

Channelytics®

ROUTE TO MARKET PLAYBOOK | CLOUD MARKETPLACES: PART 2

**Leveraging Cloud Marketplaces to
Defend and Grow Your Channel**

THE **CHANNEL** CO.™

IPED® Consulting

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INTRODUCTION

Cloud Marketplaces: Part 2

Cloud Marketplaces are evolving as a disruptive but significant new route to market, providing value to customers in several ways:

- 1. Faster transactions**
- 2. The ability to pay-per-use**
- 3. Flexibility to scale up and down as needed – without committing to future software usage**

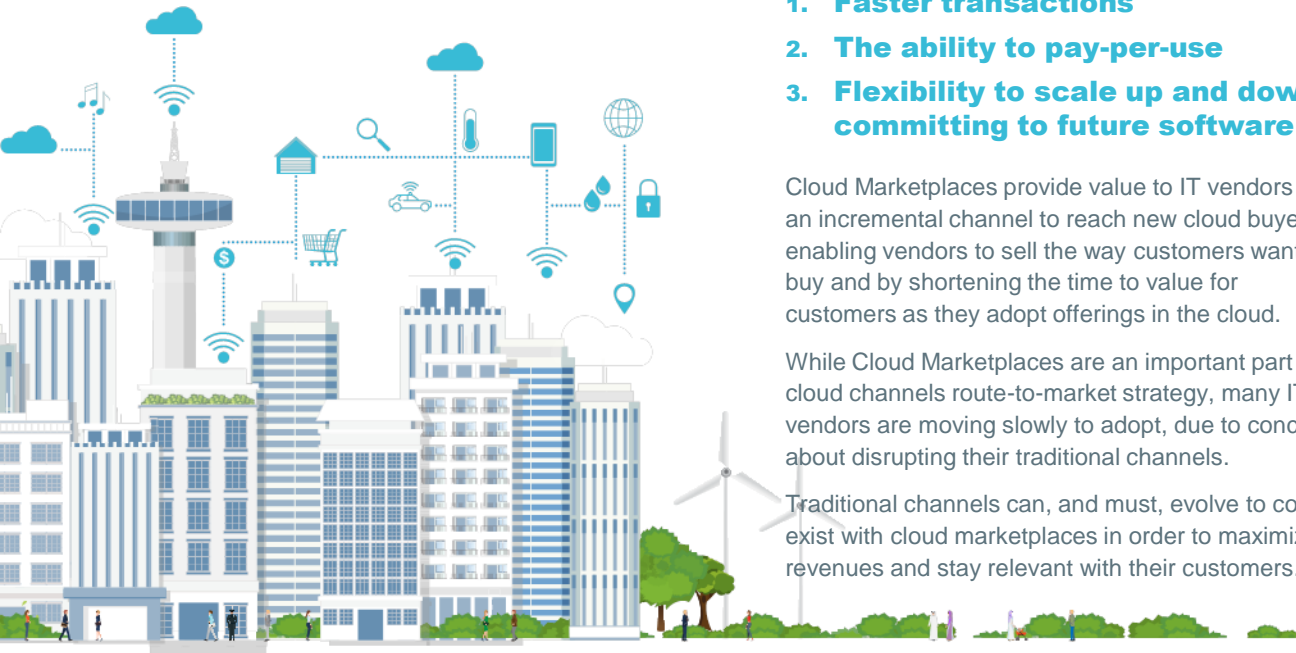
Cloud Marketplaces provide value to IT vendors as an incremental channel to reach new cloud buyers, enabling vendors to sell the way customers want to buy and by shortening the time to value for customers as they adopt offerings in the cloud.

While Cloud Marketplaces are an important part of a cloud channels route-to-market strategy, many IT vendors are moving slowly to adopt, due to concerns about disrupting their traditional channels.

Traditional channels can, and must, evolve to co-exist with cloud marketplaces in order to maximize revenues and stay relevant with their customers.

Leading vendors are integrating Cloud Marketplaces into their existing sales channels by:

- Using public Marketplaces as a low-touch fulfillment channel
- Enabling their channel partners to create larger, negotiated cloud deals, with fulfillment via private Marketplaces
- Assuring that partners are compensated for creating and driving opportunities, with partner as “Sellers of Record”



INTRODUCTION

Cloud Marketplace Adoption: Key Takeaways

Part 2 of The Cloud Marketplaces Route to Market Playbook provides detailed insights and best practices for vendors to protect and grow their business in the cloud, including:

- **Changes in customer buying behavior and decision making** for cloud services and through Marketplaces – and how these changes are impacting channels
- **Best practices to leverage Marketplaces** to engage with customers and channels, to drive both low-friction transactions, and sales/channel-led enterprise deals
- **Case Studies** on how leading vendors are incorporating Marketplaces into their cloud channels, and impact on resale, consulting, distribution and MSP programs.

