

Partner FAQ

CSP Growth Margin: Partner Economics Evolution

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Greater control and new earning potential as partners drive customer growth

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Overview of Key Changes

In October 2026, CSP introduced a new Growth Margin alongside the existing base margin. Base margin remains the standard rate on business as usual — renewals and ongoing subscriptions — while the new Growth Margin is an incremental margin partners can earn in addition to base margin when they drive qualifying customer growth. Base Margin + Growth Margin = Total Margin. Eligibility is evaluated at the customer's tenant level and locked in at the time of sale, so partners should validate and structure deals correctly before transacting. The customer experience stays largely unchanged.

- Growth Margin affects the economics between Microsoft and the partner. It does not set, suggest, or limit the final price a partner may charge its customer. Partners remain responsible for independently determining customer pricing.
- Beginning October 2026, for select enterprise SKUs, partners can earn Growth Margin on qualifying transactions in addition to the standard base margin. Base Margin + Growth Margin = Total Margin.
- Growth Margin is earned through one of three growth scenarios: new-to-offer, seat expansion, or strategic SKU mix.
- Eligibility is always assessed at the customer's tenant level, accounting for their entire footprint across every Microsoft channel and partner, not only within the current CSP partner's view.
- Minimum seat counts, expansion multiples, and ratio thresholds vary by scenario and must be met at the time of the deal.
- Mid-term seat expansions must be placed on a new subscription to qualify, while new-to-offer and renewal scenarios can qualify without restructuring.
- Growth Margin eligibility and rate are locked in when the transaction completes and cannot be adjusted afterward, and the margin then applies for the duration of that subscription term.
- Partners can validate eligibility before quoting through the API or the Partner Center experience, prior to submitting the order.
- The customer experience remains largely unchanged, since the changes affect partner economics and transaction structure, and the only thing a customer might notice is an additional subscription.

CSP Partner Economics Overview

Why is Microsoft making these changes to CSP partner economics?

Microsoft is evolving CSP partner economics to reward predictable, customer-driven growth and to invest in partners helping customers move into Frontier Firms and AI transformation. The core idea is simple: the more partners grow their customers through qualifying motions, the more margin opportunity they can capture. Earnings move from passive resale to earned, growth-based upside, with a cleaner, more transparent margin structure.

What changes are being introduced to CSP partner economics?

Microsoft is introducing three coordinated margin changes that shift the CSP model toward a clearer base margin plus growth-based upside structure:

- Increased base margin for Microsoft 365 Copilot and Copilot Business (July 2026): Base margin on Microsoft 365 Copilot and Copilot Business SKUs will increase from 10% to 20%, reflecting strategic priorities and partner investments.
- Introduction of Growth Margin (October 2026): A new, incremental margin that partners earn in addition to the standard base margin on eligible transactions when they drive qualifying growth motions — new to offer, seat expansion, or strategic SKU mix. (Base Margin + Growth Margin = Total Margin)
- Base margin adjustment on selected SKUs (October 2026): Base margin on a subset of products will be adjusted from 20% to 15%. *(Office 365 E1, Office 365 E3, OneDrive Extra Storage, SharePoint, Exchange Online, Microsoft 365 Apps for Business, Microsoft 365 Apps for Enterprise)*

The rest of this FAQ focuses on the Growth Margin change: how partners earn it, which scenarios qualify, and what it means for customers.

Earning Growth Margin: Partner actions and process changes

What eligibility or criteria should partners meet to qualify for Growth Margin opportunities?

Understanding the Growth Margin qualification criteria is key to maximizing your margin opportunities. Full details are outlined in the Growth Margin guide.

Here are the **three growth scenarios**:

1. **New-to-offer (NTO):** A customer is considered new to a product offer if they haven't had that product on their tenant within the look-back period (by default the past three years, unless a different window is specified in the Growth Margin guide). This evaluation considers the customer's entire purchase history across Microsoft's channels, not just their CSP transactions.

