Assessing the Channel Impact of the Public Cloud Platform Providers

THE CHANNEL CO. | IPED® Consulting

Agenda

- Public Cloud Platform Providers | As A Vendor
- Public Cloud Platform Providers | As A Channel (Marketplaces)
- Vendor Examples / Imperatives

Research Direction

"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 is intended to be an evergreen research effort updated regularly due to the quickly changing nature of the material.

1

Public Cloud Platform Providers – As a Channel

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

2

Public Cloud Platform Providers – As a Vendor

Channel Programs and their impacts on the solution provider community

3

Vendor imperatives, implications and operational guidance

Public Cloud Platform Providers – IT Channel Impact Study

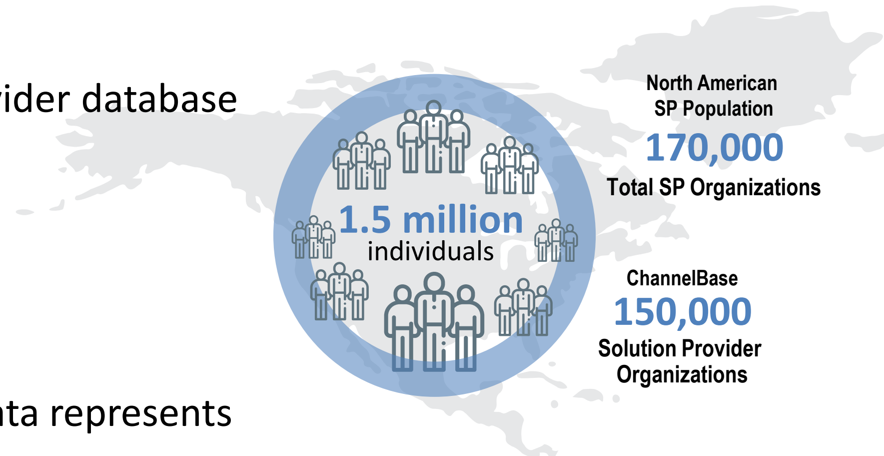
This research project is intended to explore how the Public Cloud Platform Providers (i.e. Azure, AWS and Google) are impacting the IT channel ecosystem by revolutionizing how technology is decided upon, procured and managed.

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.

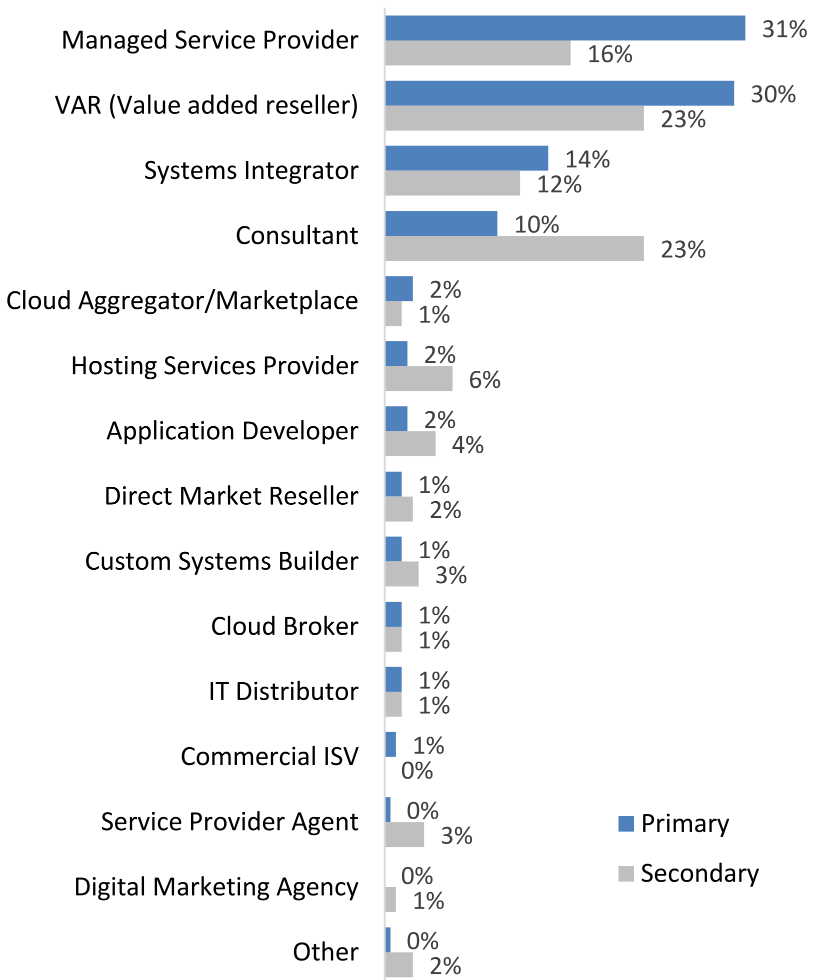
Methodology

- Leverage The Channel Company solution provider database and the CRN Channel Intelligence Council
- Secondary research and interviews
- On-line survey fielded in early 2019
- Approximately 204 completed responses
- Data cleansed and normalized for outliers; data represents medians unless otherwise noted
- Selected partner interviews (15) to clarify responses

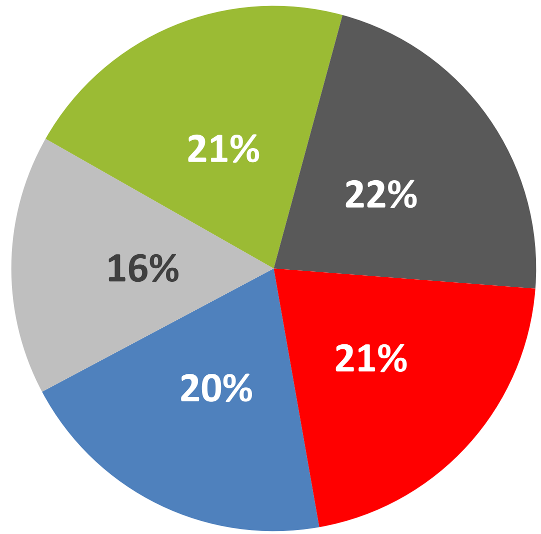


Cloud Platform Survey Respondent Business Profile

Business Models

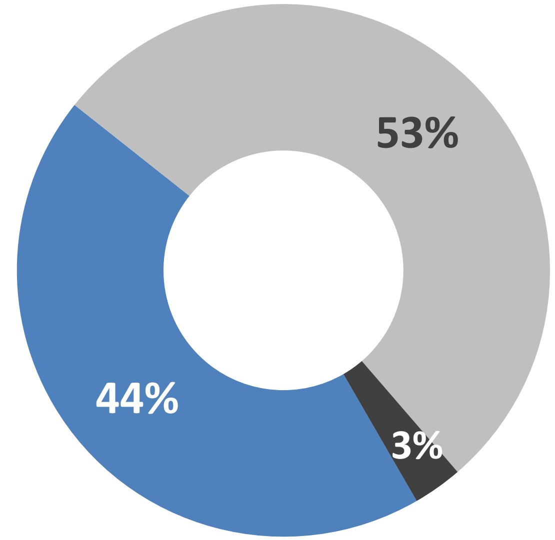


Revenue Mix



*In order to qualify, respondents must have at least 1% of revenue from Cloud Services

