Assessing the Channel Impact of the Public Cloud Platform Providers

Continuing Education for IPED Channel Masters

IPED® Consulting

THE CHANNEL CO.™

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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

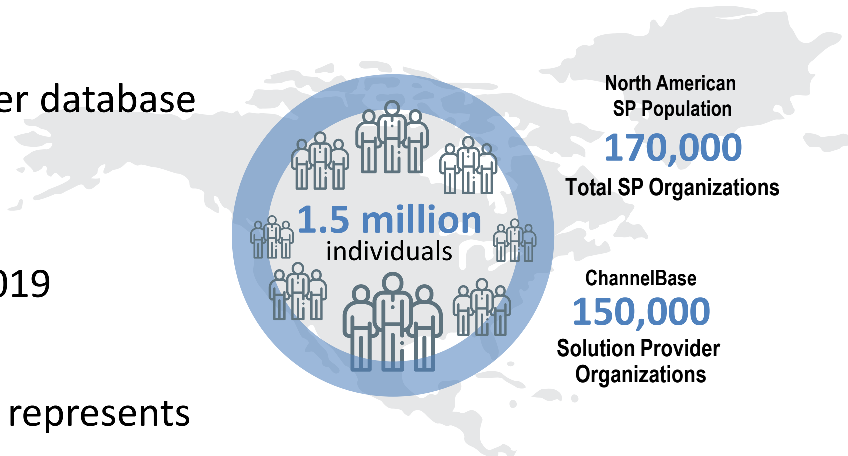
This research project is intended to explore how the Public Cloud Platform Providers (i.e. Azure, AWS and Google) are impacting the IT channel ecosystem by revolutionizing how technology is decided upon, procured and managed.

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.