    - ***New-to-offer example****: A customer has no existing ME5 seats across any channel (CSP, EA, or direct). The partner sells 300 ME5 seats, meeting the minimum seat threshold.*
    - *Result: Because the product is new to the customer tenant and the minimum threshold is met, the transaction qualifies as new-to-offer. Growth Margin applies to all newly purchased seats.*

2. **Seat expansion:** A mid-term or renewal seat increase qualifies if it meets a seat threshold (a specified multiple of the existing seat count and satisfying minimum seat counts). How Growth Margin applies depends on timing. For mid-term growth, the incremental seats must be placed on a new subscription, and only those new seats earn Growth Margin while the existing seats remain at base margin; at the end of the original subscription's term, the partner can consolidate the existing seats onto the Growth Margin subscription so they also earn Growth Margin for the remaining term of that subscription. For growth at renewal, no separate subscription is needed and all seats, both existing and new, earn Growth Margin.

    - ***Seat expansion at midterm example:***
      A customer currently has 400 ME5 seats on a subscription that runs through December. In June, mid-term, the partner sells 600 additional seats. This exceeds

both the minimum seat threshold (600 vs. 300) and the 1.25× multiplier (600 new vs. 500 required

- *Result: The transaction qualifies as a seat expansion. Because it happens mid-term, the 600 new seats are placed on a new subscription and earn Growth Margin, while the original 400 seats remain at base margin through December. When the original subscription reaches the end of its term in December, the partner can consolidate those 400 seats onto the Growth Margin subscription, so they also earn Growth Margin for the remaining term of that subscription.*

- ***Seat expansion at renewal example:***
  A customer has 400 ME5 seats reaching their scheduled renewal. At renewal, the partner expands the order by 600 seats, bringing the total to 1,000. The 600 new seats exceed both the minimum seat threshold (600 vs. 300) and the 1.25× multiplier (600 new vs. 500 required).

- *Result: The transaction qualifies as a seat expansion. Because it happens at the scheduled renewal, no separate subscription is needed, and all 1,000 seats (the existing 400 plus the 600 new) earn Growth Margin for the new term.*

3. **Strategic SKU mix:** The customer increases adoption of a selected product relative to their existing related-product footprint. This is measured as a ratio — total (new + existing) strategic SKU seats divided by existing qualifying product seats — at the tenant level. Only the new seats on the targeted strategic SKU qualify once the ratio threshold is exceeded and the applicable minimum new-seat requirement is met.

   - ***Strategic SKU mix example:***
     Growth Margin for strategic SKU mix is based on three conditions:

     - *A defined relationship between a qualifying (base) SKU and a strategic (target) SKU (for example, ME3 to ME5)*
     - *A minimum seat threshold for the strategic (target) SKU, and*
     - *A ratio threshold that measures the share of strategic SKU seats relative to the total footprint.*
       - *For example, if the ratio threshold is 80%, then at least 80% of the customer's combined seat base must be strategic SKUs post-transaction.*

Example: A customer has 400 ME3 seats and no ME5. The partner upsells 320 ME5 seats as part of an upsell motion. After the transaction, the customer has 320 ME5 and 80 ME3 seats—resulting in an 80% ME5 mix. The 320 new ME5 seats also exceed the 300-seat minimum, so both requirements are met.

Result: The transaction qualifies under the strategic SKU mix scenario because it meets both the 80% ratio threshold and the 300-seat minimum. Growth Margin applies to the newly added ME5 seats, rewarding the shift toward higher-value products.

What must partners do differently to earn Growth Margin?

To receive Growth Margin, partners need to understand which scenarios require a different transaction structure, and which follow existing patterns. Here's a practical guide:

- **Check Growth Margin eligibility prior to transacting:** Partners can validate whether a customer's specific transaction will qualify for Growth Margin before submitting the order, in two ways. First, partners can use the API to retrieve Growth Margin eligibility for the transaction. Second, through the Partner Center experience, partners can see whether Growth Margin will be applied, if eligible, prior to submitting the order. Both options help partners confirm upfront that the transaction meets the requirements and adjust the deal structure if needed.
- **Be aware of tenant-level rules:** Eligibility considers a customer's entire purchase history across all Microsoft channels and partners; it's evaluated at the tenant level.

Mid-term growth requires a new subscription, while new-to-offer and renewal scenarios follow standard business-as-usual transaction patterns, including transactions that involve a change of channel or a change of channel partner.