After reading this Guidebook, you should understand:

- ✓ The current role that Cloud Marketplaces are playing as part of a broader channel ecosystem;
- ✓ How Cloud Marketplaces are impacting software procurement and the role of channel partners;

Whether you have the cloud channel partners and programs you need to grow your business, leveraging Cloud Marketplaces to:

- Drive customer self-service business to Public Cloud Marketplaces
- Create enterprise sales opportunities through your channel, with fulfillment via Private Marketplaces
- Enable your channel partners to build Advisory, consultative services
- Compensate your channel for driving demand that is fulfilled through Public and Private Marketplaces

How Customers are Using Cloud Marketplaces

Marketplaces help customers move quickly to buy and implement the software they need:

- Free trials, pay for use, with no contract or volume commitments
- Projects to “Migrate” or “Build” Applications to improve performance/ time-to-market
- IT role/process changes support DevOps
- Assures that software well-architected for cloud
- Transacted in Public Marketplace, included on cloud provider bill

Marketplaces support software procurement as organizations move to a “cloud-first” policy:

- Cloud Architects become key decision-makers
- Customers use reference architectures, with set of tools and partners to migrate their applications
- Customers integrate their existing IT assets with the public cloud platforms for security, networking, etc.
- Negotiated buying terms are transacted via Private Marketplaces

Mid-Market and Small Business

Mid-market is a significant portion of Marketplace use, but SMB has evolved to be dependent on “partner-provided” services:

- Rely on MSP and consulting partners to provide IT advisory and managed services.
- Expect most applications to move to cloud and SaaS preferred.
- Transact with an MSP or partner, leveraging Public Marketplace

Enterprises

Account for greater than half of cloud Marketplace transactions. In-house developers try and buy software to support migration projects, driven by LOB decision-makers and funding.

- Initial projects can be LOB driven, but increasingly IT is brought in as a stakeholder. Few dedicated “cloud” IT resources. Try and Buy to support migration projects—through Marketplace
- Organization evolves to a hybrid-cloud model, with Cloud Architects as a key influencer within a DevOps culture.
- Continue to Try and Buy for new requirements, but also engage Purchasing and IT to provide Governance and procure through Private Marketplace



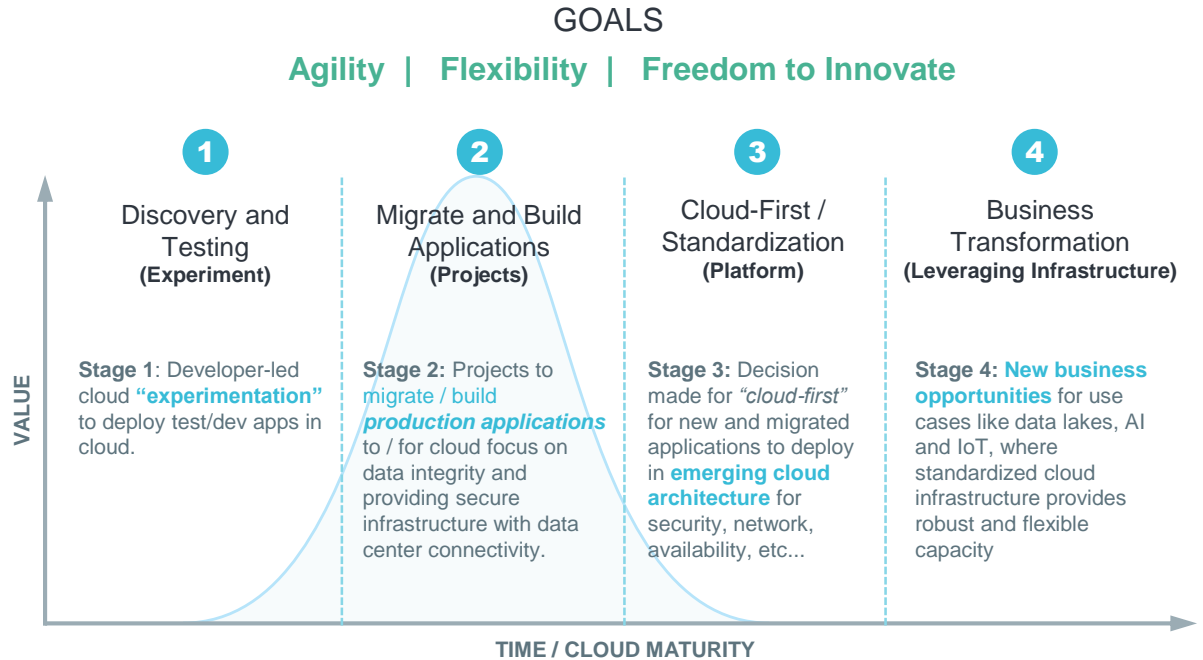
Customers' Cloud Adoption Journey Triggers Partner Services

Cloud platforms like AWS and Azure describe a cloud adoption “journey” where customers experiment, gain skills and gradually accelerate their cloud adoption.

This journey is often described as having four stages, with each stage having different drivers for decisions, types of cloud projects and adoption opportunities.

An organizations' cloud adoption journey will have many separate buying events (e.g. migrate SQL to cloud) with interconnected decisions, and buying dynamics evolve as the organization gains deeper cloud expertise. Today, the majority of customers are doing projects in stages 1 and 2, with a strong focus on secure data and application migration.

This cycle of experimentation, trials and discovery all lead to IT solution providers (either legacy or born-on-the-cloud) shifting their focus to a more advisory and architectural services role.



Cloud Marketplaces are Transforming Software Procurement and Entitlement

Cloud Services have increased speed and agility, but software procurement has not kept up...

