

A Canalys Special Report

Microsoft Sentinel Partner Ecosystem Multiplier Study

October 2024

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Note: all statements are based on responses from surveyed partners; \$ is US dollar

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Executive summary

Study outline

The shift toward public cloud continues, with US\$82 billion spent on cloud infrastructure services worldwide in Q3 2024 alone, according to Canalys estimates. Traditional security information and event management (SIEM) is being challenged by cloud-native systems, such as Microsoft Sentinel. These offerings can help scale and provide the necessary flexibility within cloud environments that customers are looking for as they face increasing cyber-threats. To fully migrate and integrate platforms such as Microsoft Sentinel, customers rely heavily on the wider Microsoft partner ecosystem to guide them through their SIEM migrations and transformations. These migrations and transformations provide opportunities for Microsoft partners to generate significant revenue from services and solutions tied to Microsoft Sentinel. Canalys refers to these opportunities as the **Partner Ecosystem Multiplier (PEM)**.

To help Microsoft identify the PEM impact of Microsoft Sentinel, Canalys conducted an in-depth worldwide study. Canalys unpacked the diverse services segments through which Microsoft partners can add value to Microsoft Sentinel customers via their support and services. Partner engagement, business models and capabilities were all considered when assessing the Microsoft Sentinel PEM. Multiple factors affect the PEM, including the breadth, maturity and complexity of a partner's service offerings, the partner's size and geographic market dynamics. This study will highlight the value of the Microsoft Sentinel PEM and look in detail at the component elements and the degree of variation identified in the ecosystem.

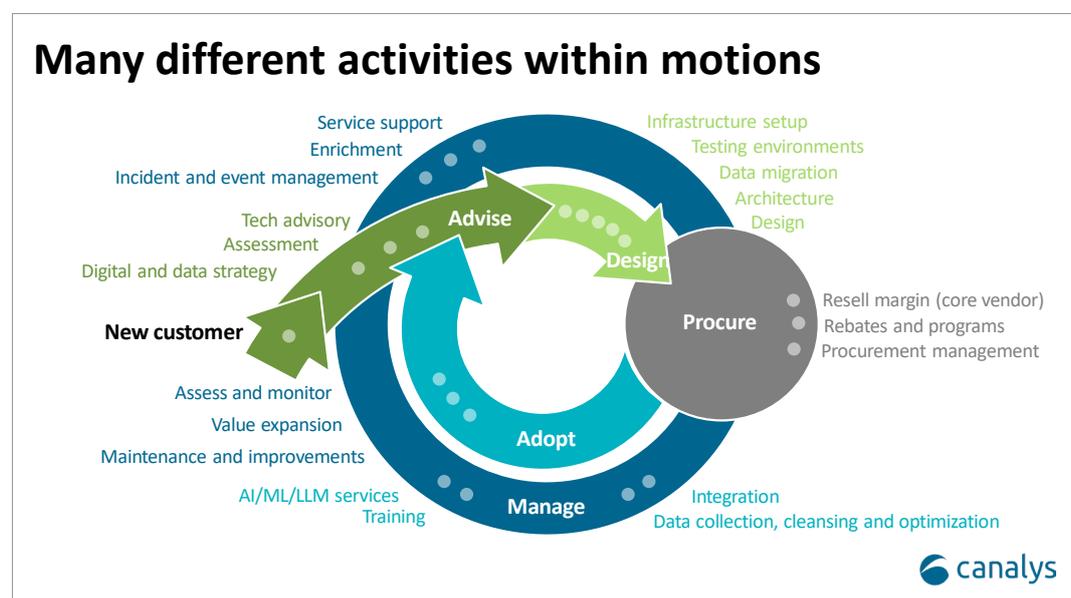
Research methodology

Canalys conducted 20 in-depth interviews with Microsoft partners worldwide. Interviews were conducted with a diverse range of partner types, including consultants, service providers, managed service providers (MSPs) and systems integrators (SIs). These interviews were conducted in seven major Microsoft Sentinel markets: Australia, Canada, Germany, South Korea, the United Kingdom, the United States and Vietnam. Each interview lasted between 45 and 60 minutes and resulted in nearly 20 hours of in-depth conversations with key partner leaders across the Microsoft Sentinel ecosystem. Beyond discussions around general market trends within the Microsoft Sentinel ecosystem, conversations focused on key client case studies to allow Canalys to identify the core services deployed and what factors contributed to the overall successful outcomes for Microsoft Sentinel customers. Data from these interviews was fed into the Canalys PEM model to help construct an aggregated view of the total multiplier captured. This also allowed a greater understanding of how the multiplier is spread, both over time and by partner activity across a three-year project cycle.