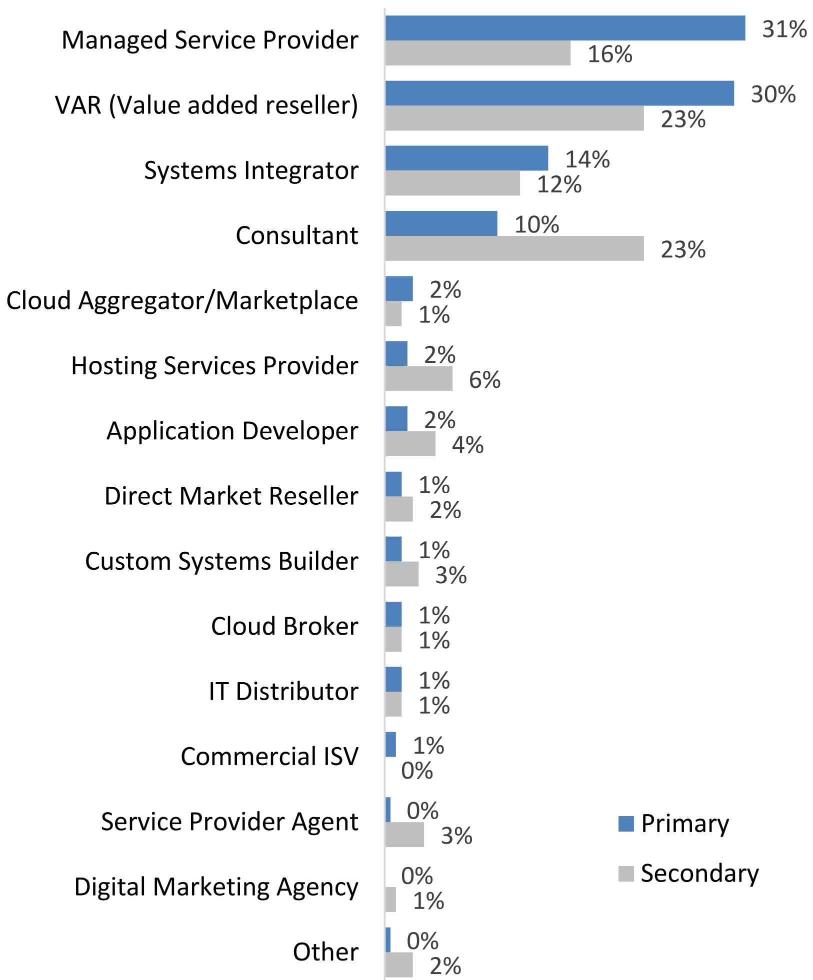
Methodology

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

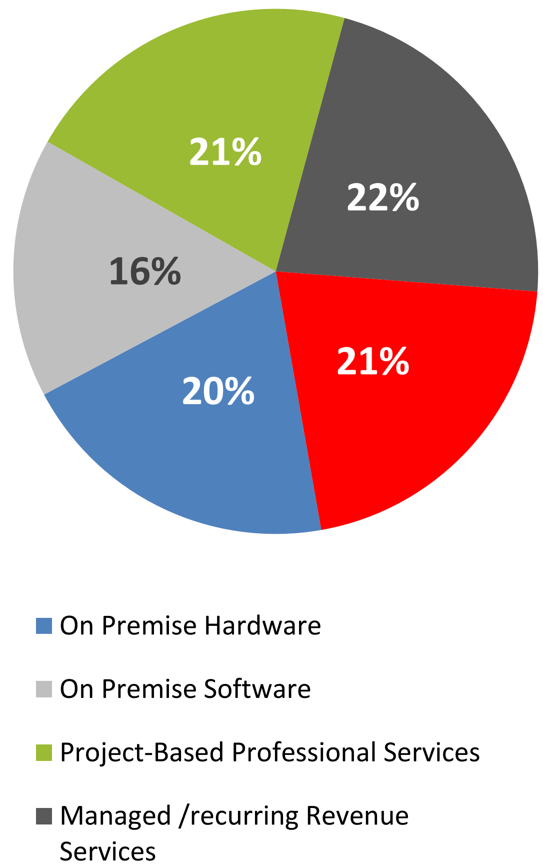


Cloud Platform Survey Respondent Business Profile

Business Models

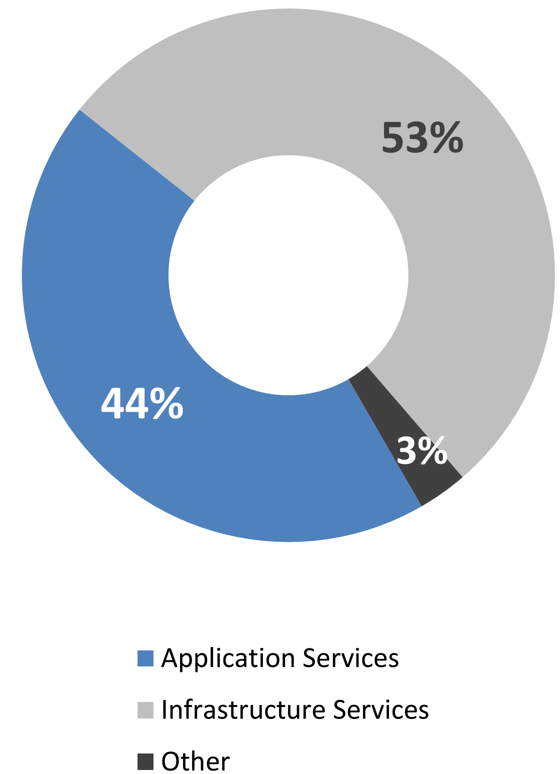


Revenue Mix



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

Cloud Revenue Mix



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Q: Which of the following best describes your current primary/secondary business model (that which contributed the highest percentage of your 2018 revenues)? (n=204)
Q: Please estimate what percentage of your company's total revenues in 2018 came from the following major product/service categories? (n=204)
Q: Of your cloud services revenue in 2018, how would you estimate the mix of cloud applications versus cloud infrastructure services? (n=204)

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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

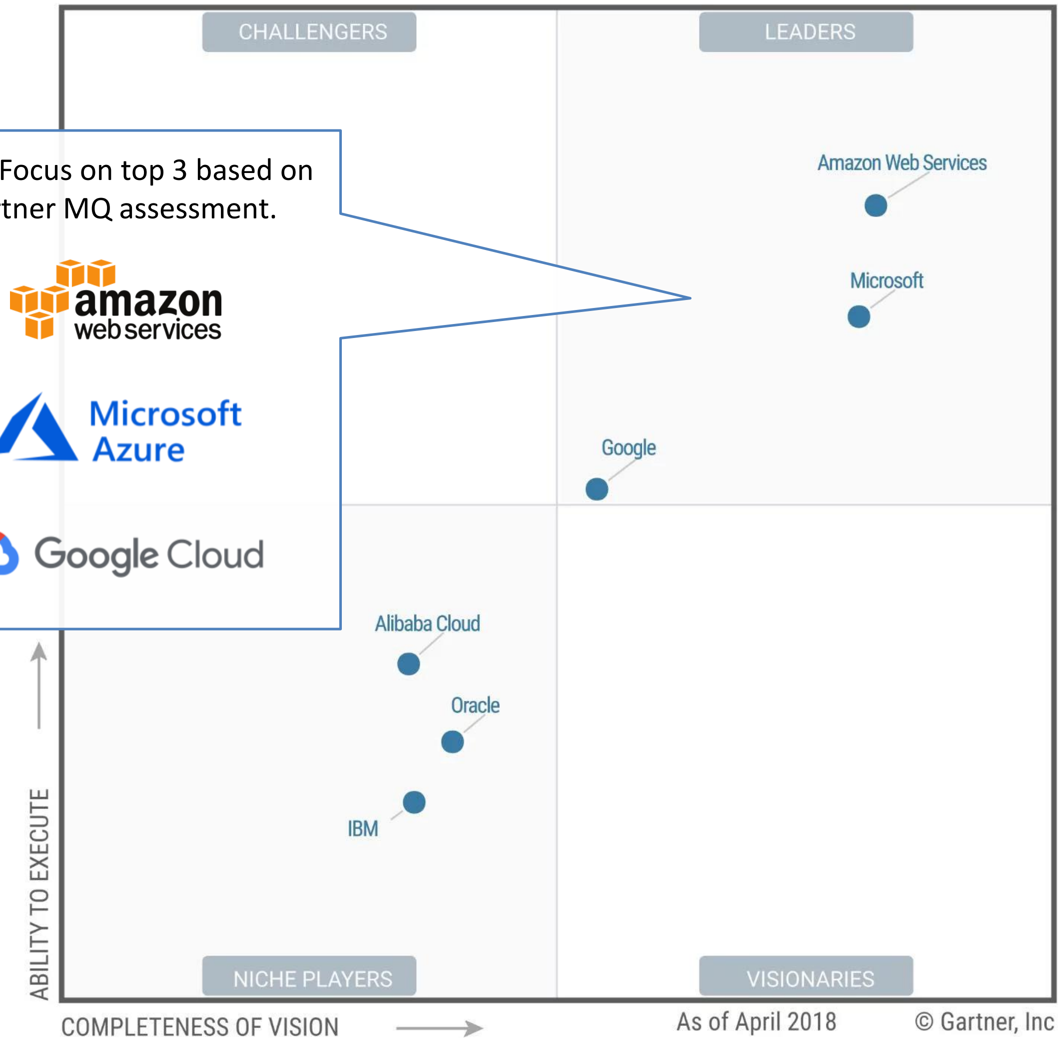
At least 10% of company's 2018 revenue is from Cloud related Services