- **Growth at renewal or new subscription:** Continue normal transaction patterns. New-to-offer (NTO) scenarios and scheduled renewals can qualify for Growth Margin when the eligibility criteria are met.
- **Adding seats mid-term on a base-margin subscription**: If a partner adds seats mid-term to an existing subscription that receives only base margin, the incremental

seats also receive base margin and are not evaluated for Growth Margin as a new seat-expansion transaction. This does not apply when seats are added to a subscription that already has Growth Margin pricing; those seats inherit the subscription established pricing for the remainder of the term.

- **Adding seats mid-term on a growth-margin subscription**: Growth Margin eligibility for a subscription is evaluated at the time of the qualifying transaction. Once that transaction is completed, the subscription price is established and remains in effect for the duration of the subscription term. As a result, if additional seats are added to a subscription that has already qualified for Growth Margin, those seats inherit the same subscription pricing as the original qualifying seats. Partners do not need to requalify the additional seats against minimum seat thresholds, seat expansion requirements, or strategic SKU mix criteria.
  - *For example, if a partner qualifies for Growth Margin on a 300-seat ME7 new-to-offer transaction and later adds five additional ME7 seats to the same subscription, the additional five seats receive the same Growth Margin pricing as the original 300 seats.*

  Key point: Growth Margin eligibility is evaluated when the qualifying transaction occurs. Once the subscription price is established, all seats added to that subscription during the term receive the same subscription pricing.

- **Mid-term growth scenario – eligible for Growth Margin evaluation**: If a partner wants incremental seats added mid-term to be evaluated for Growth Margin, the partner must place those seats on a new subscription. The new subscription earns Growth Margin only if the transaction meets the applicable eligibility criteria, including minimum-seat and expansion thresholds**.**

What can partners continue to do the same?

Many fundamental aspects of CSP transactions remain unchanged under the Growth Margin program:

- **Renewals:** The process for renewing subscriptions stays the same. At the end of a subscription term, if the customer does not re-qualify for Growth Margin, the subscription simply continues at the standard base margin rate.

- **Promotions:** Traditional promotional discounts can still be applied on eligible deals, and customer promotions (where available) can be stacked on top of Growth Margin. The Growth Margin does not prevent or remove other promotional discounts if available.
- **Subscription transfers:** The process of transferring a subscription partner-to-partner remains the same. If a customer's subscription qualifies for Growth Margin, that benefit persists for the remainder of the term even if the subscription is transferred.

What happens if a partner continues with their current approach?

Partners can continue with business as usual and still earn Growth Margin on deals that naturally meet the eligibility criteria. New-to-offer purchases and scheduled renewals follow the same transaction patterns partners already use today — if the criteria are met, Growth Margin is applied automatically, and no change in process is required.

The key exception is mid-term seat expansion. If a partner adds seats to an existing subscription mid-term, those incremental seats will not receive Growth Margin. To qualify the added seats for Growth Margin, the partner must create a new subscription for the mid-term expansion. If they continue adding seats to the existing subscription, they will still earn the standard base margin on those seats, but they will miss the opportunity to capture the additional Growth Margin.

How does Growth Margin support mid-term growth opportunities while maintaining a simple customer subscription experience?

Growth Margin is intended to reward growth scenarios. It's deliberately scoped to meaningful expansion rather than routine motion, and it does not apply to every transaction.

The need for additional subscription is limited to only seat expansion and strategic SKU mix scenarios and only when the growth occurs mid-term. NTO is unaffected, as it always starts a new subscription by definition. This is also not a new requirement. The same treatment applies today to non-NTO promos.

For a mid-term growth opportunity, partners can choose from four approaches:

1. Add the seats to the existing subscription. Business as usual, single subscription. Base margin applies; Growth Margin is not earned.

2. Create a new subscription, co-termed to the existing one. Growth Margin is earned for the remaining term. Subscriptions stay aligned to a single end date, keeping management simple.

3. Create a new subscription for a full term. Growth Margin is fully earned on the new seats. At renewal of the existing subscription, move those seats onto Growth Margin terms for better overall economics.

4. Wait until renewal to add the incremental seats. No mid-term split at all; Growth Margin applies from renewal forward.

Customer self-serve motions are not discouraged, and nothing here is intended to change how customers transact routine growth. What we would encourage is that partners identify their significant growth opportunities proactively and work with those customers to structure the deal in the way that works best for all parties.