Note: all statements are based on responses from surveyed partners; \$ is US dollar

The Partner Ecosystem Flywheel

To help illustrate the range of service opportunities that Microsoft partners are offering, Canalys leveraged its **Partner Ecosystem Flywheel**. The Flywheel is a key visual of the PEM that serves two broad purposes. First, it shows the range of service activity types (shown below) that are typically delivered by Microsoft partners when engaging in a customer technology deployment. The multiplier value is broken down into these activity types. Second, it serves as a visual aid to help Microsoft partners understand where they can add value across the customer technology lifecycle. Microsoft partners that engage across all activities of the Flywheel are better positioned to create the “spin” effect with customers, thus yielding further opportunities in the future.



- **Advise services** capture the consulting and professional services activities specific to either new or existing customers that are embarking on adapting a cloud-native SIEM platform and looking to leverage their Microsoft Sentinel offering to do so. This typically involves an understanding of a customer’s overall cybersecurity strategy, an assessment of the existing infrastructure and systems, as well as an advisory service on the specific technology solutions that will need to be built or procured.
- **Design services** capture the set-up activities required for customers to establish or expand their cloud-native SIEM platforms. This involves designing and testing the environments that will be used, architecture exercises and ultimately migrating the appropriate customer data to the Microsoft Sentinel platform.
- **Procure services** are the activities that partners conduct to acquire the necessary infrastructure for setting up cloud-native SIEM platforms. Revenue from these activities typically occurs in the form of resell margins, procurement management, rebates and partner program contributions received via Microsoft incentives and investments.
- **Adopt services** are the services that allow partners to fully use and unlock the full value of their SIEM platforms. These services range from ongoing customer

Note: all statements are based on responses from surveyed partners

success engagement to dedicated customer training workshops. Business process and change management allows Microsoft partners to fine-tune these platforms depending on customer demand, while data analytics and AI can be effectively leveraged to identify opportunities for both efficiency and platform expansion.

- **Manage services** are the end goal for many partners in the Microsoft ecosystem, particularly with Microsoft Sentinel. They are the most operational services featured within the flywheel and a key revenue driver, both in terms of overall revenue and the fact that this revenue is recurring and continues beyond initial migration to the SIEM platform. These services include managed security operations center, managed detection and response, managed extended detection and response and incident response lifecycle support.

Key findings

- **Partners have the potential to achieve up to a US\$5.22 multiplier per US\$1 spent on Microsoft Sentinel.** Partners achieving this level of multiplier are offering their customers a diverse range of services and helping them define their cybersecurity strategies.
- **45% of the overall multiplier (US\$2.35) is made in year one of the project cycle.** This is a result of the front-end services required by customers, particularly around cybersecurity strategy and migrations. Successful projects and mature Microsoft partners have the potential to begin to realize managed services revenue in year one.
- **57% of the overall Microsoft Sentinel PEM is attributed to the Manage segment.** This is evidence of the significant demand that exists from Microsoft Sentinel customers for managed services as it relates to their cloud-native SIEM platform, and thus the recurring revenue opportunities available to Microsoft partners.
- **31% of Microsoft partners interviewed are currently considered Expert Microsoft Sentinel Partners,** indicating a relatively mature ecosystem surrounding Microsoft Sentinel and the available services that partners can provide.