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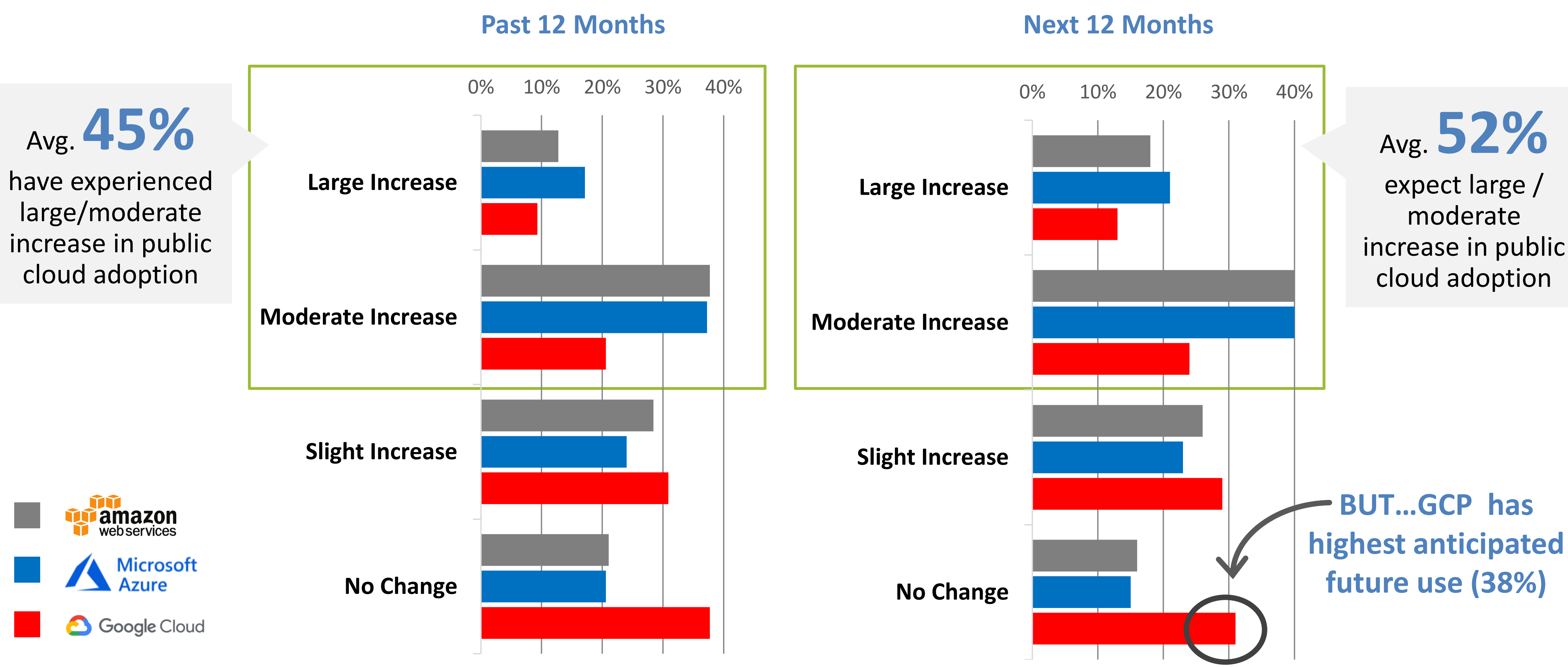
Public Cloud Platform Providers – **As a Vendor**

	amazon web services	Microsoft Azure	Google Cloud
Market Growth	$25 B Annual Rev	$23 B (Commercial Cloud Azure, O365, Dynamics) Annual Rev	$4 B Annual Rev
	47% YOY Growth	91% 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 Consulting Partners	70,000 Cloud Partners	2,437 GCP (7K G-Suite)

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



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

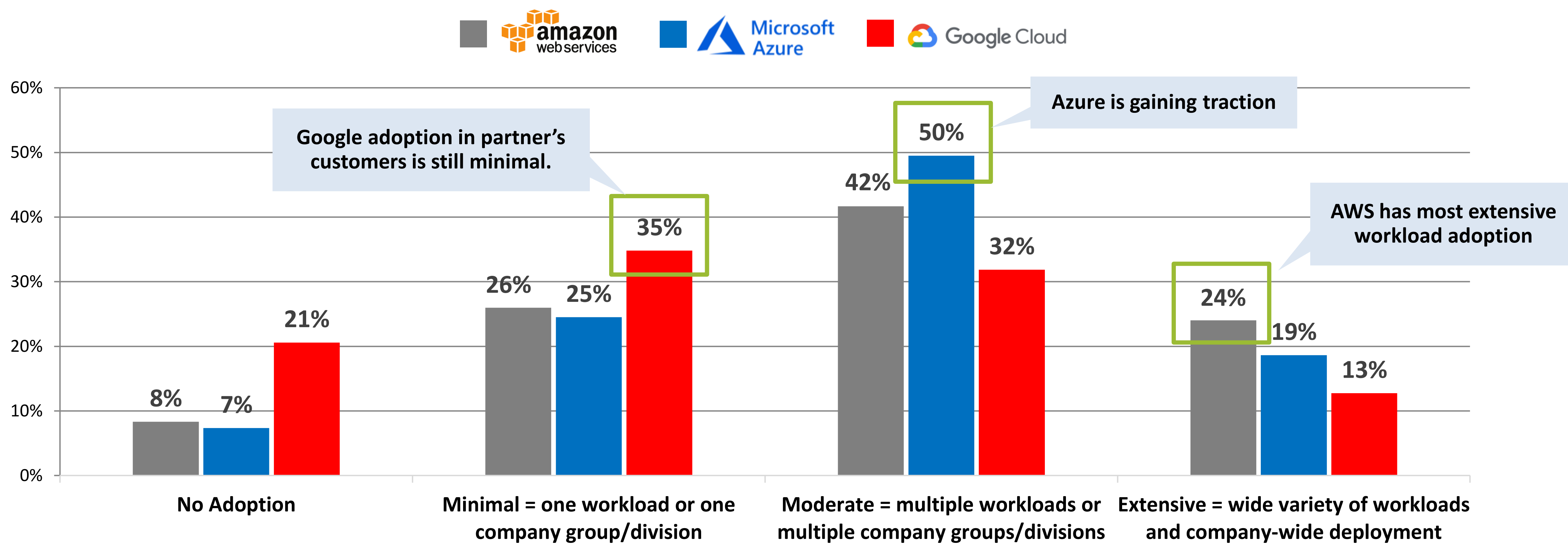
Source: RightScale 2018 State of the Cloud Report

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.

