Channelytics®

Channel Perspective of Public Cloud Providers

Channel trends in the ever-evolving cloud landscape

THE CHANNEL CO. | IPED® Consulting

Public Cloud Platform Provider Research Update

"Understanding the Channel Impact of the Public Cloud Platforms Providers"

Abstract: Public Cloud Platform Providers (i.e. Azure, AWS and Google) are major forces in the IT market, revolutionizing how technology is decided upon, procured and managed. Their massive scale, influence and growth is something the traditional IT vendor and solution provider can no longer ignore.

They represent different things to different aspects of the Channel Ecosystem based on the channel business model and rate of cloud maturity.

This research study was conducted initially in May-June 2020 and is updated regularly due to the quickly changing nature of the material.

1

Public Cloud Platform Providers – As a Vendor

Channel Programs and their impacts on the solution provider community

2

Public Cloud Platform Providers – As a Channel

Vendor engagement and best practices for leveraging sales, technical and marketing capabilities

3

Vendor imperatives, implications and operational guidance

Public Cloud Platform Providers – IT Channel Impact Study

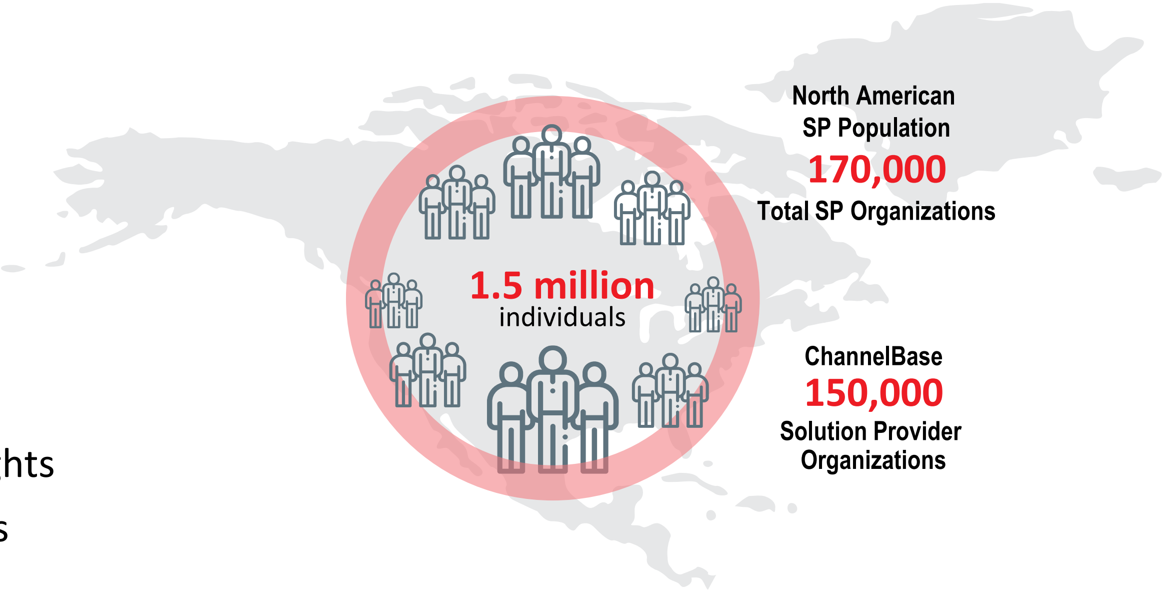
This research project is intended to explore how the Public Cloud Platform Providers (i.e. Azure, AWS and Google) are impacting the IT channel ecosystem by revolutionizing how technology is decided upon, procured and managed.

Objectives

- Develop baseline (foundation) of information on the current channel practices of the top Public Cloud Platform Providers.
- Gain insight and provide vendor guidance into how the IT Solution providers are engaging with the top Public Cloud Platform Providers.
- Provide vendor guidance and best practices on how to leverage the top Public Cloud Platform Providers as a RTM.

Methodology

- Leverage The Channel Company solution provider database and the CRN Channel Intelligence Council
- Secondary research and interviews
- On-line survey fielded in May-June 2020
- 213 completed responses
- Phone Interviews with 10 solution providers to gain qualitative insights
- Data cleansed and normalized for outliers; data represents medians unless otherwise noted



Public Cloud Platform Research Participants

To Qualify for Participation:

- Has multiple customers consuming cloud infrastructure or applications from 1 or more of these providers
- Has insight into company's future plans to sell, support or integrate to cloud services from 1 or more of these providers
- At least 10% of company's revenue from previous 12 months from Cloud Related Services

Garner Changing Market Definition for MQ

From "Public Cloud Infrastructure as a Service" to "Public Cloud Infrastructure & Platform (PCIP)

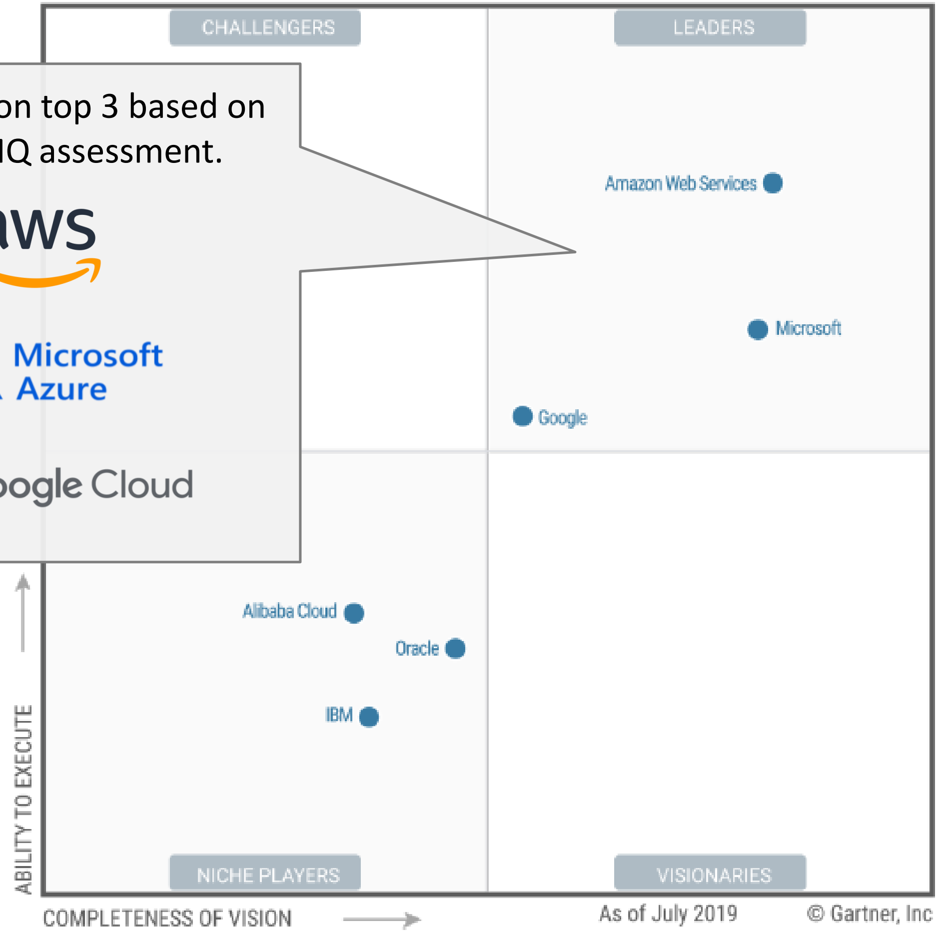
Updated MQ to be issued in July 2020

Note: Focus on top 3 based on Gartner MQ assessment.

aws

Microsoft Azure

Google Cloud



Source: Gartner (July 2019)

Public Cloud Platforms: ~$100B Revenue and STILL Growing at an Incredible Rate

Microsoft Azure	aws	Google Cloud
$48 Billion	**$38 Billion**	**$10 Billion**
(Commercial Cloud) [1] TTM	TTM [2]	(including G Suite) [3] TTM
59%	**33%**	**53%**
Growth (Azure)	**Growth**	**Growth**

Solution Provider's Perspective:

