



Microsoft and Ethofy Adds Value to OEM Licenses to Boost OEM revenue by 26%



Introduction

Microsoft was looking for ways to boost sales in several key vertical segments in its local OEM channel. For a solution, Microsoft turned to marketing partner Ethofy. Ethofy strategized a program alongside Microsoft and developed a turnkey solution on top of the successful Ethofy Inspired Marketing platform. The solution increased the value of licenses for mid-sized OEMs by providing free hardware to their customers. As a result, Microsoft exceeded expectations of OEM participation, licenses sold, and return on investment—and gained the increased loyalty of OEMs.

Situation

When the companies in your distribution channel do well, you do well. Growing specialized vertical markets gave Microsoft and its OEM partners a new opportunity to collaborate.

When local OEM partners began to request new promotional opportunities to capture more sales from specialized markets, including healthcare, education and government sectors, Microsoft listened.

When PC manufacturers wanted a way to differentiate their services and PC sales in an ever-growing marketplace. With customers, especially volume customers, seeking the best return on their purchase dollars, PC Builders turned to Microsoft for help building a competitive advantage.

To come up with a solution, Microsoft engaged the services of its long-time marketing partner, Ethofy, which had in-depth experience in providing services & marketing solutions for the channel. Together, the companies evaluated several strategies and developed a promising approach: Though they couldn't change the price of the license offered to mid-sized OEMs, they could increase the value of that license— by delivering additional benefits to the PC's OEMs sold their customers.

“We looked at various approaches to increasing the value of the license,” says Dan Frumin, CEO and CTO of Ethofy. “More than adding online services, discounted air tickets, or home software, the thing that customers consistently wanted was computer hardware. Our response evolved into offering free hardware along with the software license.”

Ethofy conducted a pilot for Microsoft which validated the idea, but the two companies still had concerns. Microsoft and Ethofy didn't know what or how much hardware they would need for the program until orders were placed—and then fulfilling those orders required several additional weeks. Administering the program was a time-consuming manual process. OEM partners were burdened by having to inform customers of their hardware options, communicate their choices back to Microsoft, and ultimately shipping the hardware to their customers. Both Ethofy and Microsoft thought that automating part of the process could be more efficient.

Could Ethofy turn a promising idea into a successful program?

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Kunal Sikka

Windows Marketing Lead for the
Microsoft US OEM Team

Solution

As part of its comprehensive channel services, Ethofy conducted a survey of Microsoft’s OEM partners. “We got a lot of good feedback from the partners,” says Kunal Sikka, Windows Marketing Lead for the Microsoft US OEM Team. “We bounced ideas off the partners. It made them feel invested in the program. It furthered their sense of commitment to the program and to Microsoft.”

Ethofy used the partner feedback to help shape what became Microsoft’s Value Advantage for Verticals program. “It was a value advantage for partners because it gave them a way to offer PCs more advantageously than their competition,” says Sikka. “It was a value advantage for customers because they were getting more for their money. And ultimately it was a value advantage for Microsoft because it drove higher revenue.”

To address the issues identified by the pilot, Ethofy created and implemented two innovations: a reservation system for orders and an online store at which customers could shop for their free hardware.

OEM partners use the online reservations system to reserve hardware for their customers as soon as customer orders are in their pipelines. The Ethofy automated solution reviews the partners’ documentation. Once approved, the solution sends e-mail to the customers telling them how they can obtain their free hardware, provides a link to the online store, and alerts the partner that a customer’s order has received approval.

Customers earn points based on the volume of their purchases can use their points to select a variety of products, including flash drives, printers, and digital projectors. The redemption store is structured like an online consumer shopping site. Customers make their selections online and Ethofy fulfills the orders. Customers receive their merchandise within days and the partners are kept informed of the status of redemptions throughout the process.

To further support the program, Ethofy also used modules from its Inspired Marketing solution, including Collateral Customizer, Content Syndicator, and Partner Store, to give partners collateral to promote the Value Advantage for Verticals program directly to their customers. Partners obtain customized marketing collateral and automatically updating web content through an easy-to-use online partner portal.

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Benefits

The Value Advantage for Verticals program was a success according to all metrics that Microsoft used. The number of participating partners exceeded budget expectations by 30 percent; the number of licenses sold exceeded expectations by 26 percent; and the return on investment of marketing dollars exceeded expectations by 8 percent.

“We are very pleased with the performance of the program and plan to bring it back,” says Sikka.

He and his team aren’t the only ones happy with the results. The Microsoft sales force, which brought the offers to partners, praised the pilot and invested its time in making the first full run of the program a success. Partners, the inspiration for the program, were also pleased.

“Our mid-sized partners saw we were addressing their concerns and increasing their competitiveness,” says Sikka. “They liked that we relieved them of the burden of coordinating offers and shipping merchandise. Giving their customers direct involvement in the program increased the customers’ sense of ownership and interest in the program, yet partners were fully informed of status updates throughout.”

Microsoft management took notice of the program too, especially its ability to estimate pipeline orders up to six weeks in advance. “From a budgetary and revenue standpoint, this was a highly predictable program,” says Sikka. “That impressed management. It was definitely recognized as a best practice. Our worldwide OEM group is now looking at how it can replicate our results.”

Sikka is quick to give credit to Ethofy. “Throughout, they acted like part of the team, not like a vendor,” he says. “They strategized right along with us, and gave us turnkey implementation. Quite a few vendors approached us about supporting this program, but no other marketing company has the Ethofy skill set. They are an integral part of our success.”