“Sentinel was born in the cloud... it allows Microsoft, and us by extension, to bring new capabilities to market much quicker than we used to,” *Consultant*

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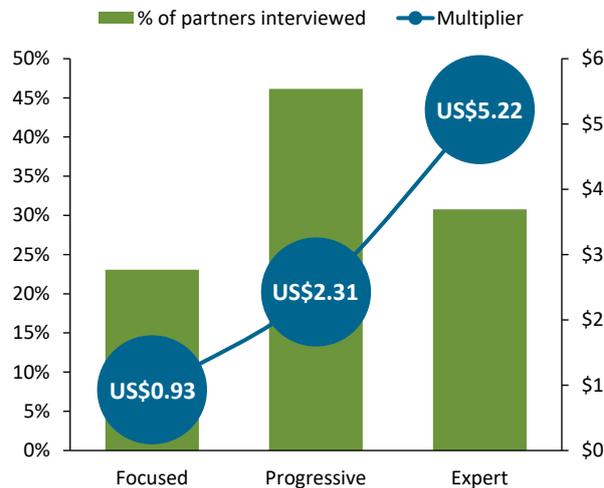
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Microsoft Sentinel partner ecosystem multiplier

Overview

This Canalys research has identified that partners in the Microsoft ecosystem have the potential to earn a multiplier of US\$5.22 for every US\$1 spent on Microsoft Sentinel. The ability of Microsoft partners to unlock this multiplier figure depends on a range of factors, but most importantly their ability to provide a breadth of services across the customer lifecycle, particularly managed services and support. Of those surveyed, Microsoft partners that achieve the total available multiplier position themselves as trusted cybersecurity advisors, guiding their customers through their adoption of cloud-native SIEM from end to end. While 45% of the Microsoft Sentinel PEM occurs in the first year for the most mature partners, there is significant multiplier revenue to be captured by partners in years two and three of a project, particularly around Manage and Adopt services.

As in the graphic below, three partner categories of those surveyed have been identified within the Microsoft Sentinel ecosystem. **31% of partners are defined as Expert Partners**, those who have built the necessary capabilities and scale to achieve the full Microsoft Sentinel PEM of US\$5.22. Furthermore, **46% have been defined as Progressive Partners**, identified as those developing a diverse enough service offering to be making the shift to unlocking the full potential Microsoft Sentinel PEM. The remaining **23% are defined as Focused Partners**, those with a more limited range of service offerings.

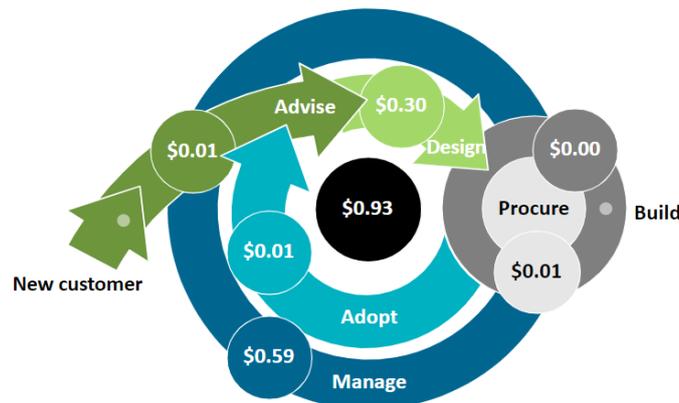


Microsoft partner categories

Focused – PEM of US\$0.93

Focused partners vary by partner type but are characterized by their limited Microsoft Sentinel service offerings. Whether through capability or choice, these partners do not provide a broad portfolio of services. They typically prioritize services in only two of

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the five available flywheel segments: Design and Manage. These two segments alone account for **90% of the total Focused multiplier**. Like Progressive and Expert partners, a significant proportion of the Focused multiplier is attributable to the **Manage** segment, with 63% of the total multiplier sitting in this segment. Despite this, Focused partners' inability to meet enterprise customers' demands, combined with their lack of influence across the customer journey, significantly limits their ability to achieve a significant services multiplier. These partners were found to focus their go-to-market strategies on the small and medium-sized business (SMB) segment.