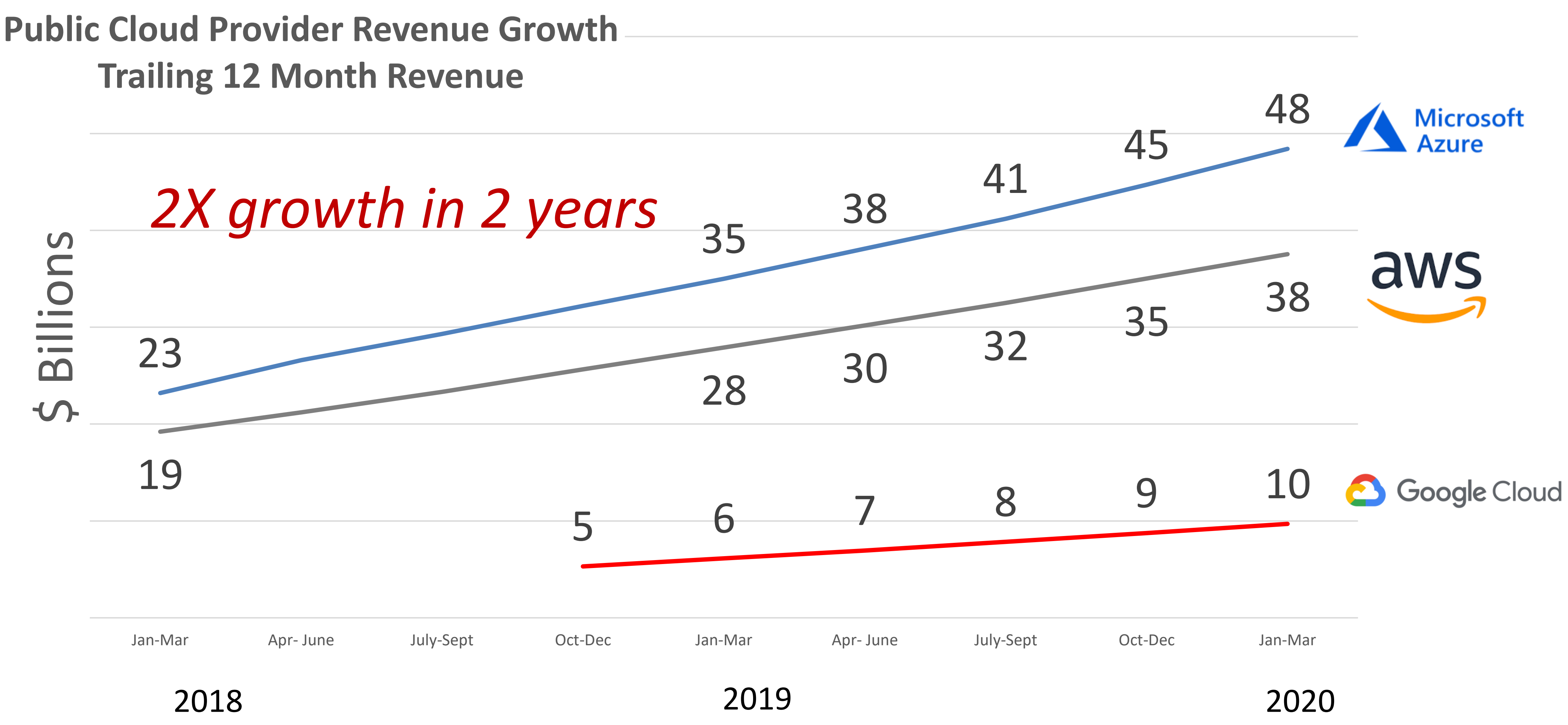
- Robust partner engagement
- Strong with SMB customers and enterprises, with O365 and MSFT apps as entry point to cloud

- Technology leader
- Strong with enterprises and web-centric organizations with deep adoption and cloud-native apps

- Up and coming with channel focus
- Fit with verticals, education and solutions like analytics, where Google is strong

1. Microsoft FY20 Q3 results – quarter ending March 31, 2020. Microsoft Commercial Cloud includes Office 365 Commercial, Azure, the commercial portion of LinkedIn, Dynamics 365 and other cloud properties
2. Amazon Q120 results – quarter ending March 31, 2020
3. Alphabet Q120 results – quarter ending March 31. 2020. Google Cloud includes GSuite, Enterprise versions of Gmail/Docs/Drive/Hangouts and Google's Cloud Infrastructure Revenue

Public Cloud Platform Providers - **Revenue History**



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* *Microsoft Commercial Cloud includes Office 365 Commercial, Azure, the commercial portion of LinkedIn, Dynamics 365 and other cloud properties*

** *Alphabet disclosed Google Cloud revenue in financials for the first time in quarter ending March 30, 2020. Earlier revenue based on Google Cloud CEO interviews.*

** *Google Cloud revenue Includes G Suite, Enterprise Version of Gmail/Docs/Drive/Hangouts and Google's Cloud Infrastructure Revenue*

2020
Channel Updates
& Announcements

As of July 2020

AWS
Channel Updates
– As a Vendor

Direction and Priority Programs for 2020

Approach

- **Lead with AWS technology** and build channels, bottom-up, from a subset of technology partner's channel
- **AWS Partner Network (APN)** defines GTM and enablement for technology vendors and consulting partners
- **Resale of AWS offerings** through Solution Provider Program and **technology vendor offerings** through AWS Marketplace
- Expect partner profit to be driven by **their services** – focused on enabling partners to build their own cloud IP

Priority Programs and Updates

- Launched Partner Workload Migration Program – helps technology and consulting partners define and validate a repeatable migration process and methodology for their AWS offering
- Enhanced Well-Architected Program – trains and validates consulting partners capabilities to leverage "AWS Well-Architected" best practices to architect and implement AWS and technology partner solutions
- GA of AWS Security Hub – automatically aggregates security findings data from supported AWS Partner Network (APN) security solutions, so you can have a comprehensive view of security and compliance across your AWS environment.
- Launched Authority to Operate on AWS - provides resources and a blueprint for MSPs to achieve compliance for their managed offerings
- Updated ACE Opportunity Referrals – provides eligible partners with AWS-sourced opportunities and pipeline management

2020
Channel Updates
& Announcements

As of July 2020

Microsoft Azure
Commercial Cloud

Microsoft Azure Channel Updates – As a Vendor

Direction and Priority Programs for 2020

Approach

- Leverage **ALL partners** (70,000+ CSPs) to **evolve MSFT channel top-down** to support cloud services
- Evolve channel program incentives to **reward usage and consumption** (rather than licenses sold)
- Provide partners with **access to all Microsoft routes-to-market**
  - Teach partners **to build own cloud IP**
  - Provide **validation of partner offerings** through IP Co-Sell Ready program
  - **Promote validated partner offerings** through all RTMs

Priority Programs and Updates

- NEW - Moved to "Claiming Partner of Record" (CPOR) model to compensate multiple partners for driving adoption of different products/workloads within the same opportunity
- Migrating all partner-facing portals to a unified "Partner Center" to improve business management and reporting
- Launched Azure Lighthouse Program **-** to help MSPs package new and differentiated services on Azure
- Launched Azure Migration Program (AMP) - provides proactive guidance, tools and funding for partners to accelerate customer migration
- Launched AI Accelerate Program - to help partners build AI offerings for their customers

2020 Channel Updates & Announcements

As of May 2020

Google Cloud

Google Cloud Channel Updates – As a Vendor

Direction and Priority Programs for 2020

Approach

- **Focus on Enterprise** customers and industry verticals with solutions, such as data/analytics, that leverage Google/Alphabet corporate capabilities
- **“100% partner-attach**” strategy – direct engagement with partners in all deals (roles vary)
- Build practices and enterprise sales engagement with **regional consultants and global system integrators**

Priority Programs and Updates

- Launched Partner Advantage Channel Program – focused on 5 industries with 6 solution specializations
- Announced strategic partnerships and recent solution updates on Google Cloud: VMware Engine, Dell/EMC CloudOneFS , Cisco SD-WAN and, SAP
- Launched managed services with open source partners and launched MSP Program
- Launched Google Partner Success Services - to help partners build consulting IP
- **NEW** - Strategy for Telecom industry, with New Solutions, Customers, and Partners
  - Mobile Edge Cloud strategy and collaboration with AT&T
  - Harnessing 5G as a business solutions pltform

Partners Continue to See Growth in Public Cloud Adoption; Expect Trend to Continue with COVID Encouraging More Customers to Use Cloud

Avg. **42%**

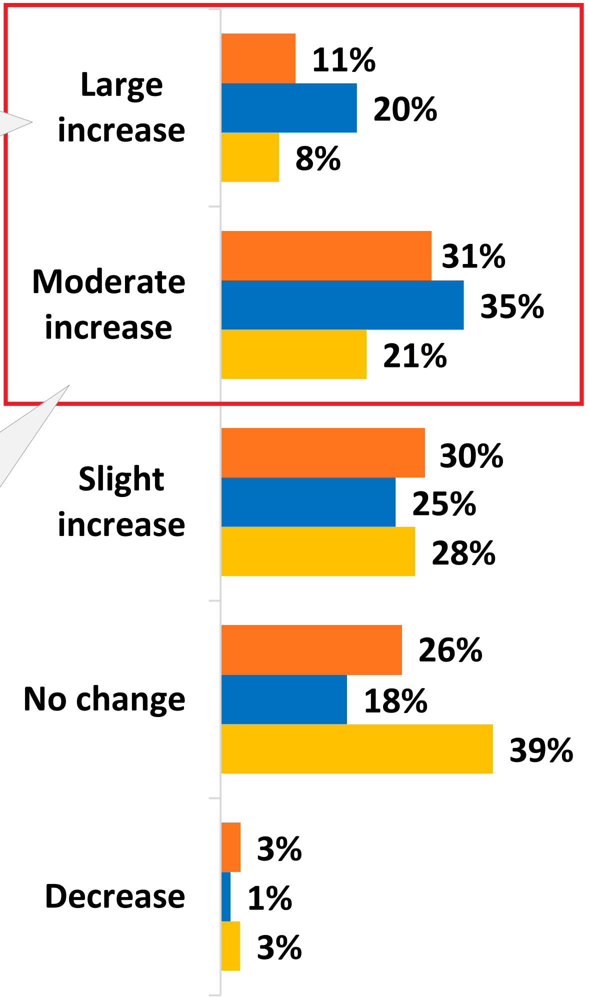
have experienced large/moderate increase in public cloud adoption