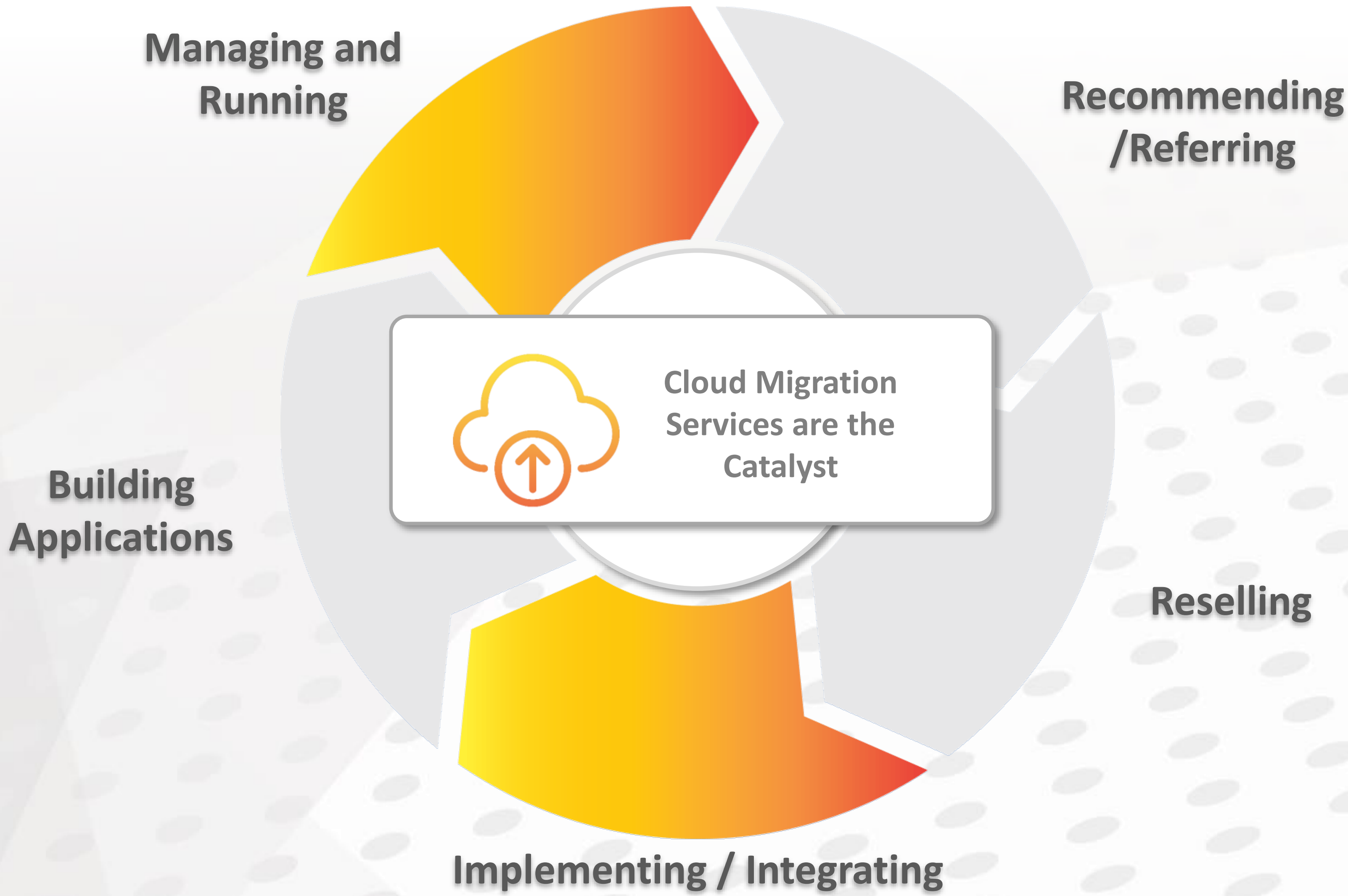
AWS has most extensive workload adoption; Azure is gaining traction and Google adoption in partner's customers is still minimal.

