



Think outside the box

Getting it started

LicencePro (Europe), is a European franchise formula, specialized in budget friendly Microsoft Licensing Solutions. We offer pre-owned Microsoft user rights with discounts of up to 70% off Microsoft list prices, Cloud and Hybrid Cloud Solutions and consultancy.

Due to rulings in the European Court, it is legally valid within the EU and some additional countries to buy and sell perpetual Microsoft licences second hand or pre-owned. This is the opportunity we use to lower the costs for private companies, governmental institutions and Small businesses.

Partner model

Due to our own experiences in this business, we have chosen for a model that, in our opinion, will result in a long-term business relationship, for all parties involved.

What does the collaboration boil down to in a few sentences?

We have experience, the purchasing channels, stock and know-how, which we want to share with local partners. We also offer; the platform, the website, the knowledge, Microsoft licensing experts, advice, all licences come with an auditproof warranty and off course our experience.

Our fee/royalty model consists of 2 components, the first component is the entrance fee and the second component is 35% royalty of the realized margin. The entrance fee is mainly intended to get serious parties to the table and in practice, the entrance fee may be paid from the profit realized. The second component is a royalty of 35% that we charge directly on the purchase invoice, what remains is 65% of the proceeds for the franchisee.

The costs of the "local overhead", including; personnel, promotion and accounting etc. are at the expense of the franchisee. We usually assume that 1 to 1.5 employees are active in the first year and this can be expanded on the basis of turnover. It is feasible to break even after 6 - 9 months.

If we take The Netherlands as an example, we can see that Microsoft's total annual turnover is approximately 1.8 billion and at least 1 billion is converted into volume licences. If you then consider that we offer exactly the same product as the Microsoft reseller channel, with discounts of up to 70%, it must be feasible to serve 1% to 5% of this turnover with pre-owned licences! In the Netherlands, this is now about 2-3% for the entire pre-owned licence market, and we account for a significant part of this.

Let's look at an example, to sort things out.

The top 10 of the most sold products include:

Microsoft Office 2019 / 2016 Professional, Windows 10 Professional, RDS User/Device CAL 2019 / 2016, Windows Server 2016 Std. 16 Core, Windows Server 2016 User/Device CAL, SQL Server 2017 Std. 2 Core, SQL Server User/Device CAL.



Examples of Revenue Model

1). Selling pre-owned volume licences

Example 1

Licence: Microsoft Office 2019 Professional volume licence a 249.-

QNT.: 100

Turnover: 24,900.-

Total profit: 15,150.- (on an average profit base)

Profit Franchisee: 9,848.-

Microsoft list price: 449.- euro excl. VAT

MS pre-owned list price: 249.- euros excl. VAT

For the customer, the saving compared to new volume licences is almost 50%.

The margin in this example is over 30%, because that is the margin on the average turnover we realize. Often larger quantities are sold thru resellers that also needs margin.

Leaving an amount of EUR 98.- per licence as the profit, for the franchisee.

Example 2

Licence: Microsoft Office 2019 Standard volume licence a 185.-

QNT.: 100

Turnover: 18,500.-

Total profit: 9,050.- (on an average profit base)

Profit Franchisee: 5,883.-

Note, when private companies, governments and hospitals purchase licences, the numbers are often between 2,000 - 3,000 employees. The savings can then be called considerable, as is the margin that can be achieved.

These are of course the icing on the cake and there are also many customers with small orders.

For the standard offers and orders, we use the fixed prices. The larger offers are actually always tailor-made and the margin that remains in them is also divided in the standard way.

Example 3

Licence: Microsoft Remote Desktop Server (RDS) Device Cal 2019 a 99.-

QNT.: 100

Turnover: 9,900.-

Total profit: 4,000.- (on an average profit base)

Profit Franchisee: 2,795.-

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Note, when hospitals purchase licences, the numbers are often between 2,000 - 3,000 employees. The savings can then be called considerable, as is the margin that can be achieved.

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Example of Revenue Model

2). Buying pre-owned volume licences

Example:

Company "A" has redundant licences to be sold, a total of 2,000 Microsoft licences in this example.

After closing the deal for company "A", let's say 40,000.- euro. Company "A" receives the money from the broker right away. They can't pay anyone else - those are the rules. So, company "A" receives the 40,000.- euro and with all the documents in place the transfer is a fact.

After that it is time to send the invoice for the handling fee to the client. If the % was for example 20%, the Franchisee sends an invoice of $40,000 * 20\% = 8,000.-$ euro to the client. In the end the net return of investment for the client is $40,000 - 8,000 = 32,000.-$ euro, a lot more than nothing.