- Buying process for software and services are slow and inefficient

- Deploying software is slow and complex

- Choosing what products to buy is too complex

- Customers often don't know what software they have and whether they are in compliance on licensing

Why? Because...

Perpetual licenses make buying a volume “decision” – and traditional purchasing model is manual with many participants

Consultants must integrate products in the field and deploy manually – and products and partner design/implementation services are sold separately

Vendors sell “products” but customers buy “outcomes” (e.g. disaster recovery), built on a combination of products that work together

Customers don't have systems to track what/how much software they have purchased, who is using it, and whether they are in compliance

Cloud Marketplaces speed the process and provide new capabilities:

1. Free trials for real-world testing and “Pay for Use” pricing to remove approval barriers
2. Cloud-ready products, with simple implementation onto standardized cloud infrastructure
3. Ability to **Buy and Deploy multi-product Reference Architectures** that address common use cases, increasingly, with an option to purchase implementation services through a qualified partner at the same time
4. A **system-of-record** to view and manage their software portfolio, inclusive of their advisory partners' role

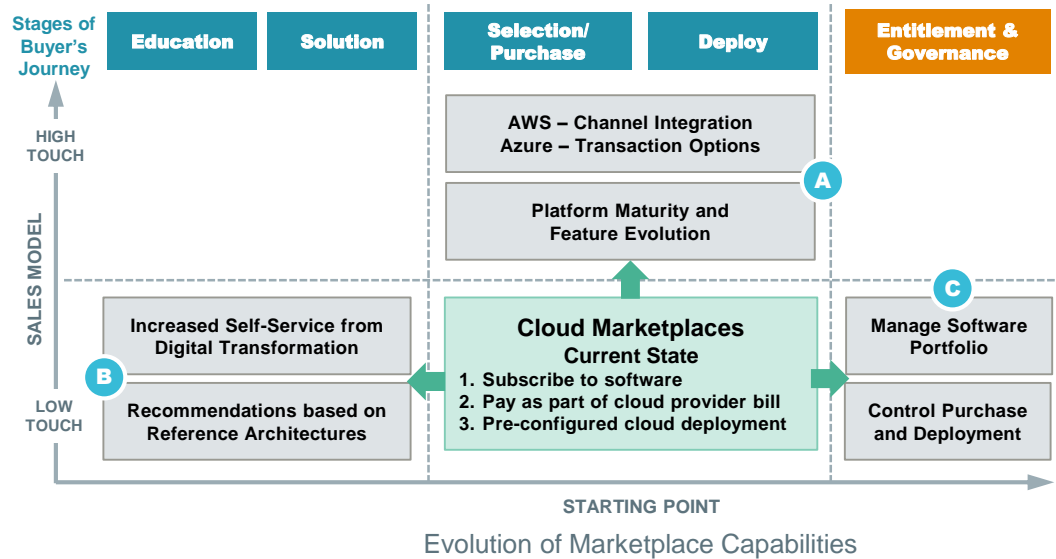


Cloud Marketplaces Evolving to Address All Stages of Buyers Journey

Cloud Marketplaces have been viewed as a “low-touch” channel, addressing the Selection / Purchase and Deployment stages of the Buyer’s Journey.

However, they have evolved rapidly to support high-touch sales models, where partners initiate opportunities and leverage Marketplaces for procurement, and they are evolving to address all stages of the Buyer’s Journey, including:

- A** Filling gaps in purchasing and deployment features – to support full range of delivery and pricing models, with channel partner as “seller of record”. Cloud Marketplace bills the customer, with channel partner paid at each billing cycle (except BYOL).¹
- B** Educating customers on Solutions to key use cases, with “one-click” Purchase and Deploy – with solution comparison tools, multi-product reference architectures, and partner implementation services.
- C** Helping enterprises manage their software portfolio – with “Service Catalogs,” and Marketplace integration with internal approval workflows (e.g. Service NOW) and procurement systems (e.g. Coupa).



1. Some customers still are using (perpetual) “Bring Your Own License” (BYOL), for software in their cloud environment. These licenses were already purchased through other channels, so they are not billed through the Cloud Marketplaces