Customer's Rate of Cloud Platform Adoption

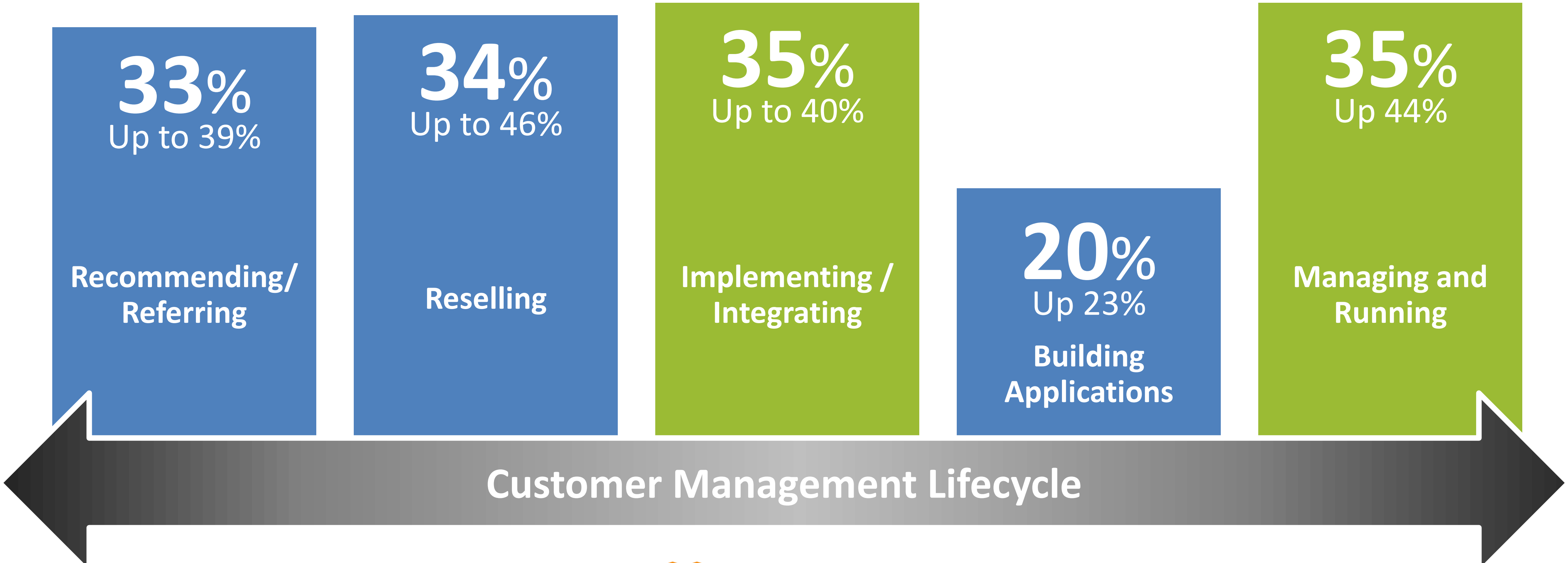


Q: How would you characterize your average or most typical customer's rate of adoption of cloud services from each of these providers? (n=204)

Multiple Opportunities Available for those with Cloud Capabilities



Multiple Opportunities Available for Those With Public Cloud Capabilities



Microsoft Azure amazon web services Google Cloud Platform

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

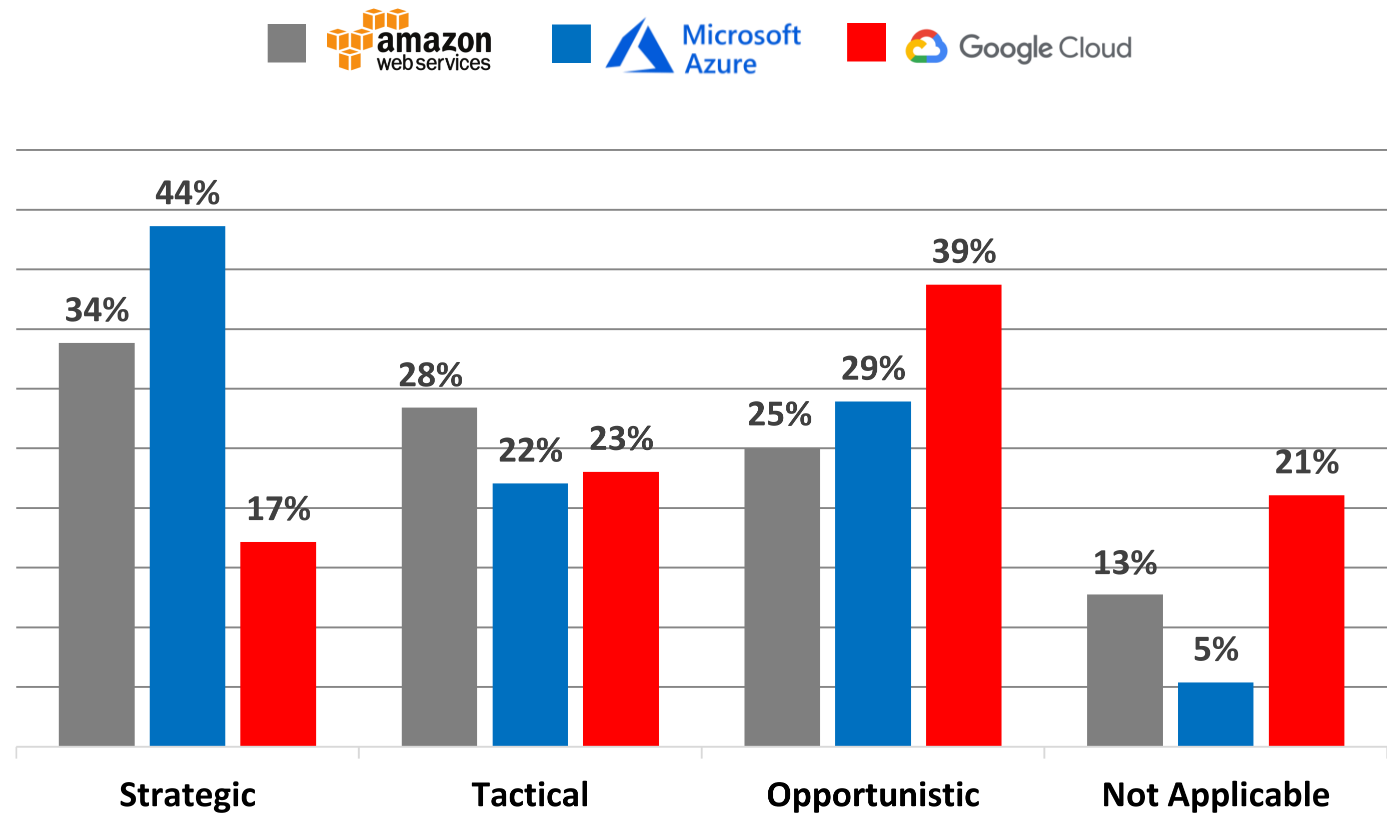
Supplier Relationship Status

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.