The Franchisee got in this example 8,000.- euro as an handling fee, but he also receives an invoice of 35% of 8,000/- euro from the Franchiser. In the end the Franchisee gets $8,000 - (8,000 * 35\%) = 5,200.-$ euro. That is a lot of money for making a client happy and without investing money!

Revenue Model

3). Subscriptions

The average profit on sold Microsoft subscription licences (Cloud) is about 15%. These subscription licences will be provided by our Subscription BV. The revenues on these sales, will be divided by the Franchiser (35%) and Franchisee (65%). So, the Franchisee has a revenue of about 9.75% on these requiring subscriptions sold.

Below as an example, 3 Microsoft subscription licence models with their characteristics. Keep in mind that when the subscription is sold, the money keeps coming in without doing a thing, so that is great about this model.

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Offer Name	Display	License Agreement Type	Buying Price	List Price	Sales prices	Margin control
Microsoft 365 E3		Corporate	€ 24,83	€ 31,46	€ 28,56	15,00%
Office 365 E1		Corporate	€ 5,68	€ 6,75	€ 6,54	15,00%
Office 365 E3		Corporate	€ 16,56	€ 19,66	€ 19,04	15,00%

Buying Price	Buying price Subscriptions by MS Reseller
List Price	Suggested retail price by Microsoft
Sales price	Our buying price with 15% revenue
Margin control	Calculation to check the margin used

Building a customer base

It is important to build a database of regular customers, which have different characteristics, this offers more certainty. We always try to be the first to generate a turnover, which covers the fixed costs and expand from there. The customers that have already been served by the head office in the past are transferred to the local branch. Even if resellers or customers report to the head office or other branches that relate to your service area, we will of course pass them on.

Which customers/clients do we distinguish?

Group 1a => Microsoft Licensing Providers

List for The Netherlands (as a tool and example)

Bechtle (<https://www.bechtle.com/nl/it-solutions/software/cloud-service-provider/>)

Crayon (<https://www.crayon.com/nl-NL/software-partners/microsoft/>)

Dell (https://i.dell.com/sites/csdocuments/Business_solutions_brochures_Documents/nl/be/dell-software-solutions-nl.pdf)

Fujitsu (<https://www.fujitsu.com/nl/products/software/microsoft-software-licensing/>)

HP (<https://h41399.www4.hpe.com/slms/Microsoft-Partner-Competencies-Feb2017.pdf>)

Insight (<https://nl.insight.com/nl/shop/partner/microsoft/industry-solutions/volume-licensing>)

SoftwareONE (<https://www.softwareone.com/nl-nl/solutions/publisher-advisory-services/microsoft/advisory-services>)



Group 1b => Resellers; Microsoft resellers and in fact all companies that offer ICT services as a core business,

Group 2 => Governments, hospitals, institutions, etc.,

Group 3 => Companies with more than 50 employees.

Group 1b Resellers

The strength and contribution of this group is that they often already have contact and a relationship of trust with your (end) customers. This is usually the best way to build revenue in the short term and provides a stable source of income.

Working with resellers

The resellers buy with a discount of 5-15% on the list prices. These resellers often serve the same (end) customers as we do ourselves.

Group 2 Governments, etc.

Governments often need large quantities and sometimes this can only be purchased through a (European) tender. In the Netherlands, we ourselves looked for parties that are already participating in these so-called tenders and supplemented their quotation with our licences, making it an own setup as for customer Group 1.

It is without doubt an interesting target group, our experience shows that it takes time before concrete and direct orders are issued.

Group 3 Private Companies

For Private companies, pre-owned licences offer the perfect opportunity to save on the IT budget.

Potential customers are usually cautious in the beginning, this is because Microsoft has insisted for years that buying or selling volume licences is not legal. So the power is to convince the customer that it's right on our side and Microsoft is only doing "scare tactics." That is also why people are looking for local representation who have a better feeling to bring the relatively new business to the attention.

Covid-19 makes it difficult to travel now. Normally, we visit potential partners directly and together we look at how we can best do things. That is not yet possible, so we have to be inventive and use Teams, among other things.

Suppose situations arise where our knowledge and experience can help convince the customer, then it is no problem that we fly in or attend a meeting or a seminar during the Corona via Teams!

In conclusion, it is also important to indicate that knowledge of the business is not the most important thing in this regard! What is, would you say?

It is of the utmost importance to us that we find entrepreneurs / partners who:

- Being open to opportunities and sharing our vision,
- Having a network and being able to market this business,
- Want to work with us to make it a success.

Let's see how we can get the train in motion, we are looking forward!