How does Growth Margin work for upgrade scenarios?

Supported mid-term upgrades can qualify for Growth Margin when the destination offer has a Growth Margin offer and all applicable requirements are met. Partners should expect the same upgrade options available for standard upgrades.

As an example, let's say a CSP customer has an ME5 three-year subscription with two years left of the subscription term. Their partner performs a supported mid-term upgrade from ME5 to ME7. If ME7 is new to the customer's tenant within the applicable look-back period, the upgrade qualifies as a new-to-offer transaction, and the partner earns Growth Margin on ME7. Partner Center evaluates the upgrade transaction for Growth Margin and displays the Growth Margin as a "Discount for this upgrade" before the partner submits the transaction. Note: This is different from simply adding seats to the customer's existing subscription. A mid-term seat quantity increase on an existing subscription does not qualify for Growth Margin; those incremental seats would need to be put on a new subscription to qualify for Growth Margin.

What are the key things partners should keep in mind?

To make the most of Growth Margin opportunities, keep these best practices in mind:

- **Create a new subscription for mid-term growth deals:** This is the most important step. For mid-term seat expansions, always place incremental seats on a new subscription to ensure Growth Margin eligibility. While mid-term growth may result in an additional subscription, partners can consolidate subscriptions at the end of the term of the existing subscription and take advantage of the incremental margin until the end of the term of the Growth Margin–eligible subscription.
- **Focus on customer growth, not channel movement:** Growth Margin is designed to reward customer growth, not simply moving existing seats from another channel (for example, an EA-to-CSP migration). Partners can still earn Growth Margin during a channel change when the deal includes meaningful net-new growth (e.g., moving a customer from EA to CSP while significantly expanding the seat count). In these cases, only the incremental seats earn Growth Margin, and eligibility is evaluated at the time of transaction across all three growth scenarios.
- **Consider cross channel history:** Growth Margin eligibility is evaluated at the customer's tenant level across all Microsoft channels (CSP, EA, direct, etc.). If a customer has previously purchased a product directly from Microsoft or through a different partner, it may not count as new even if it's your first time selling it to them via CSP. This history is considered over a look-back window (by default the past three years, unless the Growth Margin guide specifies otherwise). Partners can confirm whether a specific transaction qualifies before submitting the order using the API or the Partner Center experience. For specific details on the look back period, refer to the CSP Growth Margin guide.
- **Meet minimum seat counts and expansion thresholds:** Some growth scenarios require a minimum number of seats or a certain expansion multiple to qualify. Confirm threshold requirements by product and scenario before quoting.
- **Trial subscriptions:** Trial seats are excluded from Growth Margin eligibility calculations and do not count toward minimum seat thresholds. Customers with trial usage can still qualify for Growth Margin (for example, New-to-offer scenarios) once they convert to paid subscriptions.
- **Subscriptions in extended service term (EST):** When a subscription is not renewed and enters the extended service term (EST) period, Growth Margin no longer applies.

EST seats may still count toward tenant-level seat totals for eligibility calculations, but no Growth Margin is earned during the EST period.

- **Customer fit:** Growth Margin is designed to support qualifying partner-led growth with SME&C customers and is not intended for use in targeting Enterprise customers. All other Growth Margin eligibility requirements continue to apply.

- **Eligibility criteria:** Growth Margin eligibility criteria and program mechanics may evolve over time. Microsoft may periodically review Growth Margin program performance and implementation outcomes and make updates as necessary. Any updates will be communicated through standard partner channels.

- **Growth Margin transaction review:** Microsoft reserves the right to review transactions and may exclude or disqualify transactions that are inconsistent with the purpose or intent of Growth Margin, including transactions that undermine the behaviors or outcomes the program is intended to reward.

What benefits will partners gain by following the Growth Margin guidance?

Partners will gain higher earnings and expanded sales opportunities. Specifically:

- Stability plus upside — two components of total margin. Base margin provides stability on ongoing business as usual, including renewals and ongoing subscriptions. Growth Margin provides incremental upside on qualifying customer growth and is earned on top of base margin. Base Margin + Growth Margin = Total Margin.