Cloud Revenue Mix



Q: Which of the following best describes your current primary/secondary business model (that which contributed the highest percentage of your revenues)? (n=204)
Q: Please estimate what percentage of your company's total revenues in came from the following major product/service categories? (n=204)
Q: Of your cloud services revenue in , how would you estimate the mix of cloud applications versus cloud infrastructure services? (n=204)

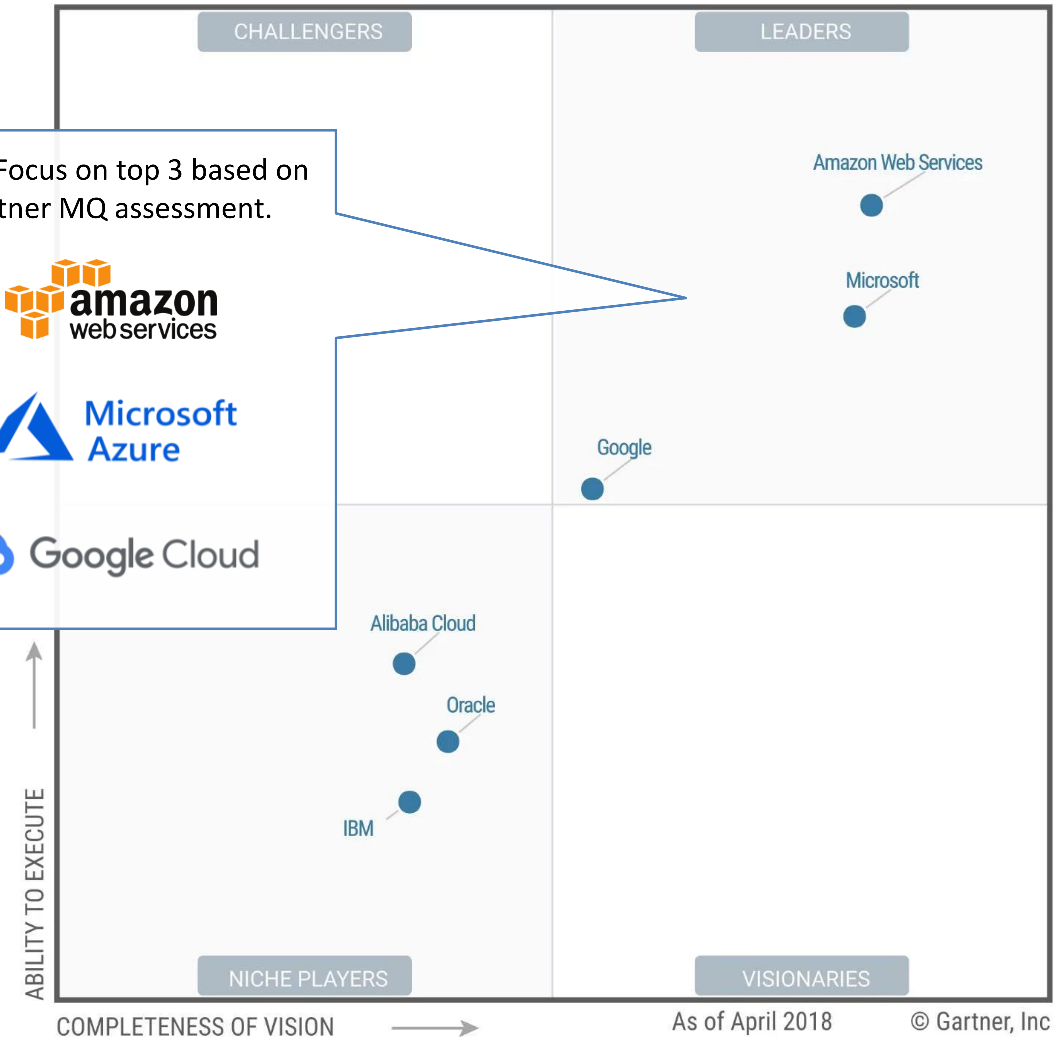
Public Cloud Platform Research Participants

To Qualify for Participation:

Has multiple customers consuming cloud infrastructure or applications from 1 or more of these providers

Has insight into company's 2019 plans to sell, support or integrate to cloud services from 1 or more of these providers

At least 10% of company's 2018 revenue is from Cloud related Services



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

amazon web services

Microsoft Azure

Google Cloud

Source: Gartner May 2018

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Public Cloud Platform Providers – **As a Vendor**

	amazon web services	Microsoft Azure	Google Cloud
Market Growth	$30 B [1] TTM Rev	$38 B [2] (Commercial Cloud Azure, O365, Dynamics) TTM Rev	$8 B [3] Annual Rev
	37% YOY Growth	64% Azure YOY Growth	Double digit (not published)
Channel Direction (Solution Provider's perspective)	• Drive migrations as starting point • Field direction to cover whitespace accounts • Lead with developer/builder focus	• Channel First (95% of rev) • Leverage ALL partners • Teach to build own IP • Tight link with Dev/MPN • 135M people using O365	• Enterprise focus • Estab. SMB foundation • Channel investment • Partnership with Cisco
Partner Value Proposition (Solution Provider's perspective)	• Market leader • Drive workload migrations • Resell available (limited focus) • Become a builder (IP)	• Channel first DNA • Leverage existing skills for future success • "Azure is the world's computer"	• Up and coming player • Strong in enterprise • Channel friendly • Innovation driver • $137B company
Partner Ecosystem Scope	3,437 [4] Consulting Partners	70,000 Cloud Partners	2,437 GCP [4] (7K G-Suite)