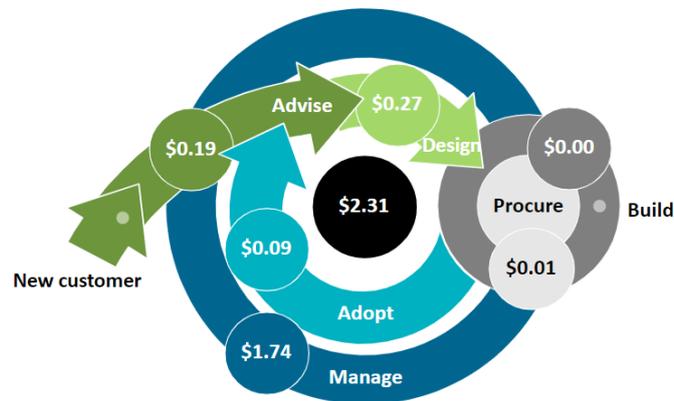
For partners in this segment, customer perception is a key limitation. With their focus on simple Microsoft Sentinel migrations and attached managed services tied only to the immediate migration, Focused partners struggle to differentiate themselves as long-term transformation partners in customers' eyes. Microsoft partners looking to grow beyond this segment should look to define their deep expertise in migration activities and create co-sell motions with Microsoft and other partners to gain access to previously closed customers. This will allow Focused partners the opportunity to generate a greater revenue base, allowing for increased investment in their Microsoft Sentinel resources and capabilities. Additional co-selling relationships will also allow access to larger customers, and thus a larger multiplier opportunity.

“We refocused to be 100% Microsoft with the aim to be very, very specialized in the specific areas that we focus on,” MSP

Progressive – PEM of US\$2.31

Progressive partners in the Microsoft ecosystem with a focus on Microsoft Sentinel also vary by partner type but are unified by the simple fact that they have made a significant shift to diversify the service portfolios they offer to Microsoft Sentinel customers. This enables Progressive partners to capture an overall PEM that is **148% larger than that of Focused partners**. Progressive partners have established a services practice that has moved beyond standard implementations and are looking to start supporting SMBs and potentially larger customers in their overall digital security strategies. More

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so than Focused partners, Progressive partners expand into Advise and Adopt revenue. While this multiplier revenue is relatively small (US\$0.19 for Advise and US\$0.09 for Adopt), the long-term impact is significant, particularly in driving significantly larger Manage revenue, vital for partners looking to capture long-term recurring revenue. While Design revenue for Progressive partners is actually lower than that for Focused partners, this is explained by the Advise revenue allowing for a more efficient and targeted migration process, thus reducing the time and materials needed to secure the same successful migration.

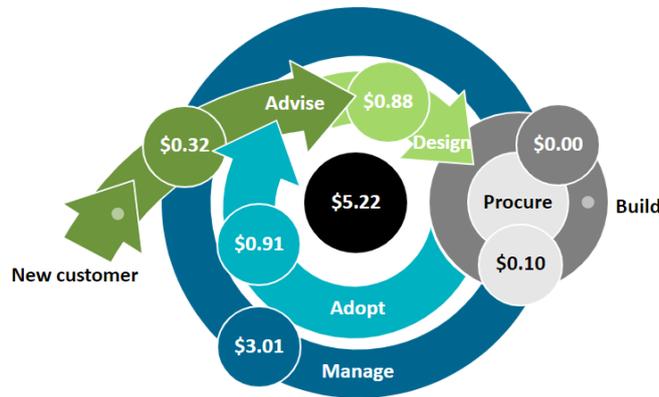
Despite significant growth, there are still opportunities for continued expansion for Progressive partners. While delivering some Adopt services, mainly through customer training workshops, further revenue could be accrued by delivering data and analytics services. Not only would this drive immediate revenue for Progressive partners but also allow them to identify critical cross-selling and upselling opportunities within the same customers. These can allow them to further increase the scale of their Manage segment opportunity, the key segment in the overall Microsoft Sentinel PEM.

“We became a Microsoft managed partner within the last six months... we did this because of the enthusiasm we have been seeing on the sales side,” MSP

Expert – PEM of US\$5.22

Expert partners are typically the largest systems integrators, MSPs and services partners, with the necessary size and experience to tackle the enterprise-wide projects that are vital to drive the maximum PEM opportunity of US\$5.22 for every US\$1 spent on Microsoft Sentinel. Their ability to do this ensures they have clear access to the largest available potential SIEM customers. With 31% of partners falling into the Expert category, what is evident is the maturity of the Microsoft ecosystem when it comes to delivering Microsoft Sentinel solutions to end customers. Starting with the largest available Advise services segment, Expert partners command complete control of the end-to-end customer journey for the shift to cloud-native SIEM. As a result of this, not