- More control over customer economics. Growth Margin sits with the partner rather than as a customer-facing promotion. Partners decide how to structure pricing with their end customers, giving them flexibility to compete and invest in those relationships.

- Partners can capture Growth Margin multiple times for a single customer. For example, a customer might first qualify with a new product purchase, with Growth Margin applied through the end of that subscription term; then, at renewal, they could qualify again on a significant seat expansion.

- Growth Margin discounts don't stack. New-to-offer and seat expansion are mutually exclusive, so a single transaction qualifies for one or the other, not both. A strategic SKU mix can be met at the same time as either of those two; however, only one Growth Margin is ever applied per transaction (the highest applicable discount).
- Flexible deal structuring without losing eligibility: partners can co-terminate proration-adjusted subscriptions to align end-dates with a customer's existing subscriptions while still earning Growth Margin (as long as the eligibility criteria are met). The tradeoff to be aware of is that Growth Margin applies only for the duration of the new subscription term — so co-terminating with a shorter remaining period means earning Growth Margin for a shorter window.
- Microsoft is providing improved transparency and planning support. Partners can validate whether a deal qualifies for Growth Margin before quoting through both the API and the Partner Center experience, along with enhanced reporting in reconciliation files to track Growth Margin earned.

What risks do partners face if they misunderstand or delay action on these changes?

The key consideration is capturing the margin opportunity as early as possible. Partners who adapt promptly will benefit most:

- Failing to properly validate Growth Margin eligibility before transacting can result in missed margin opportunities. Growth Margin is only applied at the time of sale, and adjustments cannot be made after the transaction is completed.
- Acting on growth opportunities as they arise — rather than waiting until renewal — helps partners capture extra margin that would otherwise be missed.

Do partners need to modify their sales or provisioning processes?

Yes — but the changes are straightforward and focused on a few key steps. Partners will need to:

- **Start new subscriptions for mid-term growth deals:** When a mid-term transaction is eligible for Growth Margin (e.g., a major expansion), create a fresh subscription rather than adding seats to an existing one.

- **Proactively check eligibility:** Plan transactions carefully and verify that a deal meets the criteria before completing the sale, using the API or the Partner Center experience to confirm eligibility.
- **Leverage Growth Margin guidance:** Microsoft is providing updated resources (Growth Margin product lists and Growth Margin guide to help partners structure deals properly and track their margin opportunities.

Do partners need to change how they handle transactions, expansions, or renewals?

Partners need to distinguish between scenarios that qualify automatically based on eligibility and those that require a different transaction structure. Transactions involving a new offer (a product the customer hasn't owned before) can qualify for Growth Margin when the eligibility criteria are met. Seat expansions depend on timing: if the expansion happens mid-term, the added seats must be placed on a new subscription to qualify; at scheduled renewal, Growth Margin eligibility is evaluated automatically if the criteria are met, so a new subscription is not required just to receive Growth Margin at renewal.

Do partners need to adjust their selling motions or customer engagement approach?

Yes, particularly in how deals are structured and quoted. Partners should be intentional about whether to place additional seats on a new subscription versus an existing one. For example, if a customer is planning a significant expansion, a partner can set up a separate subscription for those new seats (to maximize the margin opportunity) and communicate how this deal structure benefits both parties. Also, because eligibility is determined at the broader tenant level, partners should verify whether a product is truly "new" for the customer's organization and be prepared for situations where a customer might believe a purchase is new, but Microsoft's records show otherwise (due to prior purchases via other channels).

Will these changes increase or decrease partner effort relative to the potential benefit?

Overall, yes — partner effort will increase slightly upfront as they learn new rules and adjust processes (e.g., sales training and workflow updates), but this is outweighed by the benefit. Partners can earn a higher total margin (Base Margin + Growth Margin = Total Margin) on deals that drive customer growth, meaning those who adapt will see a clear financial upside on qualifying transactions.

What is the difference between Growth Margin and promotions?

Promotions and Growth Margin both improve partner economics, but they work differently and serve different purposes.

Promotions are typically short-term, time-bound discounts used to drive a specific campaign or push. Because they are temporary and applied on a per-campaign basis, they offer limited predictability for long-term economic planning.