Last Year's Survey

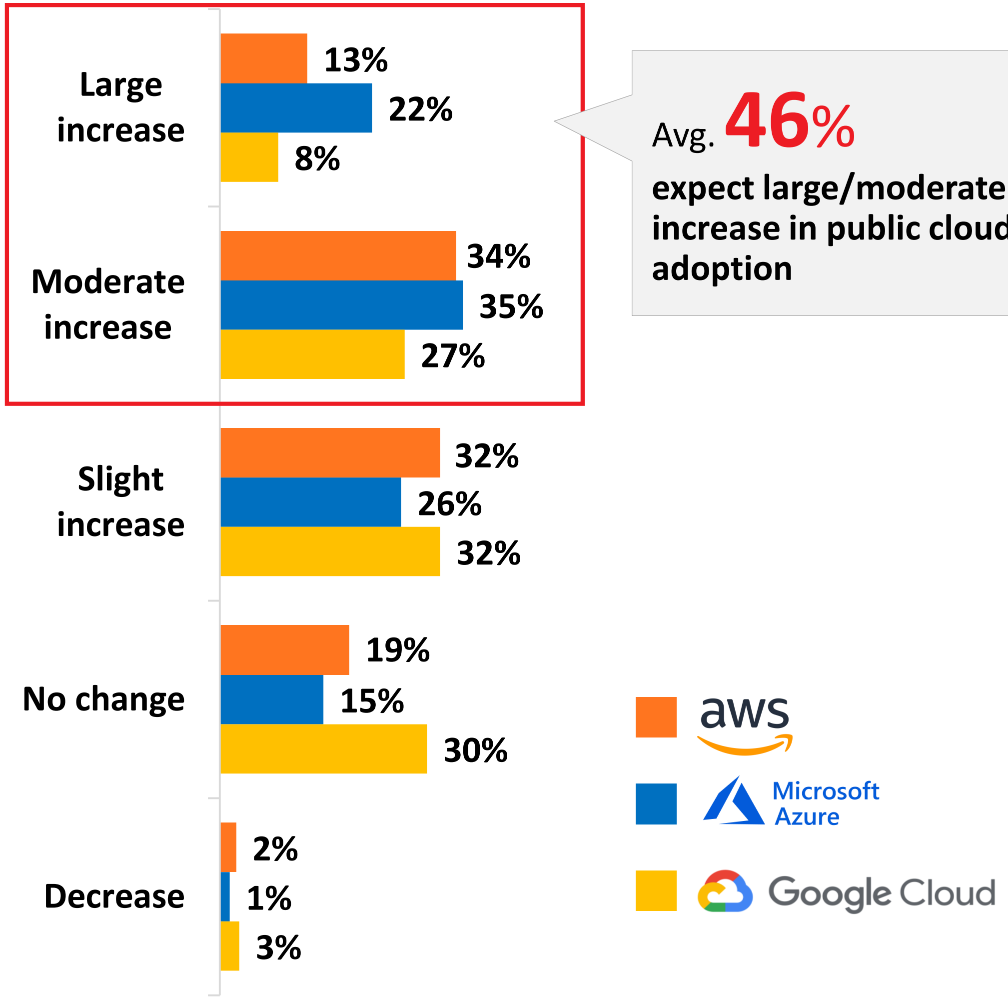
52%

expected large/moderate increase in public cloud adoption over next 12 months

Past 12 Months



Next 12 Months



Avg. **46%**

expect large/moderate increase in public cloud adoption

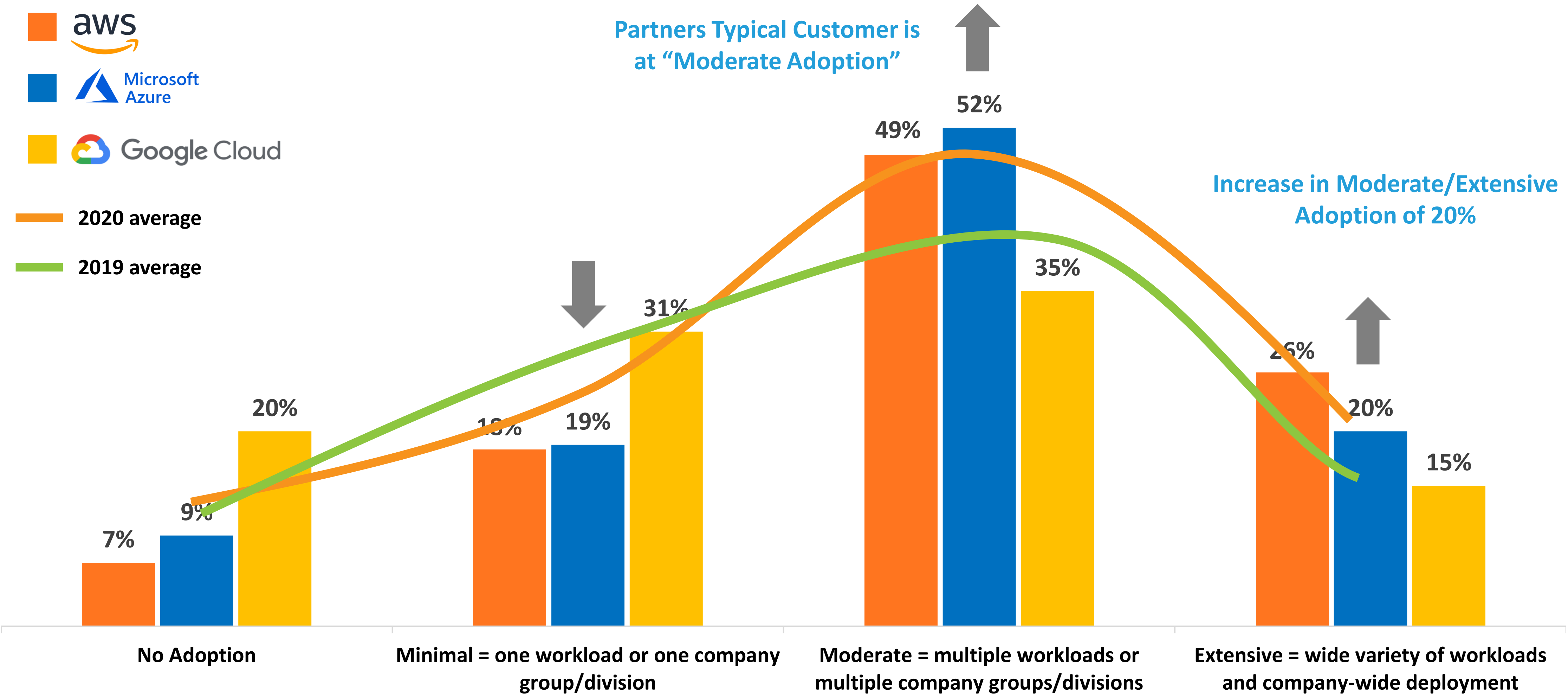
Q: What rate of change in public cloud services adoption have you experienced across your overall customer base in the last 12 months? (n=204)

Q: What rate of change in public cloud services adoption do you expect to experience across your overall customer base in the coming 12 months? (n=204)

Customer Deployments Have Become More Extensive

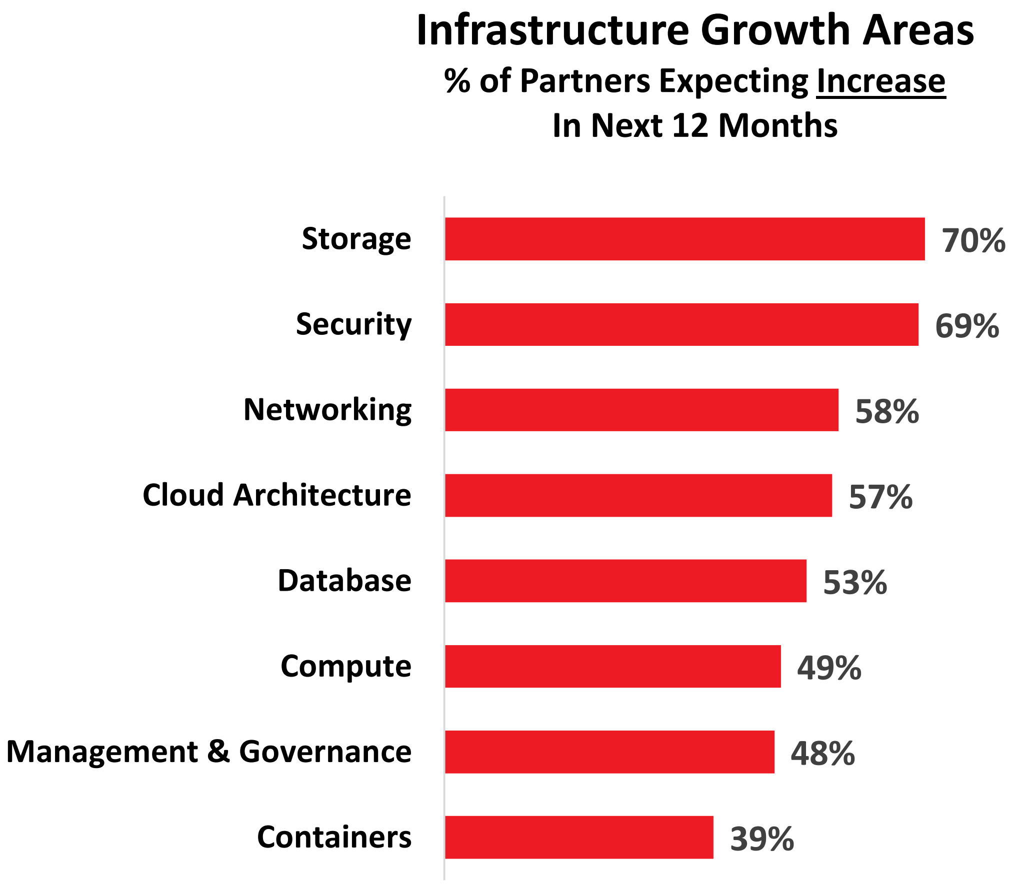
AWS has the most "extensive" deployments, but Azure has gained. Google adoption focused on select customers.