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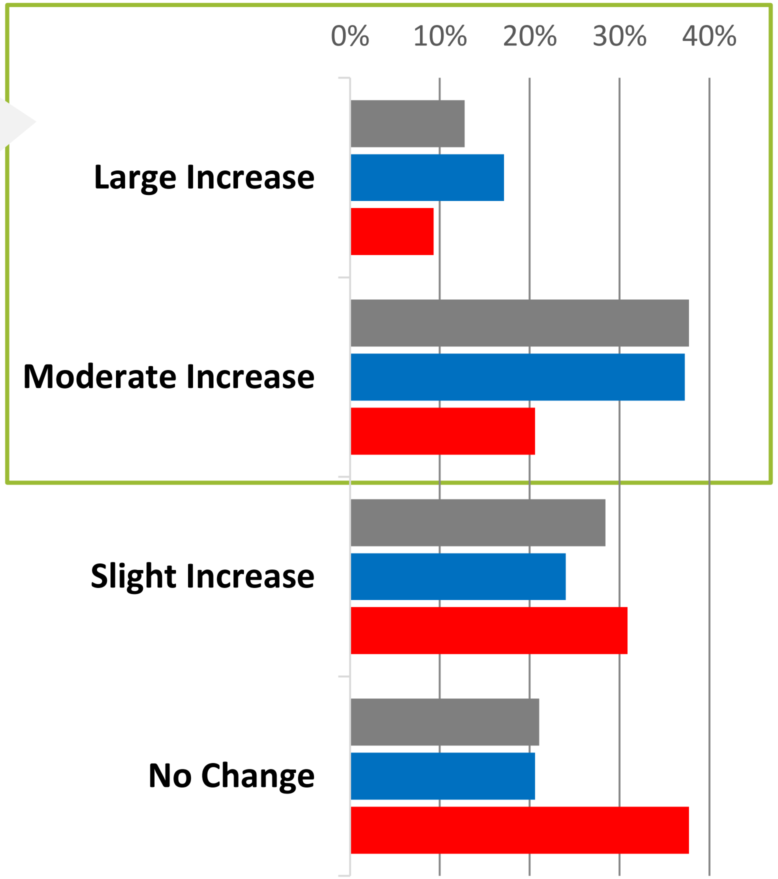
[1] Amazon Q219 results June 30, 2019
[2] Microsoft Q418 results June 30, 2019
[3] Alphabet Q219 earnings call , July 25, 2019
4 Web searches as of February 2019

THECHANNELCO.

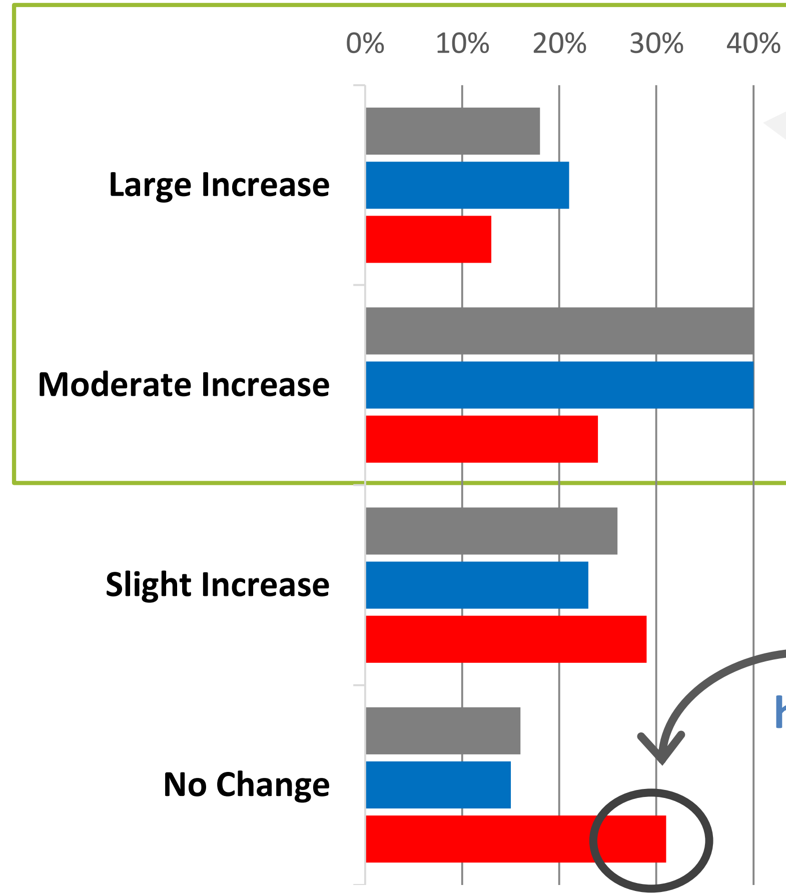
Partners Continue to See Increases in Public Cloud Adoption; Rate of Adoption Ties to Channel Model

Avg. **45%** have experienced large/moderate increase in public cloud adoption

Past 12 Months



Next 12 Months



Avg. **52%** expect large / moderate increase in public cloud adoption

BUT…GCP has highest anticipated future use (38%)

amazon web services

Microsoft Azure

Google Cloud

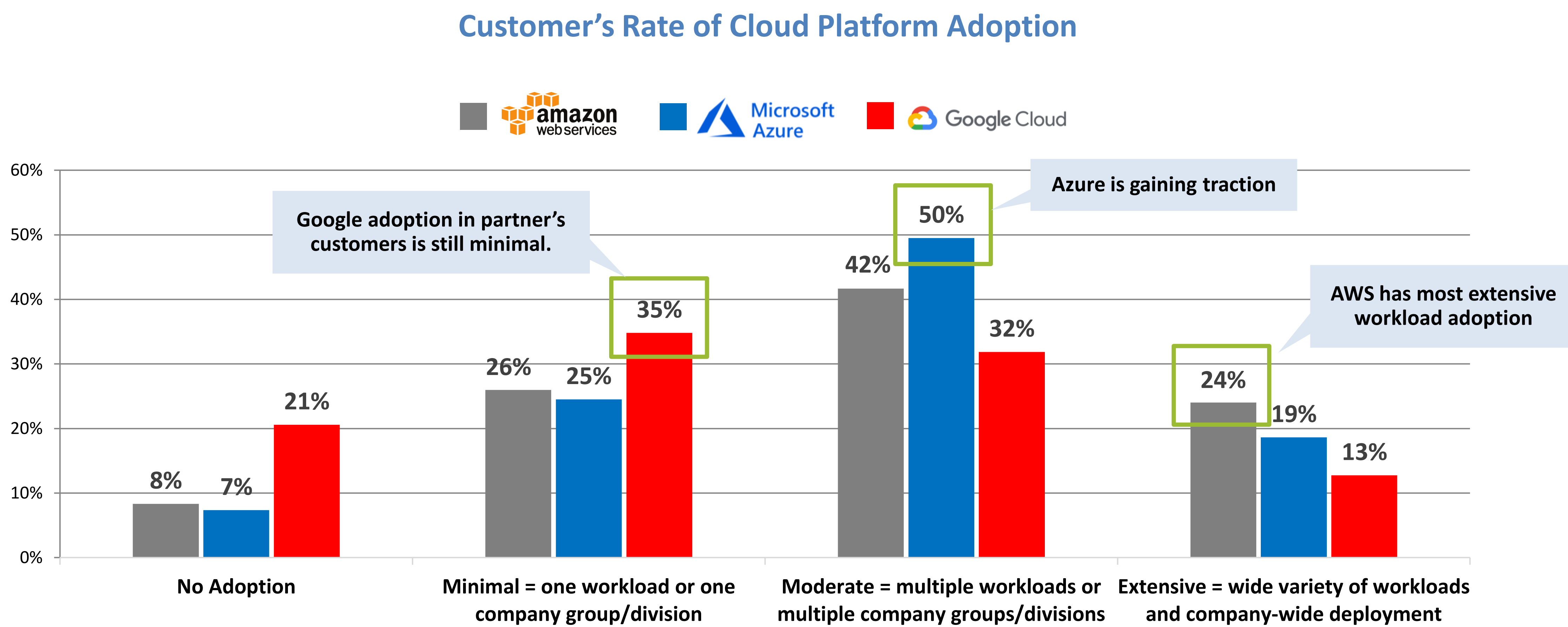
Source: RightScale 2018 State of the Cloud Report