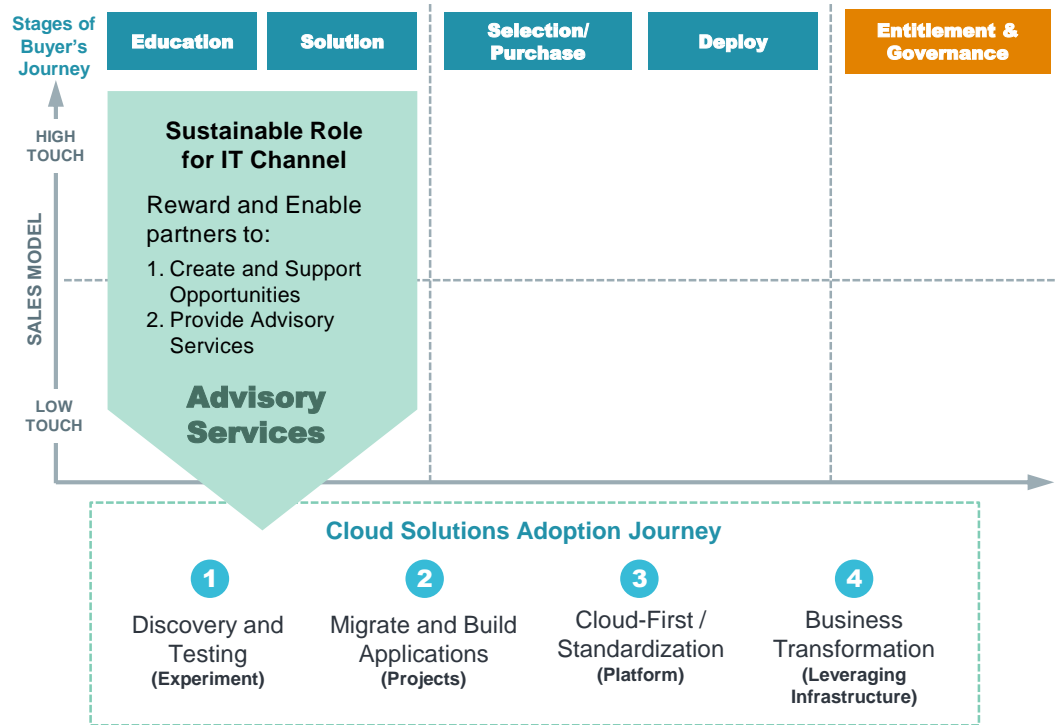
Cloud Marketplaces Driving Shift in Channel Role & Value to Advisory Services

As cloud adoption and Cloud Marketplaces evolve, the solutions customers adopt, how they procure software, and ultimately the role of IT Solution Providers is also evolving.

In early cloud adoption, Solution Providers need experience working with DevOps environments and migrating applications to the cloud, as a baseline.

However, as organizations advance on their journey, they need Advisory Services – to help them architect and implement multiple cloud solutions to support their business growth plans. For example, a partner would provide an IoT solution to provide predictive maintenance for a remote mining site. These services often require both a horizontal understanding of cloud architectures and vertical expertise in the challenges and practices of a specific industry.

To adapt to these buying trends and create differentiation, leading Solution Providers are prioritizing where they want to build unique Advisory expertise (e.g. Security, Healthcare, Industrial IoT, etc.) and then building service offerings for these solutions/segments.

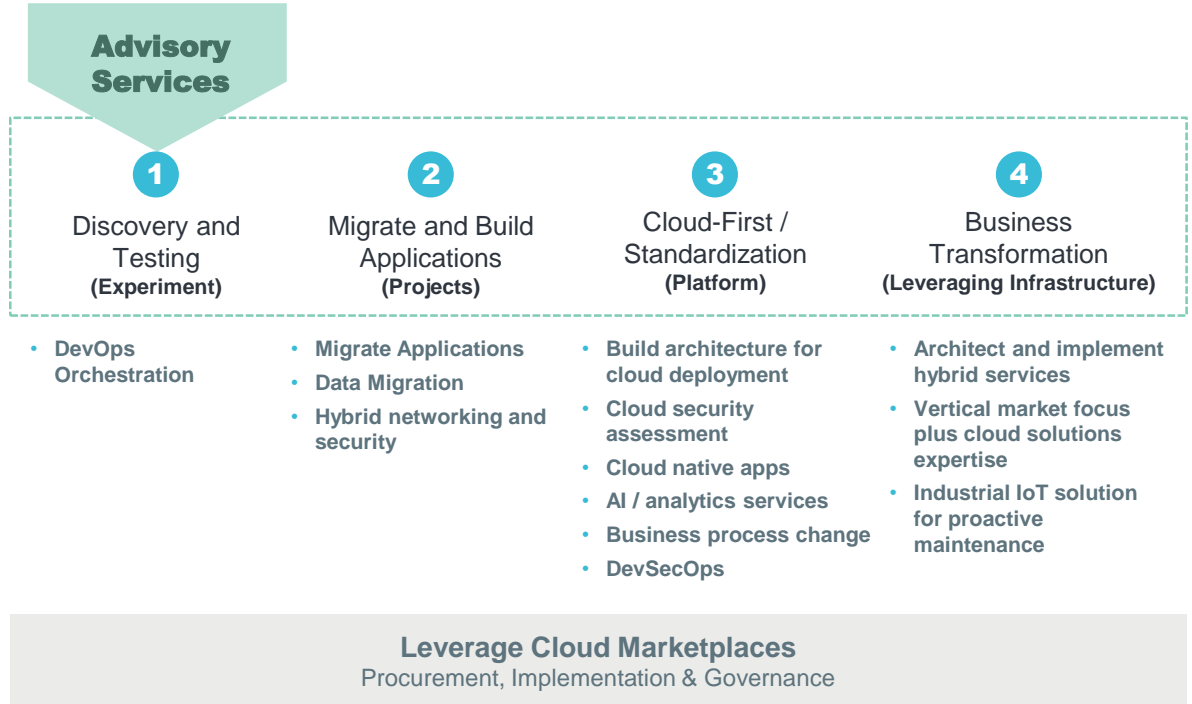


Implications for IT Solution Providers: Cloud Advisory Services

The cloud Advisory Services that customers need evolves as they progress on their journey.