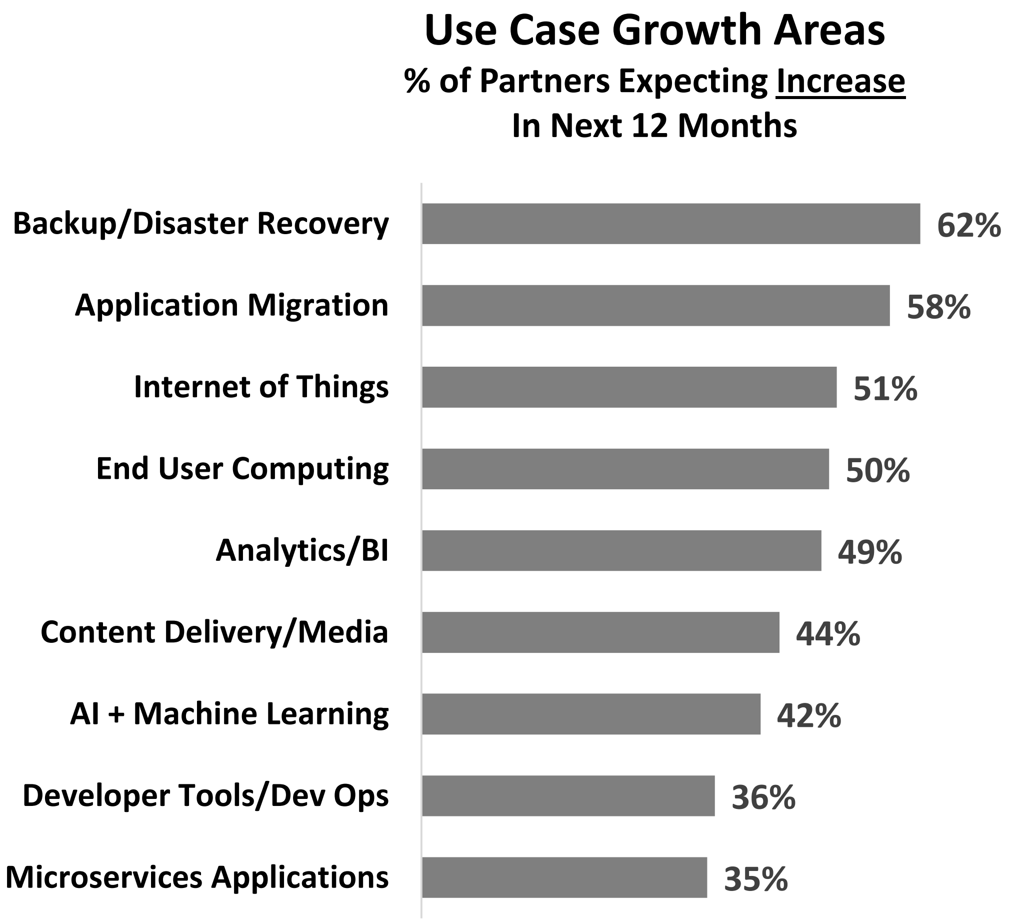
Customer's Rate of Cloud Platform Adoption



Q: How would you characterize your average or most typical customer's rate of adoption of cloud services from each of these providers? (n=204)

Partners Expect Storage and Security to Lead Cloud Infrastructure Growth; Backup/DR and App Migration and to Lead Use Cases





Q: For the cloud infrastructure and application services below, what change in adoption do you expect from your customer base in the coming 12 months? (Don't Know, Decrease, No Change, Increase)

Multiple Opportunities Available for Those With Public Cloud Capabilities

Reselling	Recommending/ Referring	Implementing / Integrating	Building Applications	Managing and Running
27%	30%	30%	14%	29%
Up to 46%	Up to 46%	Up to 47%	Up to 27%	Up to 52%

Cloud Migration Services are the Catalyst

Customer Management Lifecycle

Microsoft Azure

aws

Google Cloud

Q: How is your company engaging with these cloud platform providers today? (n=204)

Cloud Platforms Having Impact Across All Areas of the Business; Expected to Continue in 2020

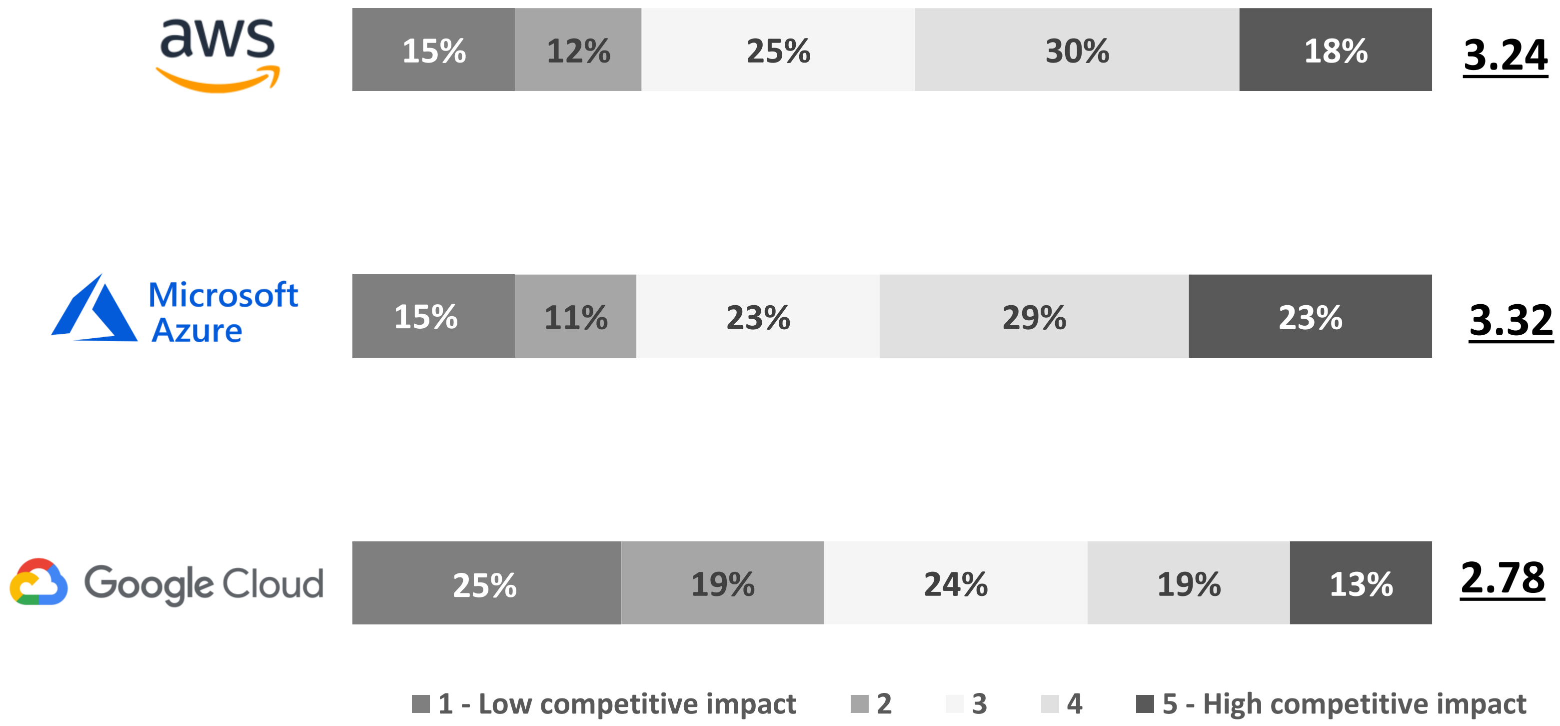
2020
High Impact
50%+

Q: To what degree has each cloud platform provider had an impact on your business in past 12 months?
Q: To what degree do you expect each of these public cloud providers to have an impact on your business in the coming 12-18 months? (n=204)