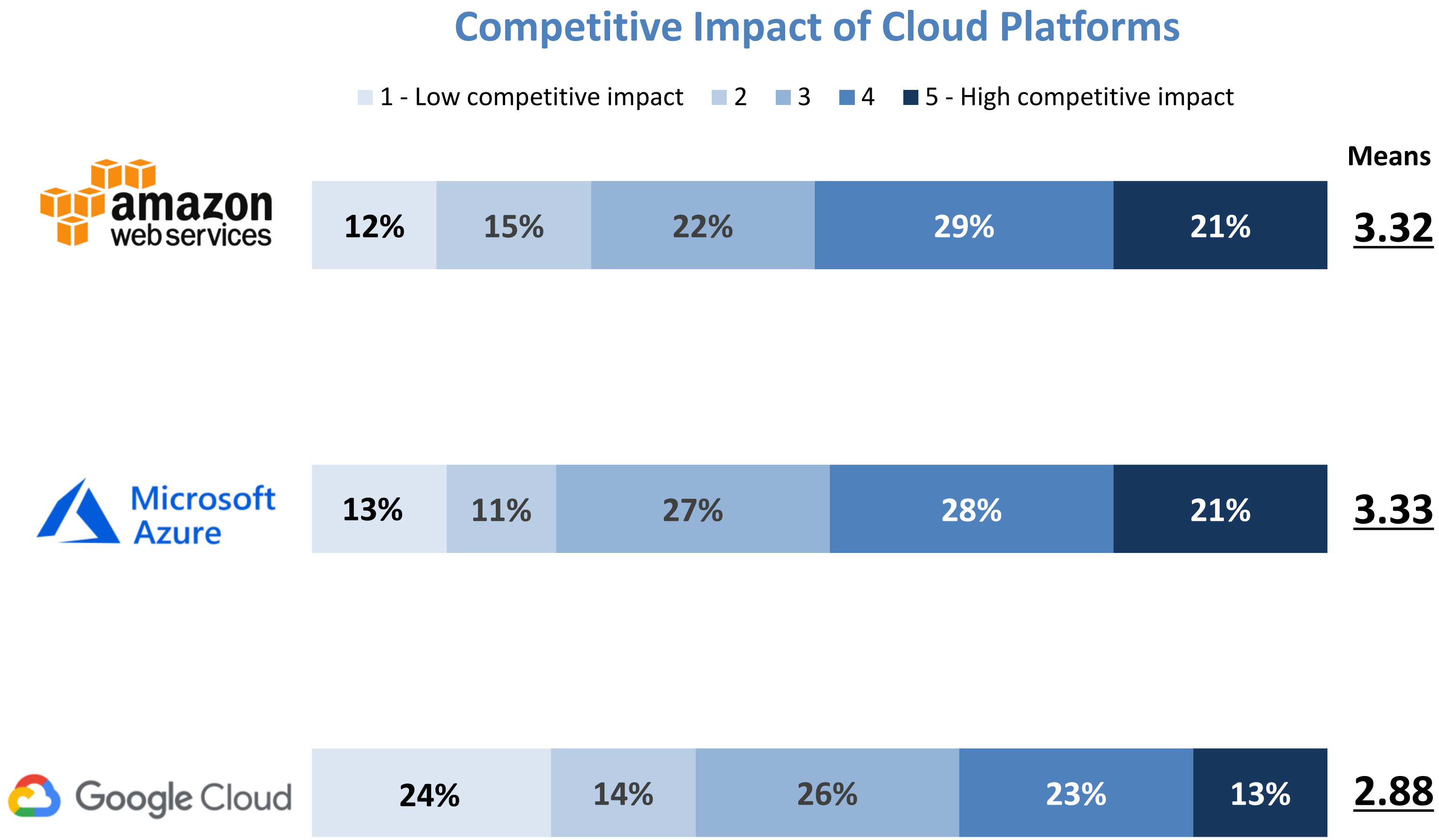


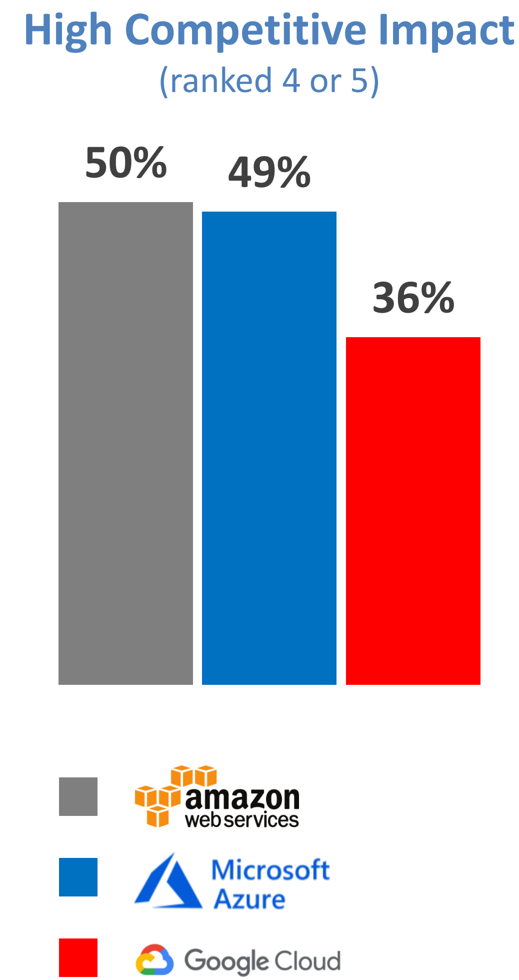
Q: How does your company perceive these leading public cloud providers in the market today, relative to your other IT supplier relationships? (n=204)