Since the level of complexity and experience required to deliver these solutions increases during the journey, Solution Providers often start with the most well-understood (and common) solutions, like data or application migration – and build their skills and business with existing customers starting from these solutions.

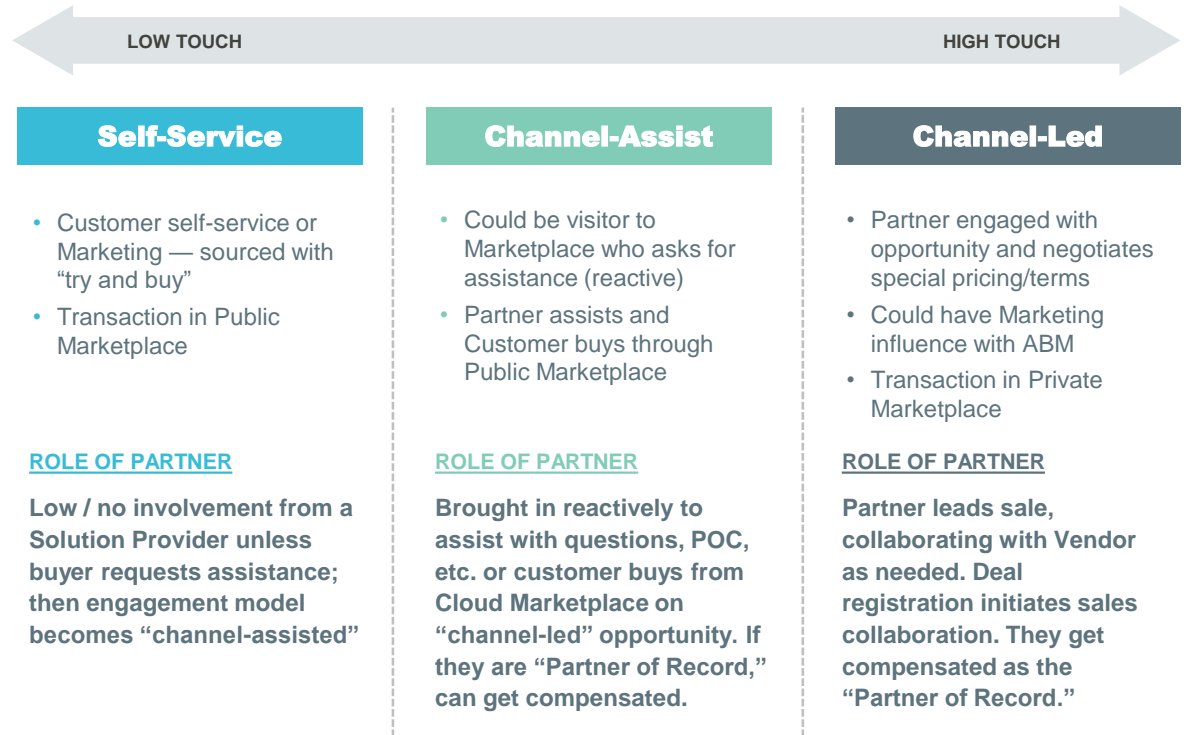
As customers realize proof of concept (customer value, speed, efficiency, cost savings) from their cloud applications and data sets, the solution provider advances in their cloud Advisory Services to modernize the underlying infrastructure. And, in the fourth phase the partner can help the customer build new cloud-empowered services, highly customized to the customers' unique vertical market business processes and leveraging both datacenter and edge technologies.



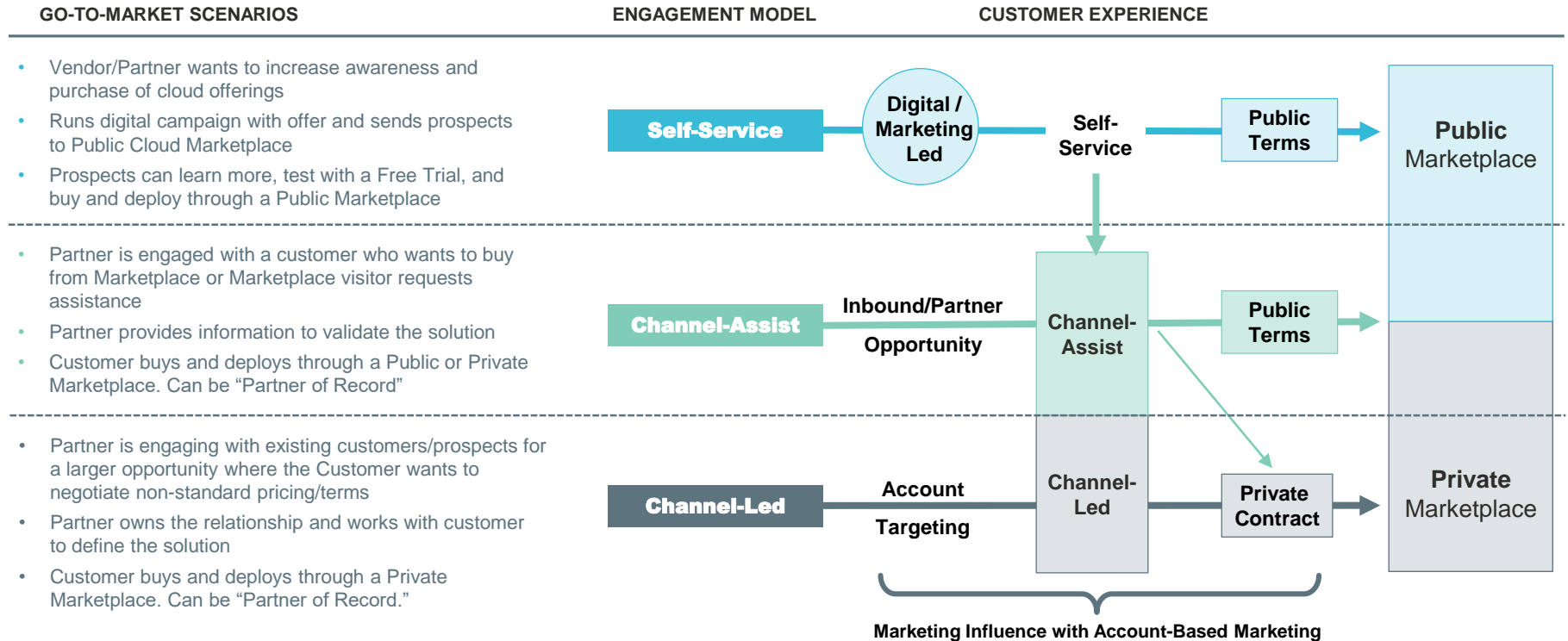
Three Cloud Marketplace Customer Engagement Models