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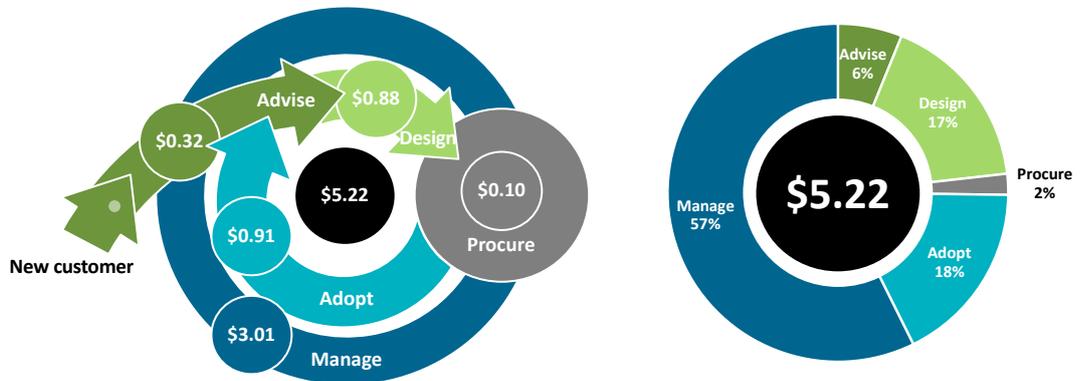
only is the revenue greater for each of the succeeding Design and Adopt segments, but Expert partners are also able to achieve a Manage segment revenue that is 73.5% larger than that of Progressive partners. Microsoft partners in this segment, which have maximized their revenue across the five available service segments, should consider looking to develop customized and third-party software elements that would allow them to further increase their overall multiplier opportunity. This third-party software need not simply be the work of independent software vendors or developers, however. For SIs, MSPs and managed security service providers with the correct technical proficiency, “Build” services in the form of third-party products can not only drive additional adoption of Microsoft Sentinel capabilities across a broader set of end users, but drive overall customer loyalty and satisfaction to their services as a Microsoft partner and trusted advisor. The development of these solutions allows customers to maximize their return on investment when migrating to the Microsoft Sentinel platform.

“The main driver for migrating clients from other SIEM to Microsoft Sentinel is the services that we offer. The security operations services that are based on Microsoft Sentinel and the Microsoft Security Stack,” *Systems integrator*

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Unpacking the Microsoft Sentinel Partner Ecosystem Flywheel



While Design and Manage services contribute the most to the Microsoft Sentinel multiplier across the three partner categories, Adopt, Procure and Advise combined represent a significant 26% of the maximum PEM. To achieve the full multiplier, partners must work across all five segments to fulfill the total customer demand. This substantial multiplier underscores both the product’s strength and the breadth of service types being demanded by Microsoft customers. To maximize the multiplier, Microsoft partners don’t have to tackle all five segments at once. Focused and Progressive partners should leverage the PEM flywheel framework to strategically expand their service capabilities. By selecting target service practices, partners can focus on driving growth in specific areas tied to the Microsoft Sentinel opportunity. Each segment demands unique skills and talent acquisition or training strategies, which Microsoft partners should consider when expanding their capabilities.

The following section will delve into each segment, examining the key features of partner-provided services and their impact.

Advise

Advise services empower partners to both cultivate new customer relationships and deepen existing ones, significantly influencing broader cybersecurity transformation strategies.



“Advise” multiplier spread: **US\$0.31**

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When customers are looking to overhaul their SIEM strategies and infrastructure, Advise services are indispensable. Revenue here is generated through digital and technology strategies as well as assessment services. While Expert partners contributed a substantial 62% of the US\$0.52 total multiplier through Advise services, this success is concentrated among a select group: only half of Expert partners generated revenue from these offerings. Notably, Advise services still constitute a relatively small portion of overall Expert multiplier revenue – less than 6%. Though top-tier partners have a significant presence in Advise services, there’s ample opportunity for growth across all partner levels. A strategic focus on Advise services could be a game-changer, with the potential to boost overall revenue and market share for Microsoft partners delivering Microsoft Sentinel.