Perceived Threat has not Disappeared; 50% of Partners Seeing High Competitive Impact

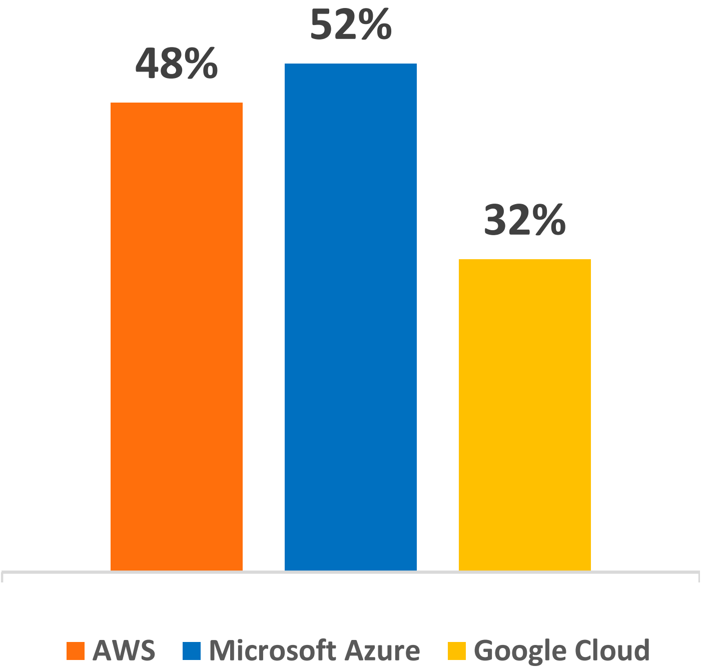
Perceived Competitive Impact of Cloud Platforms

Weighted Avg



% Who Perceive Competitive Impact

(ranked 4 or 5)



Q: To what degree are these cloud platform companies' offerings competitive with your company's existing product and/or services offerings? (n=204)

Relationships with Cloud Platform Providers still challenged; Partners are learning where strategic engagement is possible

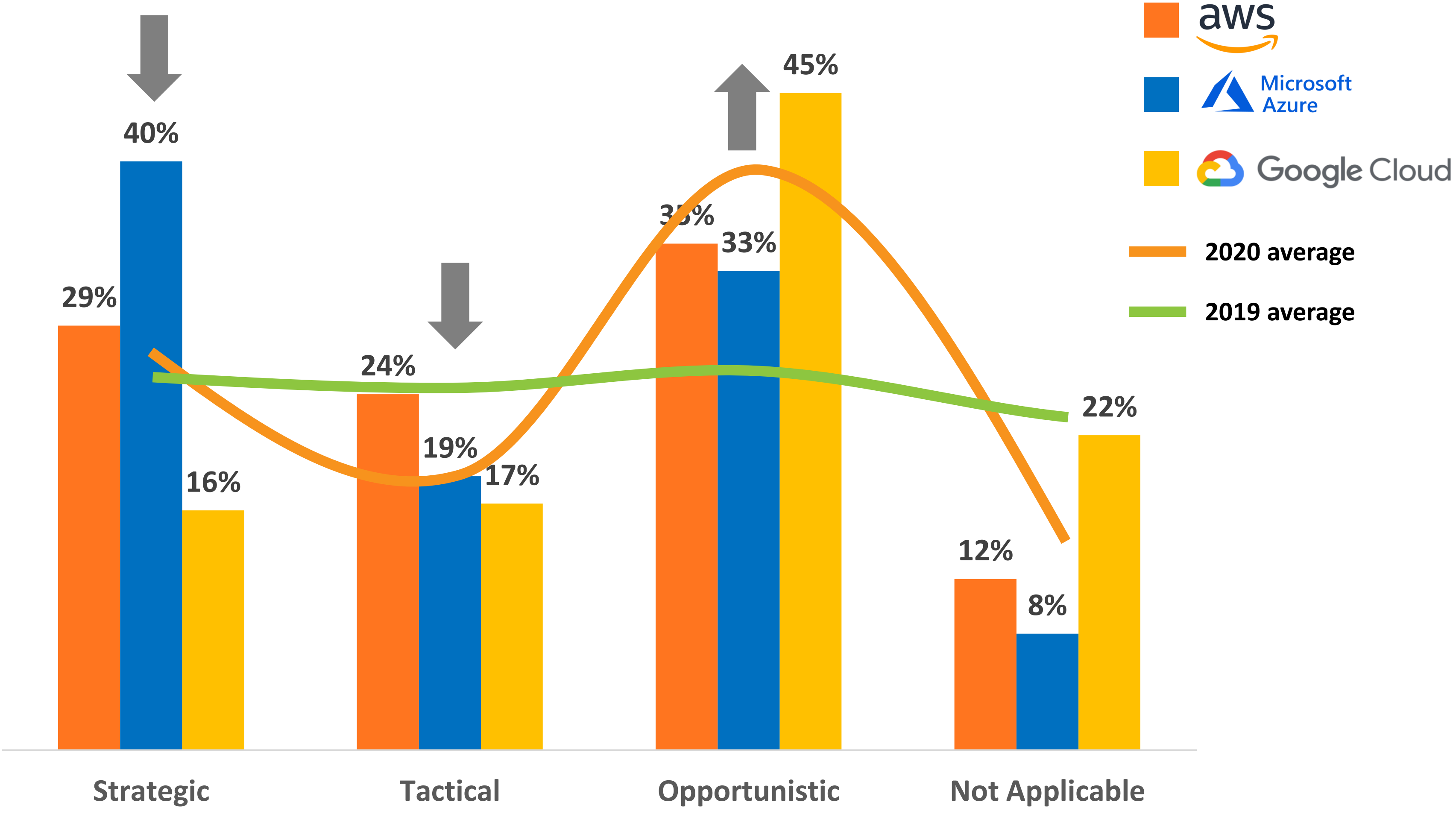
Supplier Relationship Status

Strategic – Generating a significant amount of revenue and are highly involved with them at the sales, marketing and technical levels.

Tactical – Generate measurable revenue with these public cloud platforms, but services alternatives exist (both in the cloud an on prem.) and we are not strategically invested in these lines.

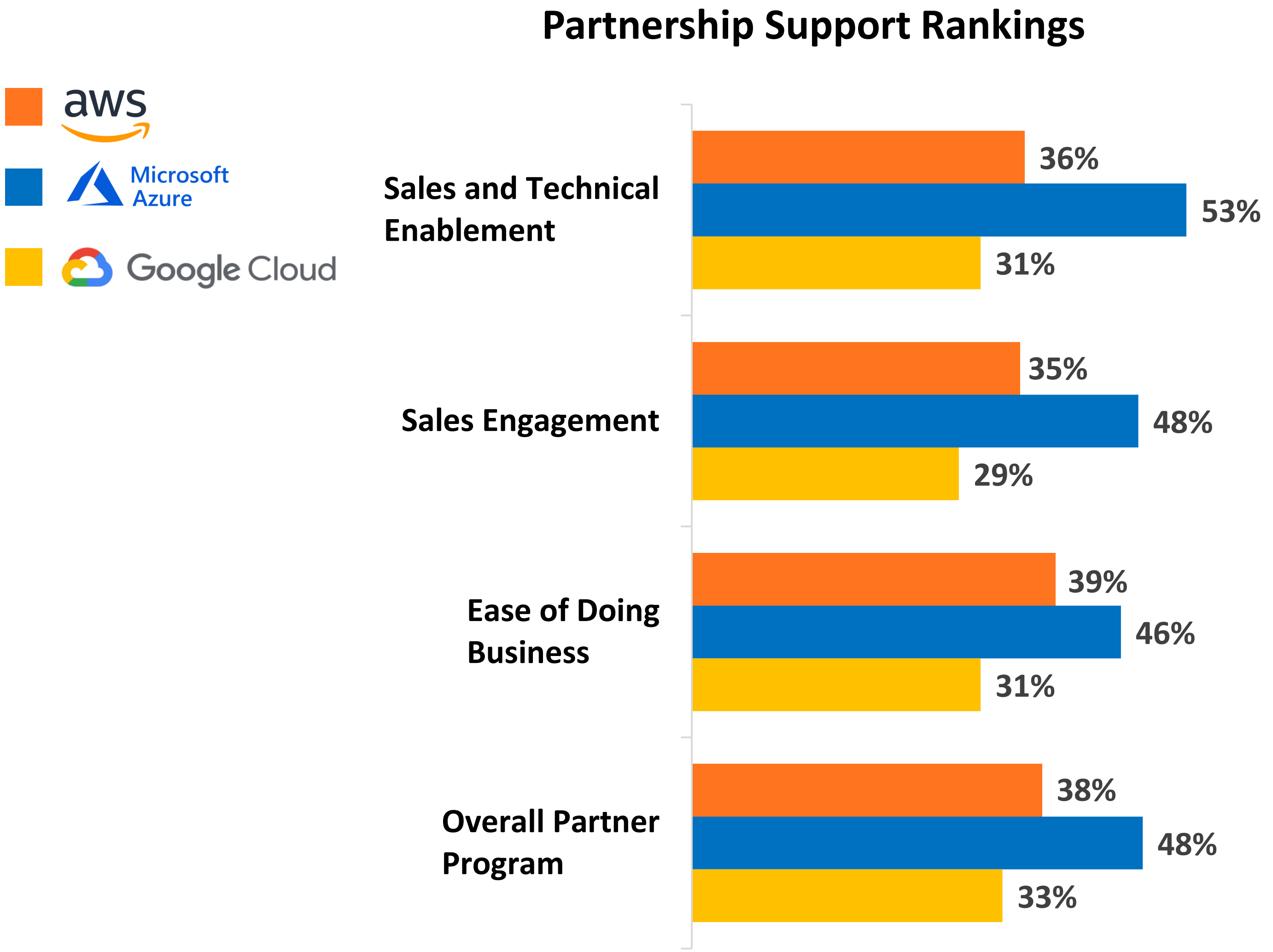
Opportunistic – We infrequently buy small amount of services from these public cloud platforms, and reactively based on our customers' demands.