Growth Margin is a structural, ongoing part of partner economics. Rather than a temporary discount, it programmatically rewards partners whenever they drive qualifying customer growth (new-to-offer, seat expansion, or strategic SKU mix). Because it is tied to defined, repeatable scenarios, partners can anticipate it and plan their economics with more confidence.

Growth Margin also gives partners more control over the economics they build with their end customers. It sits with the partner rather than being applied as a customer-facing promotion, so partners decide how to structure pricing and where to invest.

Importantly, the two are not mutually exclusive. Where a customer promotion is available, it can still be stacked on top of Growth Margin, so partners do not have to choose one or the other.

Growth Margin eligibility and qualifying scenarios

Which products or offers are eligible for Growth Margin?

Growth Margin applies to CSP license-based offers on selected products *(Microsoft 365 Copilot, Microsoft 365 E5, Microsoft 365 E7, Microsoft Defender Suite, Microsoft Purview Suite, and Windows 365 Enterprise)*.

Are Nonprofit, EDU, or Gov SKUs eligible for these promotions?

No. Nonprofit, EDU, and Gov SKUs are not eligible for these promotions.

How is Growth Margin eligibility determined and assessed?

Eligibility is evaluated at the customer's tenant level, across all channels and partners. The system assesses whether the transaction meets the criteria for a Growth Margin scenario based on the type of motion and timing:

New-to-offer (NTO): The product is completely new to the customer's tenant. Microsoft uses a defined look-back period on the customer's history to determine if the product is truly new on that tenant (across all channels).

Significant seat expansion: The partner materially increases the seat count for a product the customer already has. If the expansion occurs mid-term, the added seats must be placed on a new subscription, and only those new seats earn Growth Margin while the existing seats remain at base margin until the end of their term. At scheduled renewal, eligibility is evaluated automatically if the criteria are met, and all seats (both existing and new) earn Growth Margin for the renewed term, with no separate subscription required.

Strategic SKU mix: The customer sharply increases adoption of a strategic product relative to a related base product. This scenario is measured as a ratio at the tenant level. Only the new seats on the targeted upsell SKU qualify when both the ratio threshold and the applicable minimum new-seat requirement are met.

Additional eligibility details:

- **Trials:** Trial subscriptions are excluded from eligibility calculations (trial seats do not count towards seat thresholds), and Growth Margin is never applied to trial offers themselves.
- **Extended Service Terms (EST) SKUs:** EST SKUs can count toward a customer's seat totals for determining eligibility (they are not excluded like trials), but Growth Margin will not be granted on EST SKUs themselves.
- **Renewals:** Growth Margin is applied during the initial term of a qualifying subscription. At renewal, the subscription returns to base margin unless the transaction qualifies for Growth Margin again at that point. When a qualifying seat

expansion occurs at renewal, all seats (both existing and new) earn Growth Margin for the renewed term, not just the incremental seats.

- **What's the difference between a qualifying (base) SKU and a target (strategic) SKU — and does that pairing change by offer?**

Strategic SKU mix always involves two roles. The qualifying (base) SKU is the related product the customer already owns that forms the denominator of the mix calculation; the target (strategic) SKU is the higher-value product, and it's the only product whose *new* seats earn Growth Margin. The scenario is measured as a ratio — total (new + existing) strategic SKU seats divided by existing qualifying product seats — at the tenant level, and only the new seats on the targeted strategic SKU qualify once the ratio threshold is exceeded and the applicable minimum new-seat requirement is met.

The base/target pairing is defined per offer, not universal — certain strategic SKUs are eligible for Growth Margin under defined conditions, while others are not. The valid base→target relationships, the minimum target-seat count, and the ratio threshold are all specified in the Growth Margin guide and can differ by product. Always confirm the specific pairing for the offer you're selling before quoting.

- **Can a customer qualify for strategic SKU mix more than once?**

No, strategic SKU mix is a one-time motion per base→target relationship. Once the customer crosses the ratio threshold, most of their base footprint has already converted to the strategic SKU, so there's little remaining base to shift — the mix can't be re-triggered for that same pairing.

This is distinct from the broader program rule that partners can capture Growth Margin multiple times for a single customer — for example, qualifying first on a new product purchase, then again at renewal on a significant seat expansion. A customer can absolutely qualify again later, but through a *different* scenario (new-to-offer or seat expansion), not by repeating the same strategic mix shift. Plan the strategic-mix

play for the moment that captures the largest block of target-SKU seats, since you generally won't get a second one.