Design

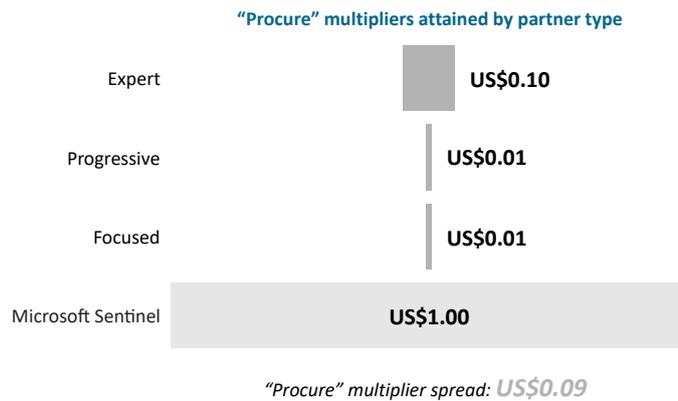


The Design segment is a technically demanding arena encompassing a range of services, including migration, testing, infrastructure setup, architecture and design. This competitive space attracts partners of all types, with revenue generation varying primarily by customer size. Migrations are the primary focus for 88% of Design-revenue-generating partners, followed by testing and systems setup. Notably, 100% of Expert partners and 66% of Progressive partners engage in the Design segment. Despite this, Design constitutes the majority of revenue for only one of these partners. In contrast, all Focused partners interviewed for this study participate in Design services, and 33% of these partners derive the majority of their revenue from Design. The Design segment is a key revenue driver, especially for smaller partners with limited service offerings. While migrations dominate the service mix, the complexity of these projects presents opportunities for differentiation and specialization. Given the universal participation of Progressive and Expert partners, this segment is highly competitive, demanding a strong value proposition to succeed.

Procure

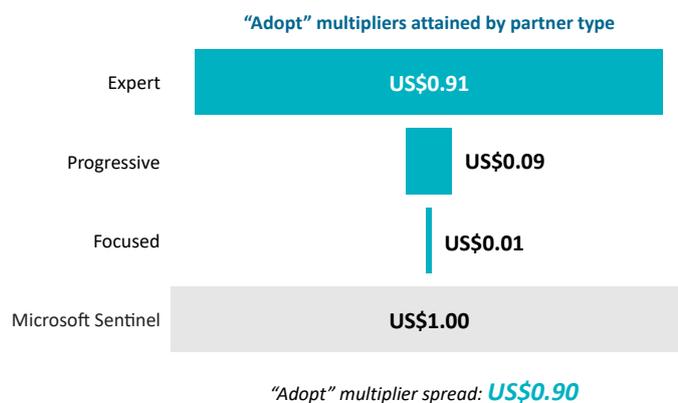
The Procure segment encompasses the resale activities associated with setting up Microsoft Sentinel projects, including resale margin, rebates and procurement management services. Among the partners interviewed for this study, very few

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included rebates and resale margins in their overall multiplier revenue calculations for Microsoft Sentinel projects. This doesn't necessarily mean they aren't taking advantage of these programs, but it may suggest a disjointed approach to incentive management. Expert partners lead the way in Procure revenue, in part due to their ability to navigate the complexities of resale and incentive programs, as well as the increased size of the deals they pursue as a result of their enterprise customer bases.