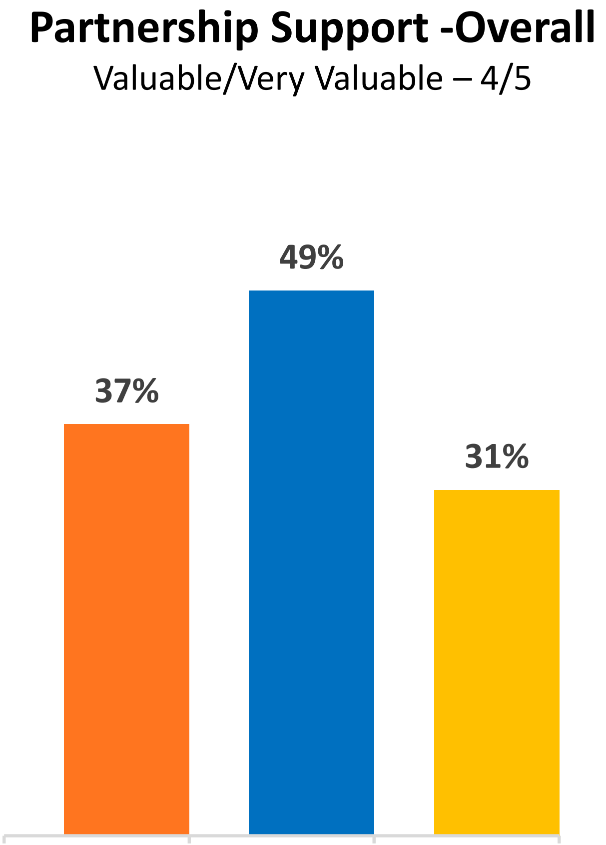
Not Applicable – We don't engage them as a supplier.



Q: How does your company perceive these leading public cloud providers in the market today, relative to your other IT supplier relationships? (n=204)

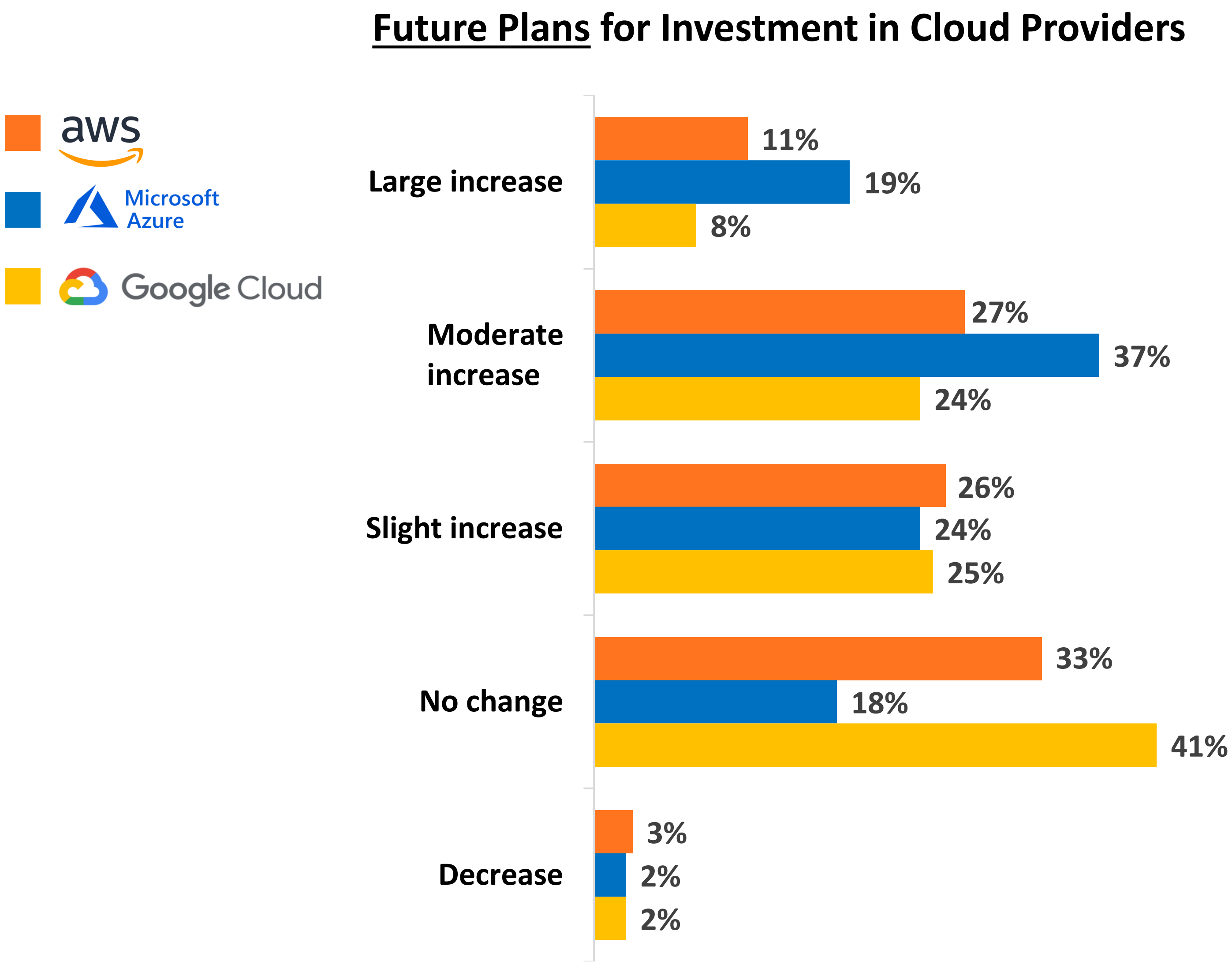
Partners State Microsoft Provides Best GTM Support; Most Valuable Area is Sales and Technical Enablement

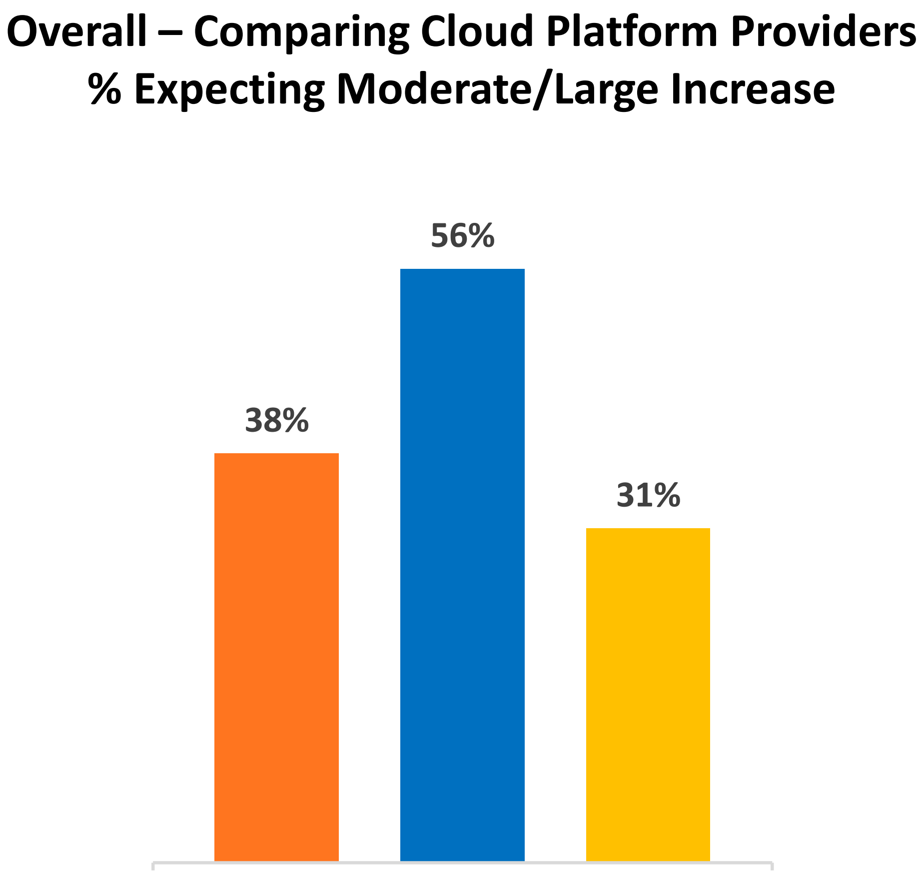




Q: How would you rate the partnership support you receive in each of these areas as a partner from each of these public cloud platform providers? (n=213)