While Cloud Marketplaces can be a new channel for vendors, often vendors are leveraging them in conjunction with their existing sales channels — to simplify and accelerate software testing, procurement and deployment.

Customers can engage with Cloud Marketplaces in different ways, depending on customer buying preference and how a specific vendor is leveraging Cloud Marketplaces in concert with their existing channels.



How Vendors Leverage These Models in their Cloud Channels



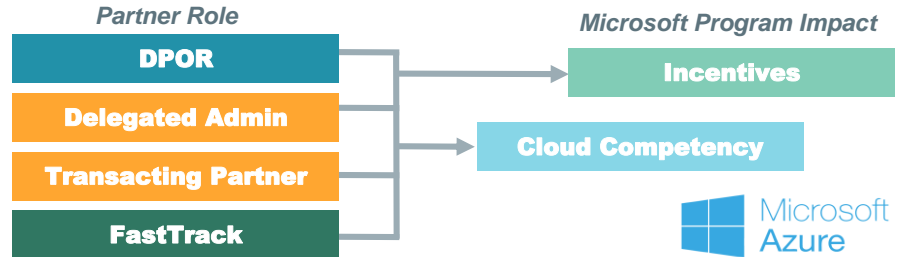
Partner of Record: Microsoft Partners Gain Credit & Competencies

Microsoft offers four ways for partners to be recognized and rewarded for driving cloud consumption; all point toward increased attainment of Cloud Competency Qualification.

Digital Partner of Record (DPOR) is the only one of the four partner roles or designations that receives financial incentives.

DPOR associates servicing partners to a Microsoft cloud subscription, as designed by the customer on each new online subscription.

Benefits to partner for being a DROR, beyond incentives, is accelerated qualification for Cloud Competencies plus reporting that provides a single view into the revenue, usage, and consumption they drive for their customers. This helps them drive cross-sell/upsell and maximize renewals.



Process to Track DPOR on Cloud Subscriptions

- Customer attaches “**Digital Partner of Record**” (DPOR) during or after transaction (Partner ID)
- Or Partner can **send QuickLink email** to Customer for approval to add them as DPOR
- Or Partner can ask Customer to **designate them as Administrator** for this subscription and Azure account (including DPOR)
- Applies to **Office 365, Dynamics 365, Azure**, etc.,
- **All ISVs/Sellers and Partners are automatically eligible** – no additional “program” they need to sign up for

Seller of Record: AWS Tracks Consulting Partner Impact

Consulting Partner Private Offers (CPPO) allows AWS Consulting Partners to resell discounted software from ISVs in AWS Marketplace to AWS customers.

CPPO enables Consulting Partners to engage customers directly to offer custom pricing through recurring and negotiated pricing and terms. As the Seller of Record, a Consulting Partner is able to recognize revenue upfront and own the contractual and financial relationship from start to finish.



**Consulting Partner
Operations Quick Reference**

How does AWS Marketplace help streamline operations?

1. Own the customer contractual and financial relationship from start to finish as Seller of Record.
2. Accelerate the speed of transactions and deployments for customers.
3. Initiate and extend offers (or custom pricing) directly to customers with recurring or negotiated pricing and terms, reducing provisioning overhead.

How does a transaction work with CPPO?