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)

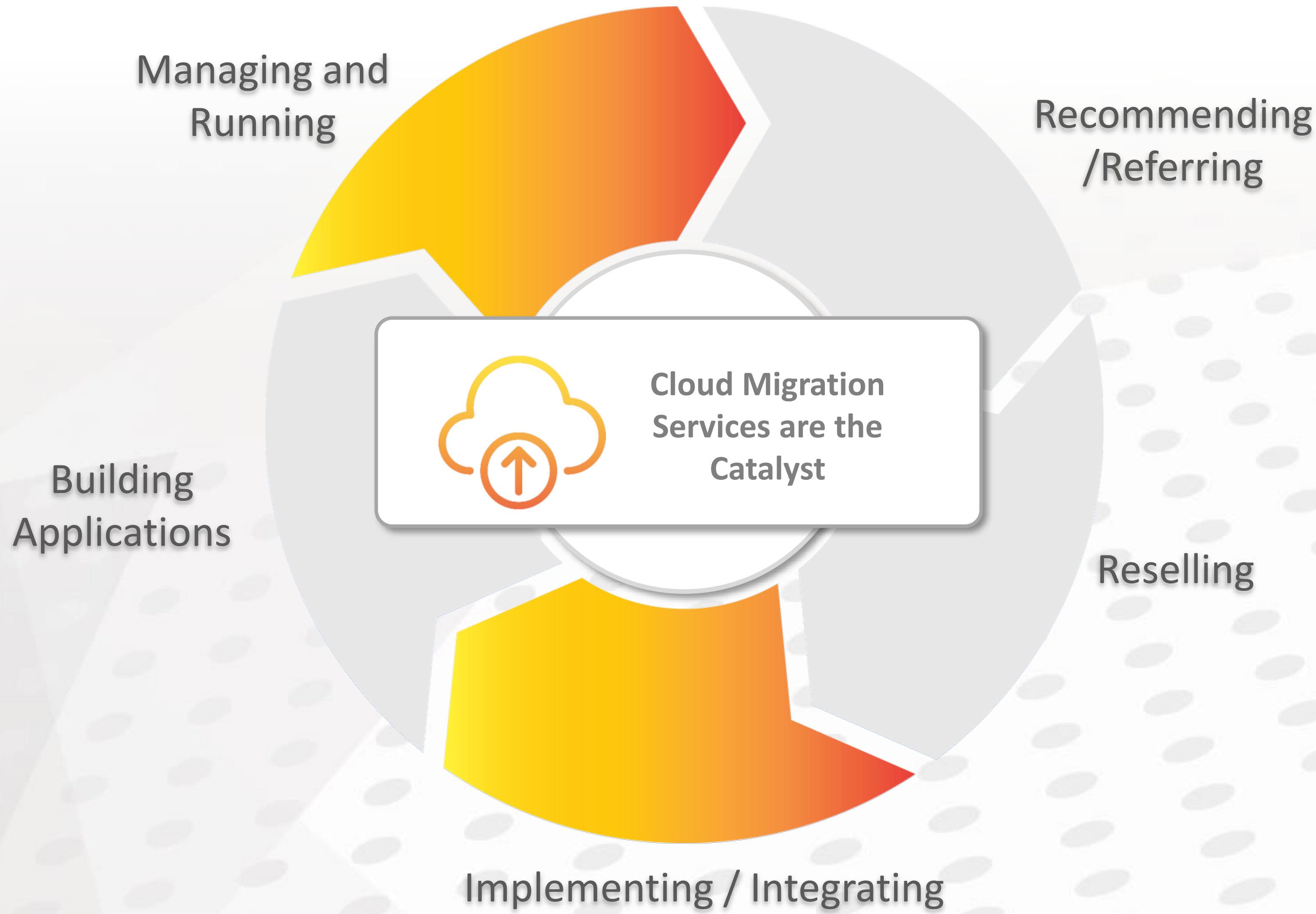
Partners View of Adoption Closely Aligned to Market Realities.

AWS has most extensive workload adoption; Azure is gaining traction and Google adoption in partner's customers is still minimal.