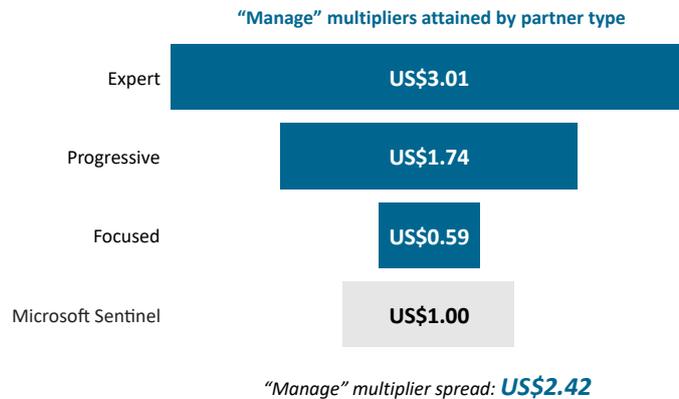
Adopt



Adopt services empower partners of all types to drive broader Microsoft Sentinel adoption and leverage analytics to identify cross-selling and upselling opportunities. Progressive and Expert partners are the primary drivers of training within Adopt services, contributing 80% of their Adopt revenue. These partners recognize Adopt as a key growth area. Adopt services are vital for expanding customer use beyond initial projects and enabling Expert partners to identify future growth opportunities within the Microsoft Sentinel ecosystem. Analytics is a key differentiator for Expert partners, enabling them to not only generate immediate revenue but also identify additional cross-selling and upselling opportunities. Expert partners play a pivotal role in maximizing customer adoption and unlocking new revenue streams. The dominance of Progressive and Expert partners in this space poses a significant barrier to entry for less mature partners. Less than 2% of the Adopt multiplier originated from Focused partners.

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Manage



The Manage segment (managed services) is the most operational element of the ecosystem. In addition, for many partners interviewed, this is the clearest opportunity for recurring revenue. These recurring revenue opportunities generated gross profit margin between 30% and 40%. For all defined partner types, Manage services account for the majority of the overall PEM. Enabled by Advise and Adopt services, Progressive and Expert partners can significantly scale their Manage services opportunity within the Microsoft Sentinel ecosystem. With significant control across the digital and security transformation journey, Expert partners can increase their Manage opportunity by 410% compared with Focused partners. Progressive and Expert partners generated most of their revenue from managed services, while the majority of Focused partners generated most of their revenue from migration services.

“The biggest trend we are seeing right now is the shift out of best of breeds and into the mentality of best of platform. That is a huge opportunity for us,” MSP

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Summary

This study has highlighted the possible revenue potential for partners in the Microsoft ecosystem looking to deliver Microsoft Sentinel SIEM to customers. This potential, quantified as US\$5.22 for every US\$1 spent on Microsoft Sentinel, depends on partners offering a broad range of services throughout the customer lifecycle. While Manage services account for most of the PEM opportunity for partners delivering Microsoft Sentinel, partners who can position themselves as trusted advisors throughout a cybersecurity transformation have been identified as the most successful at capturing the full multiplier.

How Expert partners are winning with Microsoft Sentinel

Of the three identified partner categories, it is the Expert partners who are capturing the maximum available PEM of US\$5.22 tied to Microsoft Sentinel. While the approach of these Experts varies from customer to customer, four common techniques provide them with the opportunity to generate multiplier revenue with Microsoft Sentinel opportunities:

- **By expanding past migrations to offer a complete managed service package:** To succeed in the Microsoft Sentinel ecosystem, partners must transcend the role of implementers and become true partners that guide customers long past their initial migration to Microsoft Sentinel. Expert partners can maximize their PEM by engaging in a diverse set of services in the Manage segment: assessment and monitoring, maintenance and improvements, service desk support, and incident and event management.
- **By establishing themselves as trusted advisors from the start:** By demonstrating a deep knowledge of Microsoft Sentinel and their customers' business challenges, Expert partners can establish themselves as strategic partners, guiding customers on their cybersecurity journeys and unlocking the full potential of the Microsoft Sentinel ecosystem, while maximizing their own revenue opportunities across the five PEM segments.
- **By leveraging adoption and training services to drive customer use and engagement:** To sustain growth in the Microsoft Sentinel ecosystem, customer adoption and training services are vital for both customer success and partner growth. Partners should leverage Microsoft Sentinel's existing training and enablement initiatives to ensure customers have the skills and knowledge to fully maximize Microsoft Sentinel's capabilities. By doing so, partners can enable their customers to maximize their return on investment, which in turn can lead to increased consumption and create additional opportunities for partners to expand their services and their multipliers.
- **By providing a diverse range of service offerings across the flywheel:** The most mature Expert partners interviewed offer services across the flywheel in the

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same customer engagement. To exert greater influence and stick to a customer throughout their entire lifecycle, partners must be diverse across the service flywheel. By offering a complete suite of services, Expert partners can cater to a wider range of customer needs. This comprehensive approach enhances revenue potential and strengthens a customer's relationship with both the partner and Microsoft.

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