Partners Plan to Increase Investment in 2020; Highest Expectation for Microsoft, then AWS





Q: What are your plans to increase/decrease investment in supporting the partnership with each of these public cloud platform providers in the coming 12 months? (n=213)

Cloud Platform Providers As a "Vendor" – Key Insights

Customer Pull

Partners feel they can influence technology vendor selection; but Customers have platform preference

- **>50%** experiencing large/moderate increase in public cloud adoption in last 12 months
- Shared vision = Hybrid environments with with **many partner services opportunities**
- Partners can have a significant influence in specifying platform for **multi-vendor solutions**

Channel Maturity

Providers optimized to "land" with migrations, but Microsoft leads in land/expand at existing customers

- **Microsoft**: Evolving programs to focus on O365 and Azure, with incentives based on consumption
- **AWS:** Building cloud channel by engaging with a subset of technology partners on specific solutions
- **Google:** Sales engagement to drive partner competency
- **But 50%** of partners in survey still see these platform providers as **"competitive"** to their business

Business Model

Cloud services channel impacted by "Salesforce model", with consulting partner channel and influence

- Partners **perceive resale of public cloud services as limited opportunity** – focused on services
- **Development skills** for API connectivity and application modernization are becoming core requirement
- Partners' path to services model begins with **Assessment and Migration services,** aligned to vendor products

Vendor Dependency

Partner success is dependent on vendor cloud solution maturity, implying ecosystem GTM model

- Many traditional vendors **lack channel model for cloud services** – and sales compensation still a big barrier
- Cloud-native **vendors like Snowflake and Databricks are on the right track;** with templated solutions, solution/services enablement and sales engagement model optimized for consulting partners

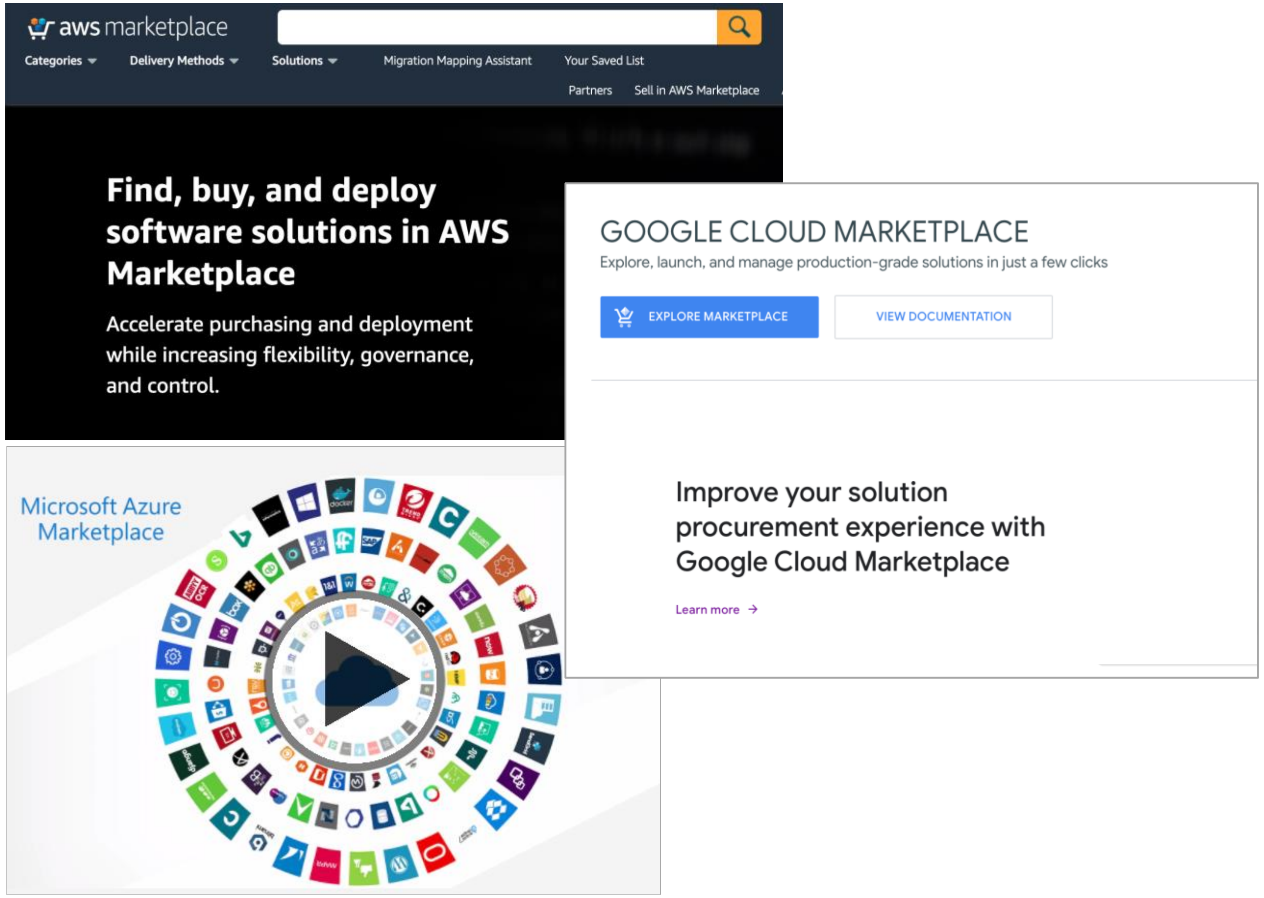
Cloud Marketplaces RTM Playbook

- Part 1 and Part 2 - Available in Channelytics – Route to Market Playbooks section

- Resource guide designed to:
  - provide more in-depth understanding of the cloud marketplaces
  - outlining the landscape, the trends and the leading players
  - review the Marketplace options

Some Definitions: What are Cloud Marketplaces?

Web storefront to help customers to **Find, Buy, Deploy and Manage** the 3rd-party software and services they need for their cloud environment



AWS

- **AWS Home page/console** – AWS products/solutions
- **AWS Marketplace** – technical buyers
- **Industry-specific Marketplaces** – for Public Sector, Healthcare, financial services and other specific buyers
- **Procurement integration** – with Ariba, Coupa and ServiceNOW
- **AWS Service Catalogue** – Related AWS offering that integrates Marketplace and automates procurement processes for governance

Microsoft Azure

- **Azure Home Page/console** – Microsoft products/solutions
- **Azure Marketplace** – for technology buyers
- **AppSource** – for business buyers
- **Commercial Marketplace -** framework ties technology and consulting partners into Marketplaces and other routes to market

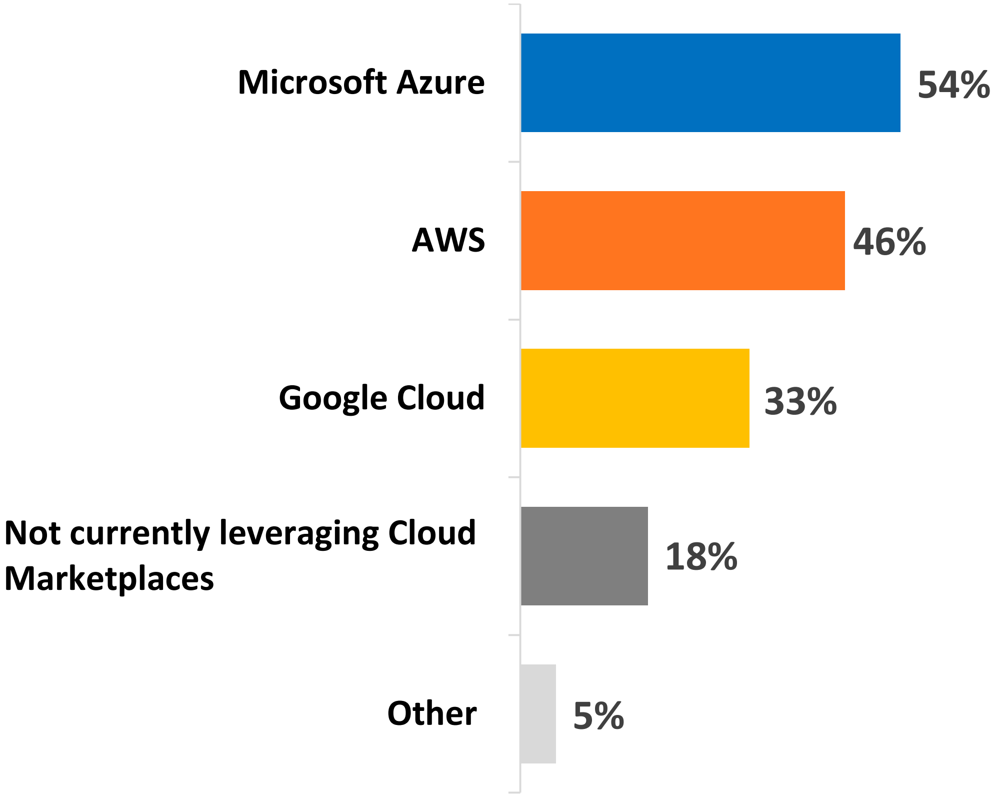
Google Cloud

- **Google Cloud Home Page/console** – Google products/solutions
- **Google Cloud Marketplace** – technical buyers
- **GSuite Marketplace** – ecosystem of Integrators and Vendors that complement GSuite