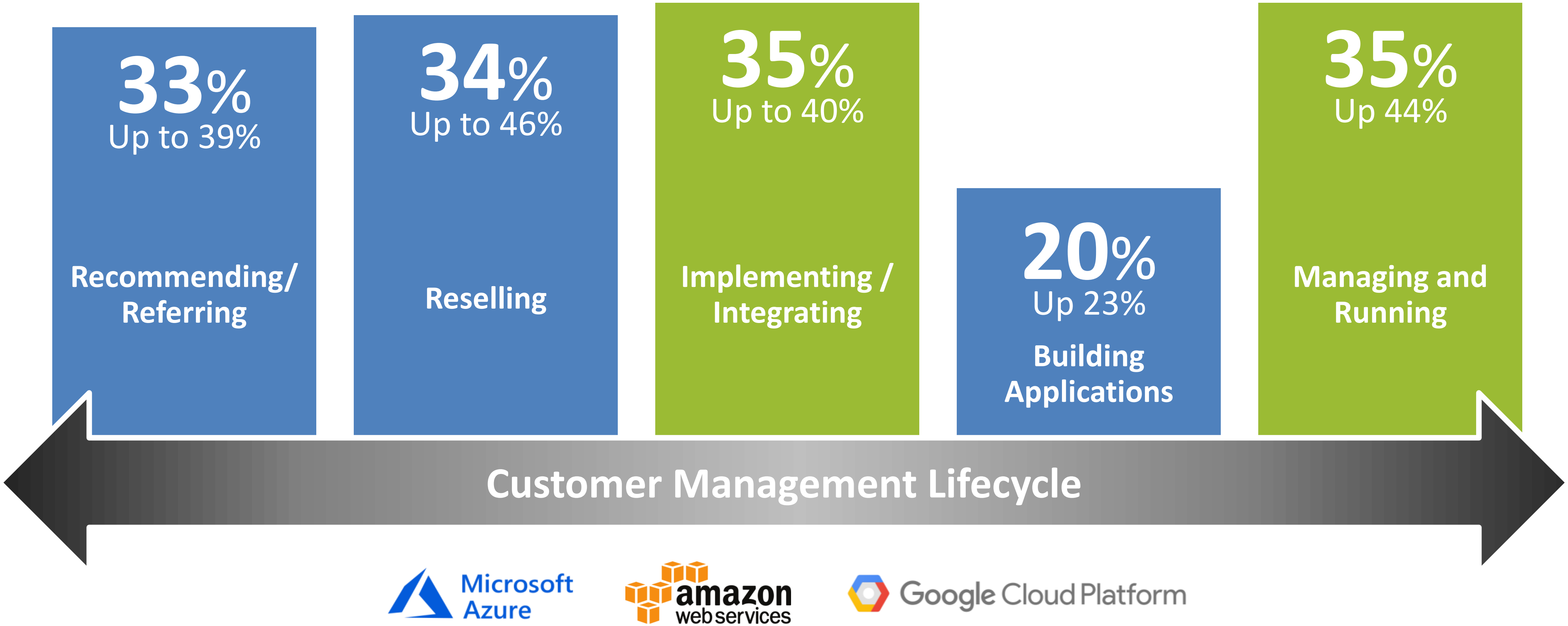


Q: How would you characterize your average or most typical customer's rate of adoption of cloud services from each of these providers? (n=204)

Multiple Opportunities Available for those with Cloud Capabilities



Multiple Opportunities Available for Those With Public Cloud Capabilities



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

Azure Considered Most Strategic Supplier Relationship,
Followed by AWS; Google has highest opportunistic relationships

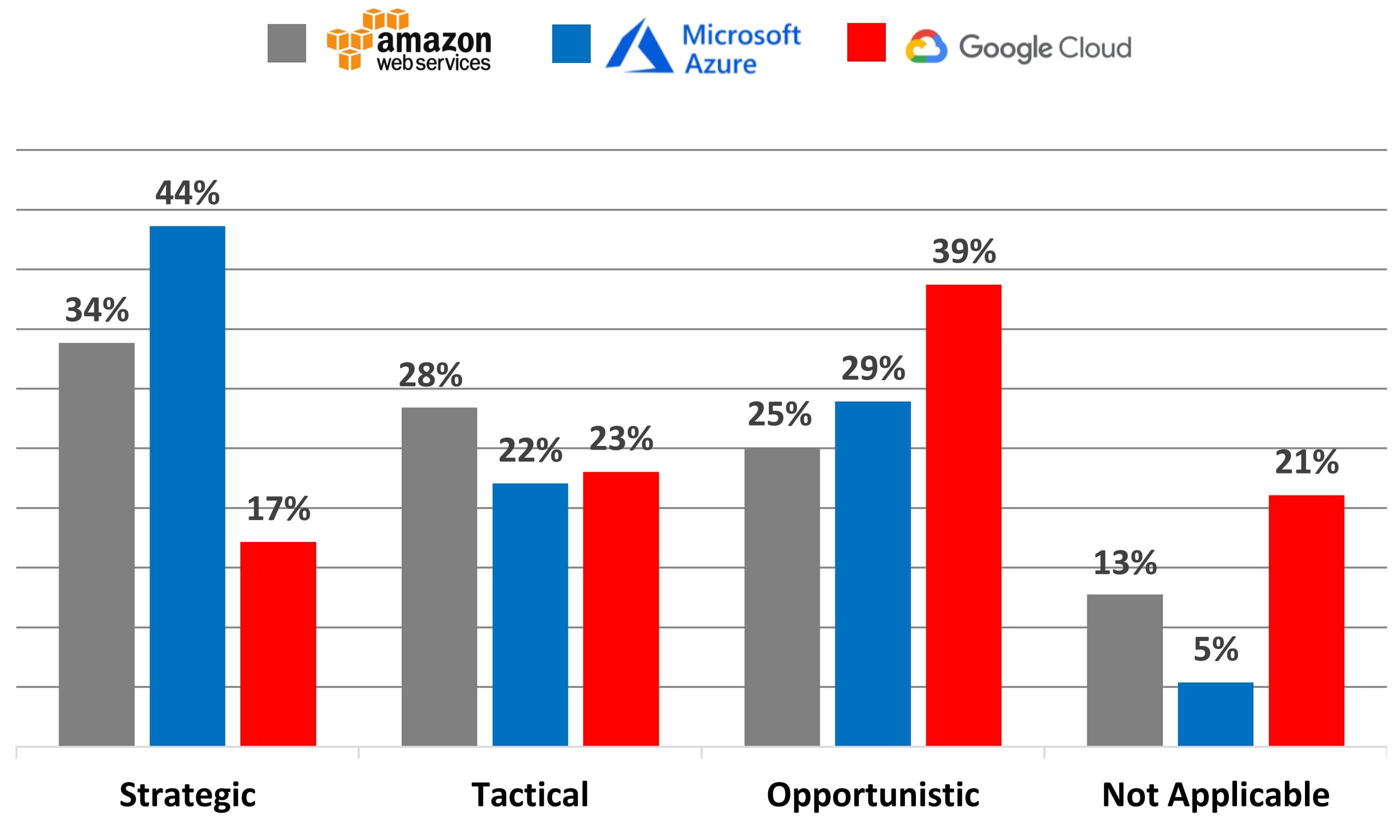
Supplier Relationship Status

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.