Process for CPPO in AWS Marketplace

Initial Setup (each ISV and their Partners)

- Partner joins Consulting Partner Private Offer (CPPO) Program
- ISV/Seller joins CPPO, sets terms and authorizes each consulting partner to participate in CPPO, for their program

Each Transaction/Subscription

- ISV/Seller submits Private Offer through normal process in Portal, with customer information, pricing/terms and partner designated as the “Seller-of-Record”
- Subscription fees included on customer’s monthly AWS bill
- AWS pays the ISV and the Consulting Partner directly

Vendor Program Examples



Digital Partner of Record
Tracking & Program Reward



Consulting Partner Private
Offers (CPPO) Tracking

Self-Service

Low Touch Transactions
via Public Marketplaces



Channel-Led

High Touch Co-selling Transactions
via Private Marketplace



Integrated Marketplace GTM

Both Low Touch and High Touch
with Existing Channels
via Public and Private Marketplaces



Self-Service Model

Incumbent Infrastructure Vendor with Cloud Acquisitions



What Cisco is Doing

“Multi-cloud portfolio strategy” includes broad product capabilities to provide “Protect”, “Connect” and “Consume” solutions

Building product portfolio through acquisition of companies like Viptella (SD-WAN), App Dynamics (Performance Management) and Observable Networks/Cisco Stealthwatch Cloud (Security)

GTM Approach varies: Some are integrated into existing products (e.g. Viptella → Cisco CSR), some running as product teams (Stealthwatch Cloud) and some behave like business units (e.g. App Dynamics) with varying levels of sales integration

How Cisco Engages the Channel

- Cisco was an early adopter of a multi-cloud strategy
- Cisco has had a longstanding Cloud Managed Services Channel Program (CMSC) to assist partners in building their MSP and cloud services business
- Cisco has its own Cloud Marketplace (www.marketplace.cisco.com) but the focus is featuring its partners’ offerings and linking customers to partners
- Most core Cisco products are available through public Cloud Marketplaces for customer self-service. Partner compensation is available, but reactive/in flux
- Cloud-centric acquisition offerings, like AppDynamics and Stealthwatch Cloud, leveraging public and private transactions in Cloud Marketplaces - but many Cisco partners are not yet selling these offerings

The Bottom Line

Cisco is aggressively growing their multi-cloud portfolio by acquiring new technologies and leveraging the Cloud Marketplaces to enable customers to transact rapidly and and deploy these services in their cloud environment.



Self-Service Model

Startup Leveraging Cloud Marketplaces as Primary Channel



What Matillion is Doing

A venture backed startup, **Matillion is enhancing data transfer services for cloud offerings** from AWS, Azure, Google and Snowflake

Matillion works with these technology partners on GTM, running digital demand-generation campaigns to their user base, to drive prospects to public Cloud Marketplaces for additional information, ordering and implementation

Matillion received \$35 Million in C funding in June of 2019 and is expanding their GTM investments.

How Matillion Engages the Channel

- As a start-up, Matillion saw building an order fulfillment channel as a limiting factor in growing their business. They chose to leverage Public Cloud Marketplaces and put their effort in higher value-add activities, like creating awareness and hiring more sales engineers to support opportunities.
- Matillion has been engaging on opportunities with some partners of AWS, Azure, Snowflake and Google and partners are involved in 20-25% of sales.
- **They announced their first channel program in September** and are looking to onboard about 100 partners into the program by year end

The Bottom Line

Matillion is using Cloud Marketplaces as their first channel and focusing on aligning their product offering and demand generation on joint solutions with AWS, Google, Snowflake and Azure customers



Google Cloud



Channel-Led Model

Incumbent Security and Analytics Vendor Leveraging Private Marketplaces for Negotiated Transactions



What Splunk is Doing

Splunk has evolved their IT operations and security product offering to a platform that helps customers **aggregate and analyze their data to gain business insights**

Splunk and their partners **promote these cloud security solutions to existing and new accounts, with procurement done through a Private Cloud Marketplace**

Splunk is also **partnering with Palo Alto Networks** to offer [a joint solution](#) with automated deployment, through AWS Marketplace and the AWS console

How Splunk Engages the Channel

- The Splunk sales team works with partners such as Atos, CDW, Computacenter, Optiv and Rackspace to engage with enterprise customers, to identify and close opportunities for Splunk service offerings
- Customers transact via a Private Marketplace with partner as the “seller-of-record,” so partners are paid at each billing cycle
- Joint solution with Palo Alto Networks is promoted by both sets of partners and enables customers to gain additional insights from their security data – helping Splunk acquire new customers.

The Bottom Line

Splunk is aggressively growing their cloud business by expanding product capabilities for cloud security and leveraging their channel to expand their footprint at existing accounts, with transactions and deployment through Private Cloud Marketplaces

The screenshot shows the AWS Marketplace interface for a joint solution. At the top, the AWS logo is on the left and a 'Get started' button is on the right. Below the header, the title reads 'Advanced Security & Analytics Environment' followed by the description 'Automate the deployment of an enterprise-class security and analytics environment on AWS'. A small note states 'Palo Alto Networks and Splunk are AWS Advanced technology partners with the AWS Security competency.' At the bottom, there are logos for Palo Alto Networks, Splunk, and the AWS Security Competency logo.

Channel-Led Model

Startup Leveraging Private Cloud Marketplaces as Fulfillment for Cloud-Migration Opportunities



What AppDynamics is Doing

AppDynamics was a venture-backed startup providing **Application and Business Performance solutions**, when Cisco acquired them in 2017.