- **How should a partner decide when to use strategic SKU mix based on the customer's seat volume?**

Because strategic SKU mix can typically only be leveraged once per customer (see above), the priority is to make that single motion count. Think carefully about timing: only the new target-SKU seats in the qualifying transaction earn Growth Margin, so crossing the ratio threshold early with a small initial batch leaves margin on the table. Where possible, time the motion to land the largest block of strategic-SKU seats the customer is ready to commit to, so the one qualifying transaction captures the most new seats.

How is this program different from existing incentives or processes?

The Growth Margin program introduces several meaningful differences from the traditional CSP model:

- **New subscription is required only for mid-term seat expansion:** Growth Margin requires partners to create a new subscription only when they want a mid-term seat expansion to qualify. NTO and scheduled renewal scenarios can qualify based on eligibility without requiring a new subscription solely for Growth Margin.
- **Tenant-level evaluation:** Growth Margin considers the customer's entire purchase history across all of Microsoft's sales channels, not just their CSP purchases with the current partner.
- **No changes to existing price list:** The official CSP price list remains unchanged and will continue to reflect standard partner pricing with base margin applied. Growth Margin will be provided separately (e.g., via supplemental files) and applied only during qualifying transactions, with details reflected in reconciliation output.

What Growth Margin scenarios should partners pay close attention to?

Partners should be aware of these scenarios to ensure they capture Growth Margin when eligible:

- **Adding seats mid-term to an existing subscription:** This is the most common scenario where Growth Margin could be missed. On mid-term growth scenarios, only a new subscription triggers eligibility for the additional margin.
- **Customer eligibility evaluated beyond CSP view:** Growth Margin eligibility is determined at the customer's tenant level across all Microsoft channels—not just CSP or a single partner's view of the customer. A product may not qualify as new if it already exists on the tenant through another channel or partner. Partners should confirm qualification upfront through the API or the Partner Center experience and structure deals correctly before submitting the order.
- **Channel shift alone does not qualify:** Moving licenses from another channel to CSP without net-new growth (like-for-like migration) does not unlock Growth Margin. To qualify, the transaction must include incremental growth (for example, additional seats or expanded product adoption) alongside the migration.

Understanding these scenarios upfront helps partners structure transactions correctly and capture the full margin opportunity.

Are there new enforceable rules or policies with this program?

Growth Margin is governed by clear rules that help ensure consistency and predictability:

- **New subscription for mid-term expansion:** Partners use a new subscription to qualify for Growth Margin on mid-term seat expansions. The system will not apply Growth Margin to seats added to an existing subscription mid-term.
- **Forward-looking eligibility:** Growth Margin is applied at the time of transaction. If a deal is not structured to meet the criteria, adjustments cannot be applied after the fact. This makes upfront planning important.
- **Cancellation and seat reduction policy:** The standard CSP cancellation policy remains unchanged. Partners can still cancel subscriptions within the existing cancellation window, 7 days. However, Seat reductions are only allowed above the Growth Margin seat requirement. If seats drop below the minimum required, the

entire subscription must be canceled within the cancellation window. This follows the current promotion cancellation process. For example, if the applicable minimum is 300 licenses and 330 are purchased, up to 30 can be canceled within 7 days. Canceling more would require ending the full subscription.

- **Tenant-level evaluation:** Eligibility is always determined at the customer tenant level, considering all purchases across Microsoft's channels and partner ecosystem.

What mistakes could cause partners to lose expected benefits?

Partners can protect their Growth Margin opportunities by following these guidelines:

- Always create a new subscription for qualifying growth deals (don't add seats to an existing subscription for mid-term expansions).
- Verify that minimum seat counts and growth multiples are met before quoting.
- Check the customer's full tenant history — including non-CSP channels — to confirm eligibility.

Customer impact

Will customers notice any changes?

Generally, no — there are no direct changes to the customer's experience. The Growth Margin program primarily affects partner pricing, not how customers receive or use their products. Customers will continue to purchase and use Microsoft products as before. The only difference a customer might notice is if a partner sets up additional subscriptions for certain purchases.