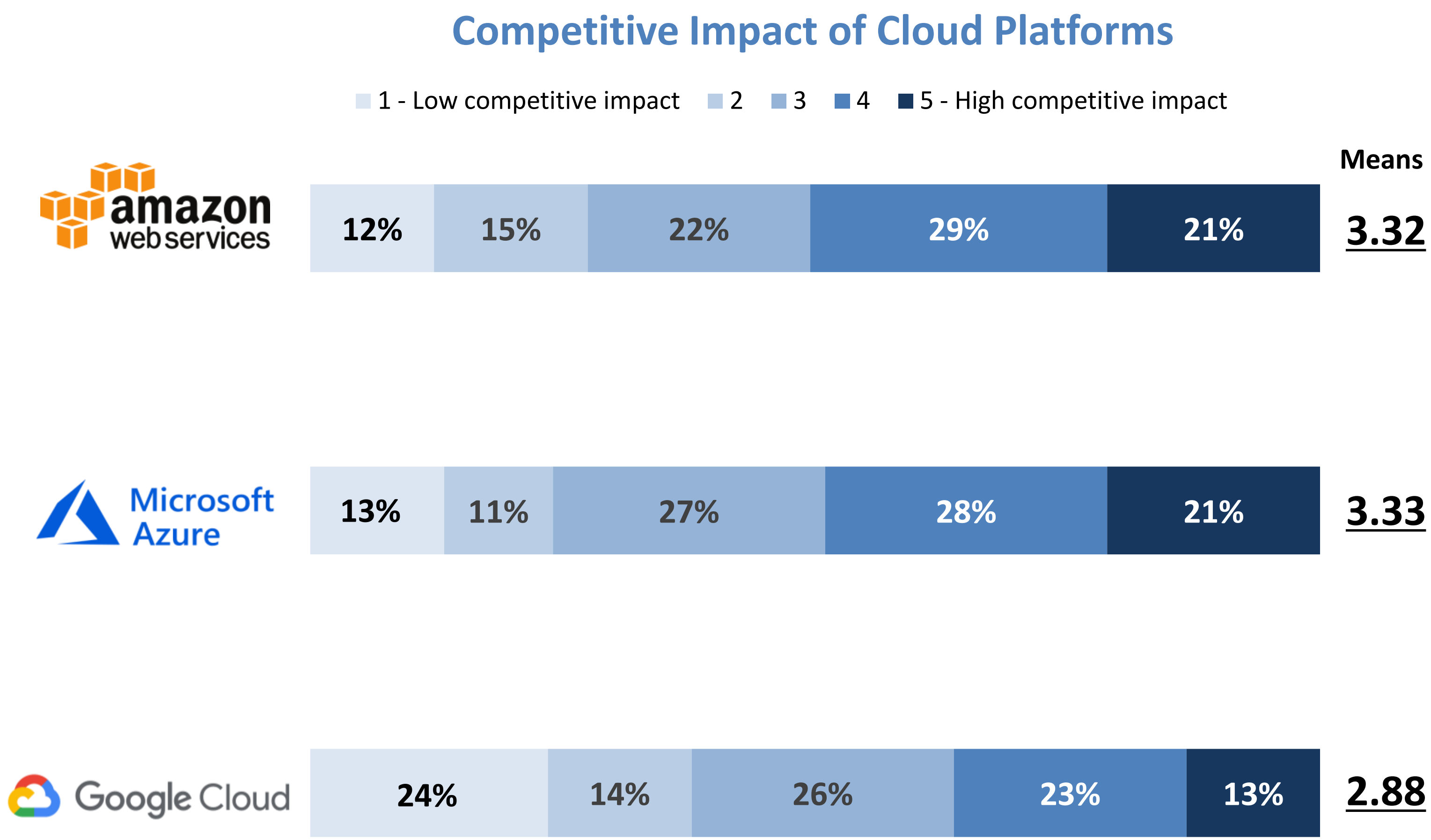


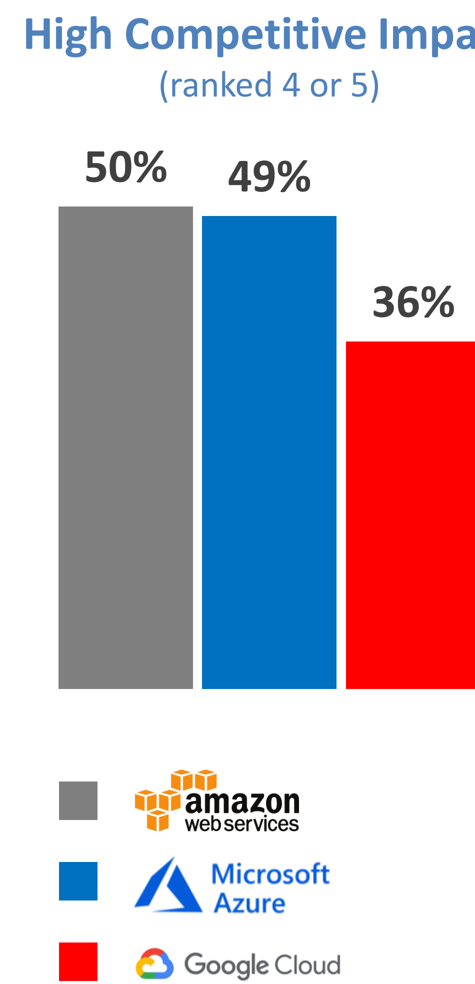
Q: How does your company perceive these leading public cloud providers in the market today, relative to your other IT supplier relationships? (n=204)

Cloud Platforms Having Impact Across All Areas of the Business; Expected to Continue in ’19

Q: To what degree has each cloud platform provider had an impact on your business in last year?
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)

50% of Solution Providers Still Consider the Public Cloud Platform Providers as a Competitive Threat.





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

Cloud Platform Providers As a "Vendor" – Key Insights

Customer Pull

While partners are influencing platform adoption (primarily thru workloads), many partners stated that customers are driving cloud platform preference

- **45%** experiencing large/moderate increase in public cloud adoption in last 12 months
- Vision for all = Cloud platform is the "new data center" with multiple partner services opportunities

Channel Maturity

Microsoft leveraging their large traditional partner base, AWS is expanding beyond existing developer base and Google is investing to drive adoption

- Azure is leveraging comprehensive MPN network to drive adoption
- **50%** of partners survey believe these platforms represent significant threat to their services business

Field Engagement

GTM heritage is heavily influencing field engagement models. Partners must figure out fit in ecosystem

- AWS field engagement is direct focused for large accounts with partner focus on whitespace accounts
- Co-sell motion with Microsoft follows their traditional GTM model (heavy partner participation)
- Success of Salesforce model (influence) is evident in these platform GTM motions

Program Innovations

Trend towards "validating" and recommending partner expertise

- AWS and Microsoft have "high end" validated MSP programs to validate / recommend skills
- Microsoft offers practice building enablement that helps with business models, sales and technical skills
- Many embrace as way to differentiate, some view it as arrogance