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 2018?
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 Platforms 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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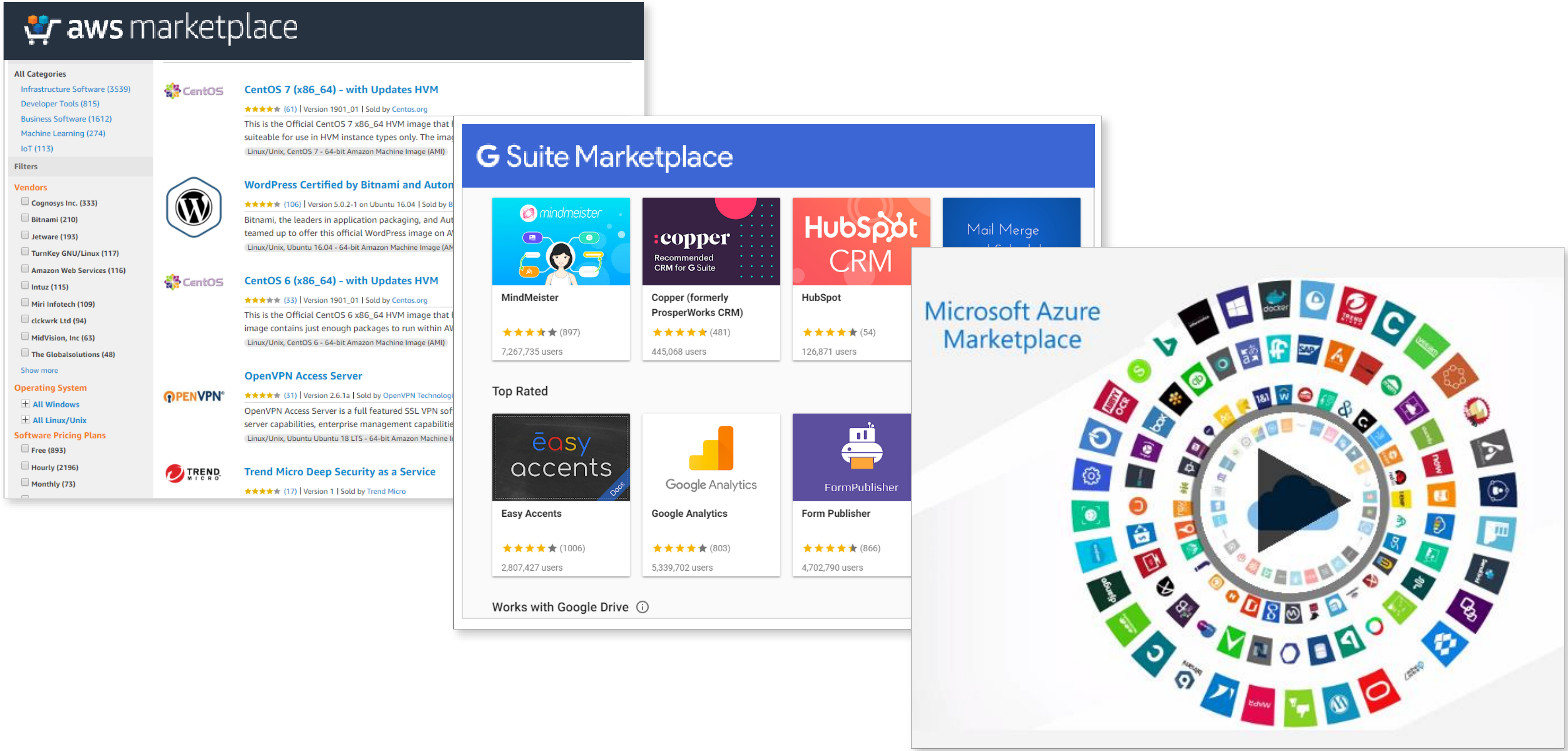
Channel Impact: Marketplace Maturity – Fulfillment to Demand Creation?



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	6,000+ Applications and Services	1,800+ Applications and Services
Pricing and Consumption Models	SaaS, BYOL, MI Trial, Referral, Public, Private	BYOL, Usage, Monthly Fee Trial, Referral, Public, Private	Vendor Direct Billing Usage Billed from Google
Channel Partner Engagement	Vendor Reporting	Partner of Record Model Vendor Reporting	Referral

As of February 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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Commitment to Partnering Flattens Learning Curve, Accelerates Sales

What NetApp is Doing

Backup and disaster recovery, cloud file services management and cloud migration that ensures the same on-premise performance for customer files once they are migrated to the cloud. They have just announced a joint on-premise AWS platform solution that will be coming later this year. Cloud Volumes for software based purchasing via cloud platforms.

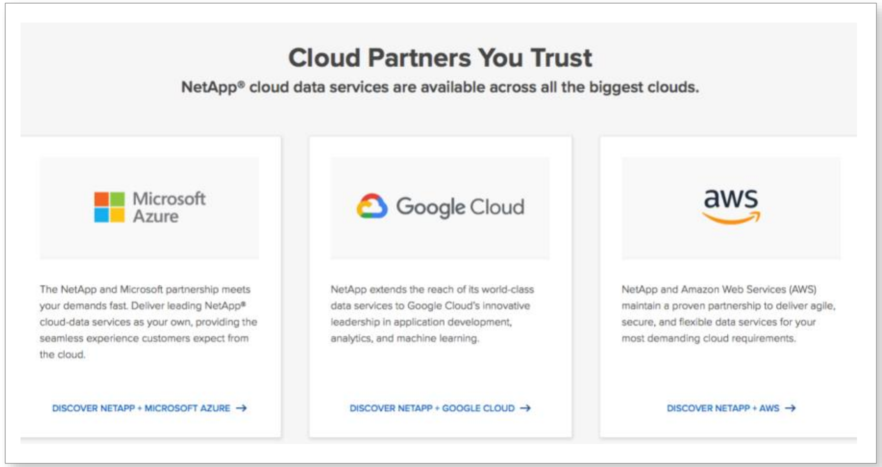
How NetApp Engages the Channel

Sales, marketing and solutions development support programs

- Cloud and next generation data center partnerships and tools
- Technology to build private and hybrid cloud infrastructure, build cloud capacity management datacenters and cloud applications for public, private and hybrid clouds
- Business and cloud consulting services
- Cloud Consulting Channel Training

