in <em>Transaction History</em> in the transaction history</td>
<td>Month 2 (First week)</td>
</tr>
<tr>
<td>Payout sent</td>
<td>Payment is sent to publisher</td>
<td>Marked <em>Sent</em> in <em>Transaction History</em> and in the Payments section of the transaction history</td>
<td>Month 2 (no later than the 15th)</td>
</tr>
<tr>
<td>Invoice paid by customer</td>
<td>Microsoft collects payment from customer</td>
<td>No change</td>
<td>Month 3 through 12</td>
</tr>
</tbody>
</table>

![Enterprise Agreement (EA) Order/Subscription Payment Schedule](image)

1st week:
- Payout posted: *Unprocessed status*
- Prepare payout: *Upcoming status*
**EA transactions for usage**

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
<th>Reporting Visibility</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Usage</td>
<td>Customer uses a service.</td>
<td>Usage dashboard</td>
<td>Month 1</td>
</tr>
<tr>
<td>Microsoft calculates billing amount</td>
<td>Determine total usage over previous month period.*</td>
<td>Usage dashboard</td>
<td>Month 2</td>
</tr>
<tr>
<td>Transaction reported</td>
<td>Determine agency fee and payout earnings.</td>
<td>Marked <em>Unprocessed in Transaction History</em> in the transaction history.</td>
<td>Month 3 (First week)</td>
</tr>
<tr>
<td>Prepare payout</td>
<td>Earnings are prepared for monthly payment.</td>
<td>Marked <em>Upcoming in Transaction History</em> in the transaction history.</td>
<td>Month 3 (First week)</td>
</tr>
<tr>
<td>Payout sent</td>
<td>Payment is sent to publisher.</td>
<td>Marked <em>Sent in Transaction History</em> and in the Payments section of the transaction history.</td>
<td>Month 3 (no later than the 15th)</td>
</tr>
<tr>
<td>Invoice paid by customer</td>
<td>Microsoft collects payment from customer.</td>
<td>No change</td>
<td>Months 4 through 12</td>
</tr>
</tbody>
</table>

* Usage date in reporting shows as beginning of the month in which the usage occurred (for example, 10/1 for usage that occurred anytime in October). The payout date is in Pacific Standard Time (PST).
Reporting

Partner Center payments page also shows **transactions at a line-item level**:

- The **Transaction history** page allows filtering that enables ISVs to display certain transactions in the UI or export in a spreadsheet.

- **Payout Statuses** in Partner Center reporting:
  - **Unprocessed** = Transaction(s) not included in a payout
  - **Upcoming** = Transaction(s) included in a payout that are in process; still awaiting validation and approval
  - **Reprocessing** = Transaction(s) that were previously in an Upcoming state, but are now being re-evaluated
  - **Sent** = Transaction(s) included in a payout that have been disbursed

- **Estimated Payout month** is provided in this report for each transaction

[Transaction history - Partner Center | Microsoft Learn]