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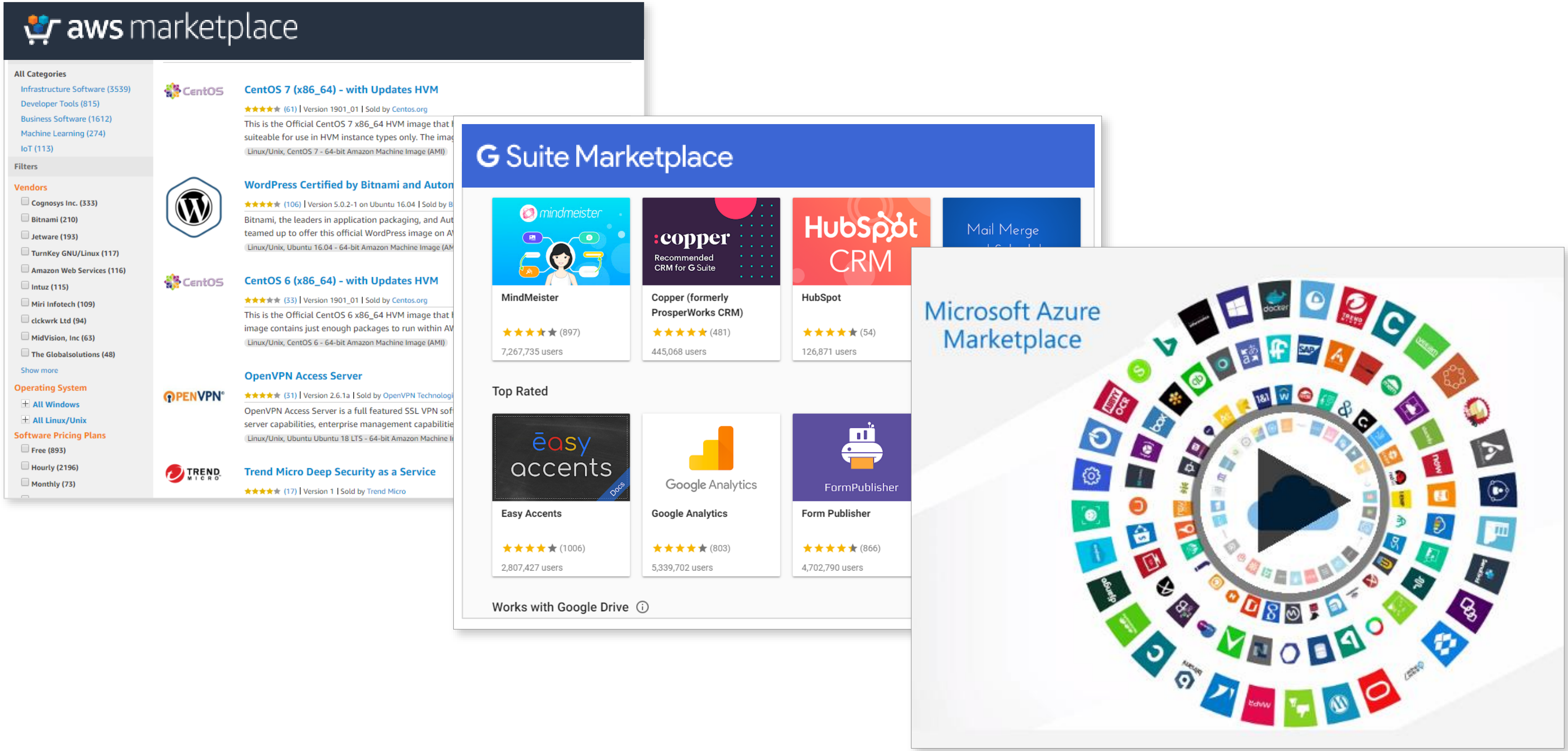
- ▶ Vendor Examples / Imperatives

Channel Impact: Marketplace Maturity – Fulfillment to Demand Creation?



Pricing and Licensing Options for Vendors

Marketplace Pricing Models (Examples)

Software as a Service (SaaS)

Software as a Service managed and run by Third Party (running on Cloud Provider Platform).

Machine Image (of Third Party SW)

Machine Image software allows the customer to deploy and run the software under their own cloud provider account and infrastructure.

Bring Your Own License (BYOL)

Cloud provider does not charge customers for use of the software, but customers must supply key to activate. Key is obtained by a direct contract with the SaaS provider outside the Marketplace.

Referral	Public Marketplace	New! Private Marketplace
• Customer selects vendor tile in Platform Providers Marketplace. • Customer is sent to vendor landing page. Customer enters contact details and is given trial period based on accepting ‘click-wrap’ MSA. • Vendor sales team ‘closes’ opportunity once trial period ends.	• Customer selects SaaS tile in Platform Providers Marketplace. • Customer is platform provider customer with account. • Customer is given trial period of SaaS product from Marketplace. • Customer purchases from public Marketplace at price listed. • Billed by Marketplace.	• Customer selects SaaS tile in Platform Providers Marketplace. • Customer is platform provider enterprise customer with account. • Customer is given trial period of SaaS product from Marketplace. • Agreement between customer and SaaS provider including contract term, metrics (units etc.) and price. • Cloud provider communicates committed quantity to third party SaaS application. • Customer uses committed amount and is billed via cloud provider account.

Public Cloud Platform Providers – **As a Channel** (Marketplaces)

	amazon web services	Microsoft Azure	Google Cloud
Size and Scale of Marketplace	**41.5%** Of All SaaS Workloads	**29.4%** Of All SaaS Workloads	**3%** Of All SaaS Workloads
Services/Application Breadth	**4,400+** Applications and Services	**12,000+** Applications and Services	**1,800+** Applications and Services
Pull Through Metrics	**230,000 Active Customers in AWS Marketplace**	**$90M Per Month in Azure Marketplace Revenue. $9.5B Run Rate for Partner Co-Sell Revenue.**	**Not Announced**
Pricing and Consumption Models	**SaaS, BYOL, MI, Usage, Flexible Contracts, Trial, Public, Private**	**BYOL, Usage, Monthly Fee Trial, Referral, Public, Private**	**Vendor Direct Billing Usage Billed from Google**
Channel Partner Engagement	**Partner of Record Model Vendor Reporting and Referral**	**Partner of Record Model Vendor Reporting**	**Referral**

As of August 2019

Cloud Platform Providers As a “Channel” – Key Insights

Fulfillment or Demand Creation?

Majority of solution providers state that vendor placement in the marketplaces is primarily for purchasing efficiency and ease of operations – TODAY

- Platforms claim stronger visibility for vendor products (and partner services), but most still not there
- Operational efficiency of marketplace extremely attractive - “I can’t wait for the MS Azure marketplace”
- Discovery / learning – “what is the art of the possible”
- Still trying to reach critical mass

Partner Engagement

Many vendors have included their technology within the marketplaces, BUT partner activation is lacking

- Partner compensation stated as one of the biggest inhibitors
- In order to scale, solution providers need help navigating the complexity and connection with on-premise, private, hybrid and multi-cloud environments
- “Inclusion in the marketplace is a must for any new partnership”
- “Participation in the marketplace gave me access to the Microsoft PAMs. That was a game changer.” (Vendor CAM)

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F5 - 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."