The Bottom Line

NetApp has built a comprehensive pre and post-sales business and technology resources, including partner-consultants, to help all partners decrease sales cycles and increase cloud deployment profitability.



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

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

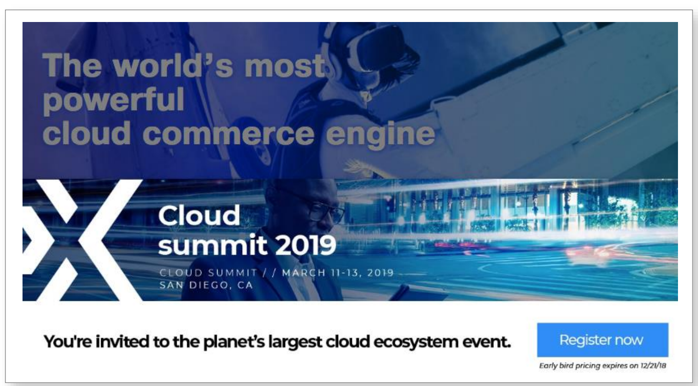
Cloud Summit

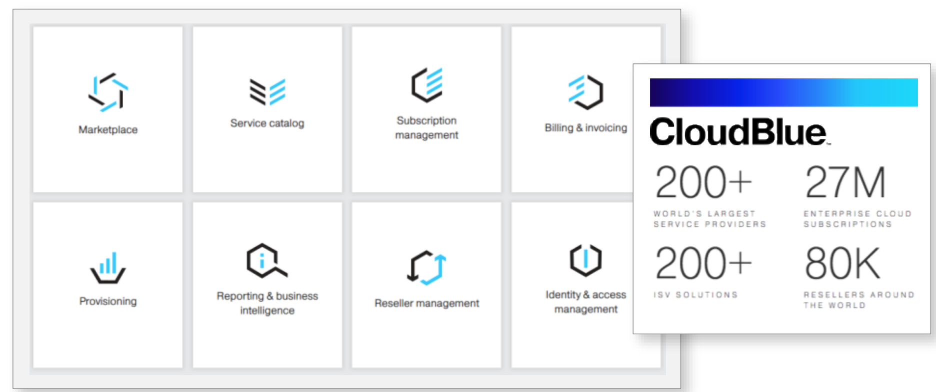
- Technology Training
- Cloud Business Success/Enablement Training
- Cloud Research, Trends and Opportunities

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.

(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!

Cloud Platform Channel Ready Checklist

	Checklist Item	Validated
Product / Functionality	SaaS based customer account model	
	Partner of record incorporated into customer account records	
	Trials – Anytime, Anyplace, Anywhere	
	Pricing strategy inclusive of consumption and/or subscription options	
	Cross customer partner visibility	
	API integration into MSP / Cloud management platforms	
	Marketing messaging appeal to product value in a hybrid IT or multi-cloud environment	
	Public cloud Marketplace transactional processes	
Operational	Pass through partner billing capabilities	
	APIs integration to RMM/PSA automation platforms	
	Customer Success program (Partner inclusion)	
	Sell and renew processes defined	
	Partner compensation models (rules, tracking, automation)	
	(refer to Marketplace seller guides) (i.e. AWS Seller Guide)	
Enablement	Partner value proposition to address Cloud Platform opportunities	
	Case study / business outcome references (required of partners)	
	Operational training (esp. for MSP back-office staff)	
	Business model transformation assistance	
	Practice builders (for core partner opportunities)	
	Cloud specialization or competency training requirement	
Financial	Rules of "credit" for partner influence	
	Partner incentive models	
	Renewal compensation	
Sales and Marketing	Digital marketing supporting content and tools	
	Field rules of engagement defined (both between partners and between direct/indirect channels)	
	Sales training updated to address cloud value prop	

Recent Announcements

amazon web services

AWS Partner Network (APN) Blog

APN Tier Changes: What's New and What's Different in 2019?

by AWS Admin | on 01 APR 2019 | in AWS Partner Network | Permalink | Comments | Share

At AWS re:Invent 2018, the AWS Partner Network (APN) announced updates to the overall APN program. This includes updated APN Tier requirements and benefits for APN Partners, such as prescriptive funding based on current tier and program attainment.

As of April 1, 2019, the new APN Tier requirements are in effect.

aws partner network

Q1 2019 Revenue

$7.7B

41%

QoQ growth

$27.9B

TTM Revenue

Microsoft Azure

Q1 2019

Azure revenue growth of **76%**

"We see continued demand for our cloud offerings, reflected in our commercial cloud revenue of $8.5 billion, up **47%** year over year." Amy Hood, Executive Vice President and Chief Financial Officer of Microsoft

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Google Cloud

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

Top 6 Channel Partner News Stories From Google Cloud Next '19

'We recognize partners are very, very important to Google, and we're broadening our partner reach and introducing a number of new enhancements in our partner program," Google Cloud CEO Thomas Kurian said. "We're very grateful to all of you -- our partners who have done so much to help us further our mission to be successful as a digital transformation provider.'

By Donna Goodison April 16, 2019, 01:50 PM EDT

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