Can partners participating in Growth Margin continue to support customers under cost-plus pricing models, including government and public sector contracts?

Growth Margin is earned by the partner and is intended to encourage partners to focus their efforts on driving new business. Partners can retain it or pass some or all of it through to their customer — Microsoft does not set or direct end-customer pricing.

Where a partner transacts on a cost-plus basis, including under government contracts with a fixed markup over cost, the partner is responsible for how cost is defined and represented to its customer. Because that depends on each partner's own contract terms and regulatory obligations, partners should consult their own legal and compliance advisors.

Do customers need to take any action or make new decisions?

No. The Growth Margin program is only partner-facing. It does not require customers to perform any additional steps or make any special decisions. Any adjustments occur on the partner's side; from the customer's viewpoint, nothing changes about how they buy or use their subscriptions.

Does the customer purchase process or experience change?

Not from the customer's perspective. The overall purchase, provisioning, and billing experience for the customer remains the same. For example, a partner might create a new subscription in the backend to capture Growth Margin for a particular sale, but the customer still purchases the same product normally. There is no need to explain "Growth Margin" to customers — it doesn't change their product or service.

What happens to the customer if a partner doesn't follow the Growth Margin process?

The customer's service is not impacted. The customer still receives the product and seats they ordered without interruption. The only consequence is that the partner misses the extra margin they could have earned on that transaction.

Glossary (acronyms and terms)

CSP (Cloud Solution Provider): Microsoft partner program and business model for selling Microsoft cloud subscriptions and services to customers. In CSP, partners purchase subscriptions from Microsoft at a discount (margin) and resell them to customers.

Base margin: The existing standard margin (discount percentage) a CSP partner earns on business as usual — renewals and ongoing subscriptions. On qualifying growth

transactions, partners earn Growth Margin in addition to base margin. Base Margin + Growth Margin = Total Margin. Under this program, some base margins are adjusted for specific products.

Growth Margin: A new, incremental margin that partners earn in addition to the standard base margin by executing qualifying growth scenarios, such as selling a new product to a customer, significantly expanding a customer's existing subscription, or driving a strategic SKU mix. Base Margin + Growth Margin = Total Margin. Growth Margin lowers the partner's net price on qualifying transactions, effectively increasing the partner's earning opportunity on those sales.

New-to-Offer (NTO): A scenario where the customer is purchasing a product (offer) that they have not owned before on their tenant. Qualifying new-to-offer transactions earn Growth Margin for the partner on that sale.

Seat expansion: A scenario where the customer significantly increases the number of seats (licenses) for a product they already own. If the expansion happens mid-term, the increase must be done via a new subscription for the additional seats to qualify for Growth Margin. Scheduled renewals can also qualify for Growth Margin if the eligibility criteria are met, without requiring a new subscription solely for that purpose.

Strategic SKU mix: A scenario measuring how much a customer adopts a strategic, higher-value product relative to a related base product. If adding new seats of the strategic (upsell) product causes the customer's ratio of upsell product seats to base product seats to exceed a target threshold and the transaction meets the applicable minimum new-seat requirement, the new upsell seats qualify for Growth Margin.

Tenant: In cloud services, a tenant refers to a customer's Microsoft cloud organization/account environment, containing all their subscriptions and users. Growth Margin eligibility is determined at the tenant level — meaning the customer's entire existing footprint across all Microsoft sales channels is considered when evaluating if a new purchase qualifies.

NCE (new commerce experience): Microsoft's modern commerce platform for CSP (introduced in 2022) which changed how subscriptions are sold and managed. Growth Margin eligibility typically considers the customer's history in the NCE platform when determining if something is "new-to-offer."

EA (Enterprise Agreement): A Microsoft volume licensing contract typically used by large enterprises. If a customer has a product through an EA (or any other channel outside CSP), it may affect CSP Growth Margin eligibility (since that product would not be “new” to the customer’s tenant).

SKU (Stock Keeping Unit): In this context, a specific product offering or subscription plan code. Certain strategic SKUs in CSP are eligible for Growth Margin under defined conditions, while others are not.

Extended Service Term (EST): A lifecycle state where a subscription continues temporarily after the end of its original term when it is not renewed. During this period, the subscription is no longer in its active term.