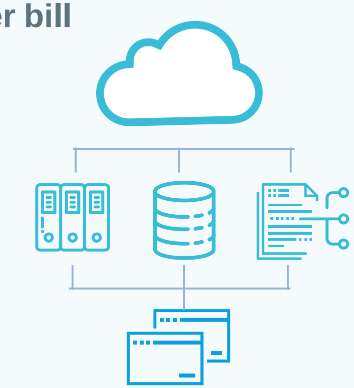
Venu Aravamudan,
SVP and General Manager of F5 Cloud Services

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



IBM Watson Anywhere

IBM Watson

What IBM is Doing

IBM will soon be making Watson AI available not just on AWS and in North American, but also worldwide and all cloud platforms, included Azure and the Google Cloud. It relies upon an open-source Kubernetes structure, that will make Watson AI services available for any public, private or hybrid cloud platform. Customers will be able to connect data stored in any of those clouds or in private data centers to Watson through IBM Cloud Private for Data.

What We Know

- Recently announced availability to partner community
- Open-source technology and business collaboration are key to success
- Watson Anywhere will be offered through IBM's Automation Platform for Digital Business, and made generally available later this year
- New Watson microservices are being incorporated into IBM Cloud Private for Data infrastructure for AI

The Bottom Line

IBM is taking a collaboration vs. competitive approach to growing its cloud business. Whether it can grow its cloud business through AI integration remains to be seen.

CRN NEWS, ANALYSIS AND PERSPECTIVE FOR SOLUTION PROVIDERS AND TECHNOLOGY INTEGRATORS

5 Things To Know About IBM Watson On AWS, Azure, Google

The new IBM Watson Anywhere initiative will allow a new portable version of IBM's cognitive platform to run on any cloud.

By Donna Goodison February 14, 2019, 12:06 PM EST

FORTUNE

TECH • AI

IBM Makes Watson Available Across Amazon, Microsoft, and Google Clouds

amazon web services

Microsoft Azure

Google Cloud

the INQUIRER

IBM Watson Anywhere brings AI to AWS, Azure and Google Cloud

And it'll soon be available on all public, private and hybrid cloud platforms

Cloud Marketplaces: Disti-Style

INGRAM MICRO

What Ingram Micro is Doing

They are educating the channel regarding the business value and necessity of customer cloud deployments and simplifying the ability for partners to discover, buy, sell and manage cloud-related products, subscriptions and services using their CloudBlue commerce platform – across multiple cloud platforms and IT vendors.

How Ingram Micro Engages the Channel

Cloud Marketplace

- Research and source multiple vendor/platform services
- Simplified activation, billing and renewals
- Resources to engage and educate partner customers
- Centralized service management panel

Cloud Summit

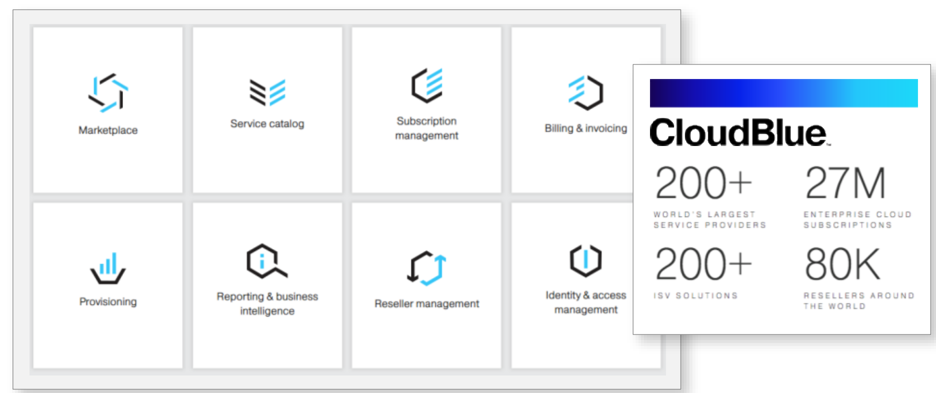
- Technology Training
- Cloud Business Success/Enablement Training
- Cloud Research, Trends and Opportunities

The Bottom Line	**Ingram Micro is doing what distis do best – leveraging their economies of scale, access to multiple product lines and educating and engaging partners entering and building their cloud-based practices.**

amazon web services

Microsoft Azure

Google Cloud
(Coming soon)



So…What Does This Mean to You?

amazon web services

Microsoft Azure

Google Cloud

1. Clarity in program offering will require many vendors to revisit the partner business value proposition.
2. Cloud Platform Providers are taking MSP programs to the next level. Vendors will need to keep pace.
3. Moving towards marketplace inclusion? Cloud Platform Channel Ready Checklist is a good place to start
4. This is an ongoing piece of research and discussion. It seems to be changing daily….watch for more!

Public Cloud Platform Providers – As a Vendor

Channel Updates

WATCH THIS SPACE..
THIS CHANGES CONSTANTLY!

	aws	Microsoft Azure	Google Cloud Platform
	New/Priority Programs in 2019	**FY19 Priority Programs to Drive Partner Revenue**	**New CEO, Thomas Kurian Announced Elements of New Strategy**
Q2 2019 Updates and Announcements	• **Partner Program Update**: Tier name change and revised requirements • **New ACE Opportunity referrals** • **New Authority to Operate Program on AWS**: to speed time for MSPs meet security and compliance requirements • **New ISV Workload Migration Program**: Prescriptive process and tools for partners to migrate applications to AWS • GA of **AWS Security Hub**: to manage AWS and ISV Security partner tools • **New Global Channels & Alliances Leader**: Doug Yeum (internal hire) • **Expand Navigate** Business Enablement and **Competencies**. e.g. VMware on AWS, Containers, SAP • **15 New Partner Solution QuickStarts**: to automate deployment on AWS	• **Azure Lighthouse**: to help MSPs package new Services on Azure • **Azure Migration Program** (AMP): accelerate customer migration with proactive advice and tools • **New Security Competency and 5 New Specializations**: to help partners build skills • **AI Accelerate Program**: help partners build AI offerings for their customers • **Expand Successful Co-Sell and IP Co-Sell Programs**: to programmatically collaborate with partners on sales opportunities	• **Focus on Enterprise** customers and an industry-focused, **channel-led** sales approach • Announced GA of **Anthos** multi-cloud platform within the Google Cloud Platform business • NEW - Launched **new Google Cloud Partner Advantage program** focused on 5 industries with 6 solution specializations • **Expanded partnerships** with Cisco, Dell/EMC, HPE and VMware • **Launched managed services** with open source partners including Confluent, DataStax and MongoDB • NEW **- Looker acquisition ($2.6B):** to provide enhanced analytics

As of August 2019

Actionable Intelligence to Grow Your Channel

- 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

Channelytics®

Research
- Market Intelligence
- Trending Data
- Vendor Imperatives

Insights
- Expert Perspectives
- Proven Practices
- Operational Guidance

Tool Sets
- Frameworks & Guides
- Playbooks & Templates
- Channel Primers

Advisory
- Research Readouts
- Inquiry Appointments
- Executive Briefings

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

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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