Offerings are used to **benchmark application performance** on-premise and in the cloud and are often used by customers to support large cloud migrations

Operate as a separate business, within Cisco, with their own sales team and channel partners, **targeting enterprise customers and leveraging Private Marketplaces** for transaction and deployment

How AppDynamics Engages the Channel

- AppDynamics has a direct sales motion and are building a solution provider channel, with partners such as Greenpages and Worldwide Technologies, to extend reach and help customers accelerate cloud migration
- Often used by partners in their cloud migration services engagements, to benchmark and validate application performance
- Participate in AWS Marketplace Consulting Partner Private Offer (CPPO) program, so partners can become “seller-of-record” for Private Marketplace transactions, with partners compensated at each billing cycle

The Bottom Line

AppDynamics focuses on enterprises seeking to accelerate cloud migration, and leverage their channel to generate, develop and close sales opportunities with new customers, while fulfilling transactions through a Private Cloud Marketplace

Seller Private Offers

- ✓ Obtain pricing based on unique requirements
- ✓ Negotiate terms to fit
- ✓ Transact via AWS Marketplace once terms are agreed

[See the AWS Marketplace](#)

Integrated Marketplace GTM

New SaaS offering procured through Cloud Marketplaces and Sold by Existing Channels



What F5 is Doing

Announcement: New cloud business unit and SaaS Service (March 27, 2019)

“Customers are increasingly looking for easy-to-consume, advanced SaaS-based application services for security and application delivery.

F5’s advanced application delivery and security capabilities will now be delivered as modern, DevOps-centric SaaS solutions aligned with AWS best practices.”

Venu Aravamudan,
SVP and General Manager of F5 Cloud Services

How F5 Engages the Channel

- F5 cloud sales team is targeting enterprises and working with partners such as Atos, CDW, and Guidepoint Security to identify and close opportunities
- Participate in AWS Marketplace Consulting Partner Private Offer (CPPO) program to enable their partners to become “seller-of-record” for Private Marketplace transactions, so partners are compensated at each billing cycle
- F5 also has started to build digital demand generation capabilities to influence customers earlier in their journey, with transactions via a Public Cloud Marketplace, and expect to extend this marketing model to partners

The Bottom Line

F5 is on a journey to transform their business to a service-based model that enables customers to achieve the speed and agility they need, by incorporating F5 offerings into their cloud services, and pay for what they use, as part of their cloud provider bill



Integrated Marketplace GTM

Security Vendor Leveraging Cloud Marketplaces Within All Aspects of their Marketing and Channel Strategy



What Trend Micro is Doing

Trend Micro has been on a multi-year journey to **build Cloud Marketplaces into all aspects of their go-to-market strategy**

Early on, they leveraged Public Marketplaces and found they needed to do more to align goals and incentives for their sales team and channels

They created a program to reward sales for selling recurring business and then modified their channel program to **compensate Solution Providers for driving larger cloud services deals, fulfilled through Private Cloud Marketplaces**

How Trend Micro Engages the Channel

- Trend Micro is engaging partners like SHI, Slalom Consulting and Optiv to provide architecture and implementation Advisory Services for their security and DevSecOps solutions
- They leverage Cloud Marketplaces enable customers to buy and deploy through Public and Cloud Marketplaces and through Private Cloud Marketplaces.
- Participate in AWS Marketplace Consulting Partner Private Offer (CPPO) program to enable their partners to become “seller-of-record” for Private Marketplace transactions, so partners are compensated at each billing cycle

The Bottom Line

Trend Micro is integrating Cloud Marketplaces with their traditional sales channels to assure customers get the information they need for both **low-touch transactional purchases and substantial projects, with a “partner of record” tracking model**



Vendor Guidance

As IT vendors build out their cloud strategy and solutions, vendors also need to make key directional decisions on their cloud channel strategy. While some partners will be “born in-the-cloud”, leading vendors are evolving their channel strategy and programs to incent and enable existing reseller, integrator and MSP partners to add value to this journey. Incorporating Cloud Marketplaces as a new route to market requires some fundamentals first. But, then you can build on that presence to help partners maintain relevance, value and services around supporting their customers’ cloud adoption journey.



Incorporate Cloud Marketplaces as a Route to Market

- Provide consumption-based pricing and make your solution convenient to try
- List your products on Cloud Marketplaces
- Build links and references to Cloud Marketplaces into all of your content and campaigns – for awareness and to provide customer “choice”
- Strengthen your direct/partner co-selling models, to encourage and reward partner-led selling, with fulfillment and deployment through Cloud Marketplaces

Integrating Cloud Marketplaces with Existing Channels

- **Build “Partner of Record” into your systems** – and with public cloud platform providers (e.g. AWS, Microsoft)
- **Build / enhance your Influencer Program** – so you can reward Deal Creation, as cloud transactions move to Marketplaces
- **Invest in a strong Professional Services Enablement Program** – to define repeatable cloud solutions for key use cases to accelerate ramp of consulting/ Influencer partner ecosystem (Advisory Services)
- **Plan for evolving role of Distribution** – based on their ability to activate and enable channel partners to sell cloud services and drive consumption (not just process transactions); understand how the distributors’ own Marketplaces integrate with the public cloud providers’ Marketplaces and how the linkage of the two may accelerate cloud service adoption

Please contact us if you need help or would like to set up advisory session or live webinar for your team!

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