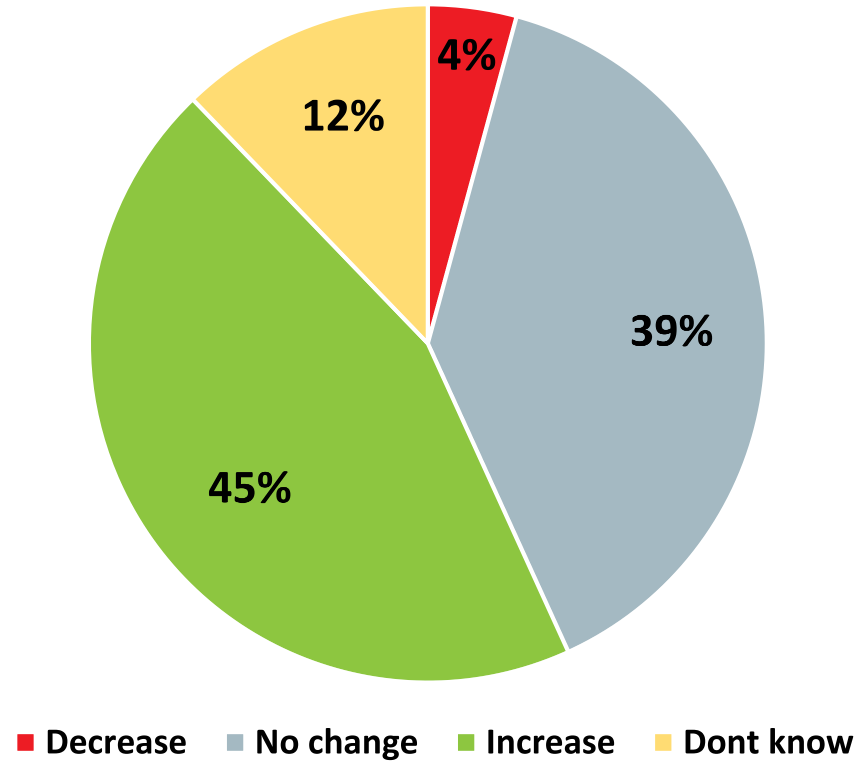
How Much are Solution Providers Using Cloud Marketplaces?

More than half of partners are using marketplaces; Microsoft Azure and AWS are the most utilized

Which Cloud Marketplaces are Partners Leveraging?



Change in Adoption Expected Over Next 12 Months



Q: Which, if any, Cloud Marketplaces are you leveraging to promote your services/solutions or transact with current customers? (n=213)
Q: What change in adoption of Cloud Marketplaces do you expect from your customer base in the coming 12 months? (n=213)

COMING SOON: Full 2020 Public Cloud Platform Providers update


Assessing the Channel Impact
of the Public Cloud Platform Providers

2020 Update

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Questions?

Thank you!

Questions? Please Contact:

Lisa Sabourin lsabourin@thechannelcompany.com

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Research
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- Trending Data
- Vendor Imperatives

Insights
- Expert Perspectives
- Proven Practices
- Operational Guidance

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- Frameworks & Guides
- Playbooks & Templates
- Channel Primers

Advisory
- Research Readouts
- Inquiry Appointments
- Executive Briefings

Partner Databases
- SP500
- MSP500
- + More Lists & Awards

- Research on topics at the forefront of the channel
- Actionable insights to fully leverage the data
- Playbooks and tools for quicker execution
- Advisory services tailored to your objectives
- Executive communities to network and collaborate

Application Development Services	Partner Marketing	Channel Census
Professional Services Enablement	Internet of Things	Partner Profitability
Channel Account Management	Managed Services	Partner Enablement
Emerging Technologies	Partner Programs & Benchmarks	Subscriber Request

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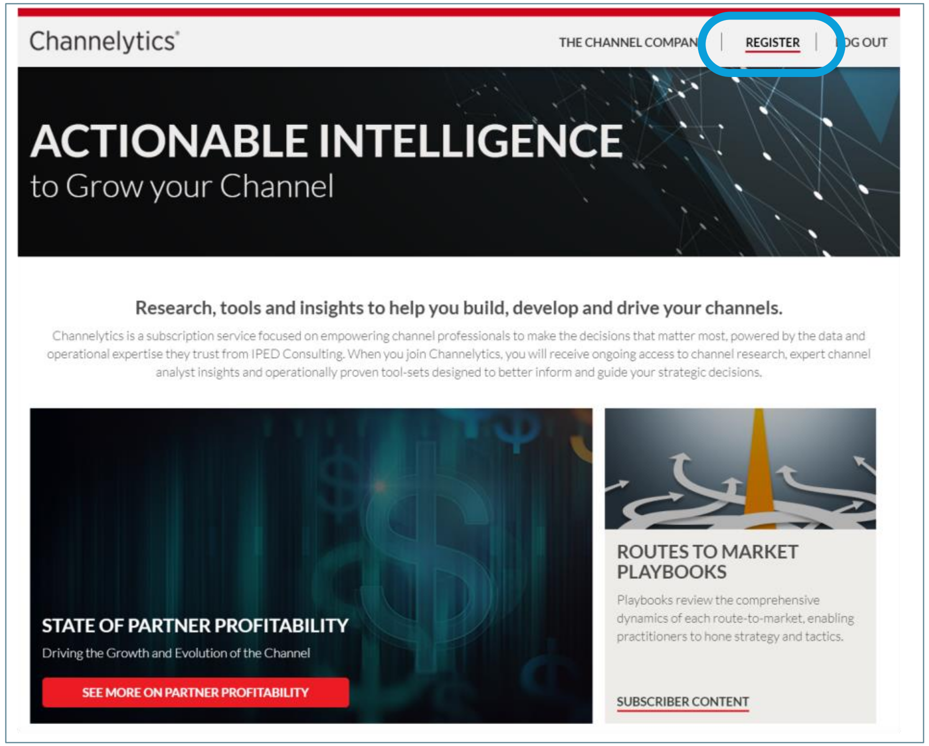
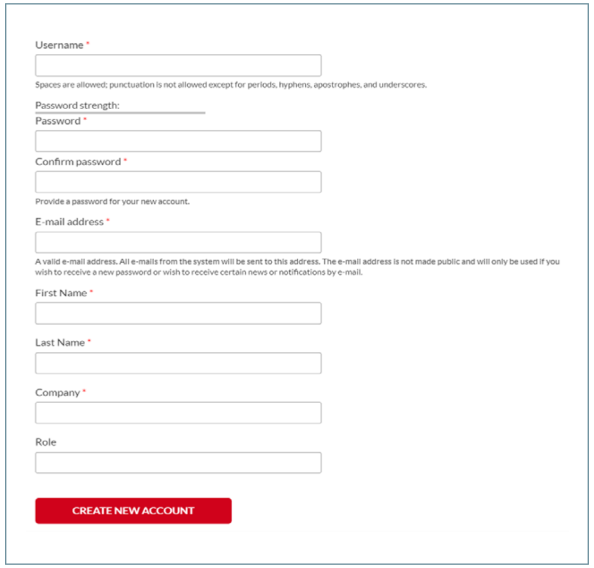
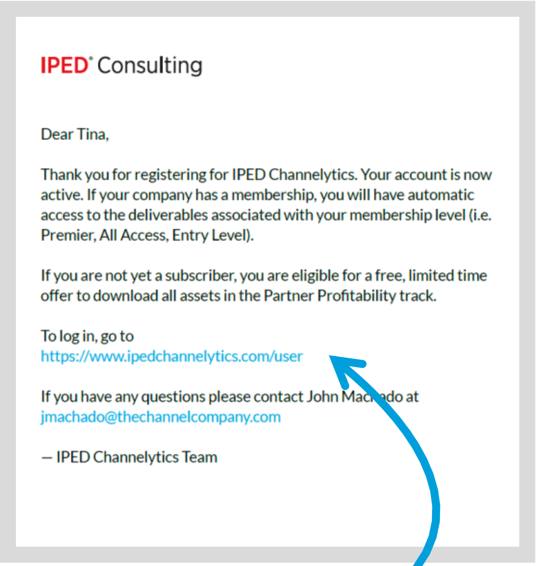


2 Fill out the form.



3 Receive an email confirmation.



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