



INSIGHT

AWS re:Invent: Partner Ecosystem Growth and Innovation

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IDC OPINION

AWS is experiencing rapid growth in its revenue and ecosystem and is expanding its capabilities and product offerings at a fast pace. Competitors will need to be quick to keep up, and, in fact, partners are also faced with the not insubstantial task of rising to the AWS innovation curve. At the AWS analyst event that ran concurrently with its customer and partner conference, re:Invent, CEO Andy Jassy indicated the vendor is tracking to a \$13 billion annual revenue run rate, or 55% year-over-year (YoY) growth. This coincides with an increase in the services available on the AWS platform, now up to 70, with over 1,000 platform features. The volume of new products and capabilities announced at the event exceeded those at a typical technology conference. In addition, there were a number of important partner program and strategy announcements that are the focus of this document and are highlighted:

- The AWS Partner Network (APN) is growing rapidly, which reflects the growth opportunity for partners across the platform but also brings challenges for AWS in scaling to address much larger numbers of diverse partners.
- With the expansion of the AWS ecosystem, partner certification and segmentation within APN become more important. To that end, the vendor is expanding on its certifications and further clarifying APN benefits and requirements.
- The AWS platform expansion is also moving fast, and the vast number of announcements across the two days of re:Invent illustrated the vendor's continued pace of innovation.
- AWS also took on a more competitive stance at re:Invent for the first time. This is an interesting change in strategy and confidence that is likely driven by the vendor's strong revenue growth.

IN THIS INSIGHT

This IDC Insight provides IDC's perspective on the channel and alliance announcements from the fifth AWS re:Invent held in Las Vegas on November 29-30, 2016. The conference attracted 32,000 attendees, including end customers, developers, and partners.

SITUATION OVERVIEW

There was an increased focus on partners at re:Invent, as evidenced in the number of announcements, and there were also some key product introductions that are mentioned because of their importance to the partner ecosystem.

In detail:

- **Huge partner potential:** AWS views its partners as just getting started in leveraging the vendor's platform capabilities and expects continued growth in partner numbers and revenue contribution. AWS will continue to build out of its partner strategy and programs to support this growth. In fact, Jassy indicated that the most successful AWS partners will be those that are agile and keep pace with innovation, and that AWS will direct business only to those partners that know the platform well. Jassy actually advised partners against hedging their bets by supporting multiple platforms because it's a losing strategy.
- **Investing in partners:** Terry Wise, vice president, WW Alliances, Channels and Ecosystem, stated that AWS' investment in partners is expected to increase. This investment is being made to onboard, enable, support, and grow the partner ecosystem numbers and contribution over the long term. Success of this investment is demonstrated by the addition of 10,000 partners in the past 12 months. IDC estimates that AWS has doubled its number of active partners in each of the past 2 years. AWS experienced a 110% YoY growth in the number of consulting partners and a 130% increase in managed service partners. According to the vendor, its partners cover 90% of the Fortune 100, and 60% of its partners are now outside the United States.
- **Forward thinking:** AWS' strategy with its partners is to focus on the "future of IT," categorized as managed services, DevOps, migration, cloud security, and cloud storage, and also across broader solution areas that include big data, IoT, mobile, and cloud management. The depth of the AWS platform and offerings was highlighted a number of times and even questioned by analysts as a potential consumption issue for customers.
- **Certification counts:** AWS partner growth and commitment is reflected in the "tens of thousands" of certifications held. AWS is looking to further expand its certifications to take advantage of the fact that its certified partners are growing four times faster than noncertified partners.
- **Managed services is key:** AWS indicated that automation is a key success factor for its partners. Automation is often achieved by partners through specialized managed services. Cloud-managed services was identified as a large market opportunity, including services from plan to migrate or build to run and optimize. As an example, Logicworks quadrupled the size of its AWS business but only added 15% additional head count. There is also an add-on effect identified by AWS in that partners that provide migration services, plus managed services, plus partner-delivered professional services can drive up to 75% gross margins per project.
- **VMware alliance:** AWS announced a new strategic alliance with VMware, where VMware will run natively on AWS. This will officially launch in 2017 with an integrated partner program, bringing together top partners from both sides, and that will include enablement, partner directory designations, and marketing funds. According to Jassy, big hybrid implementations built on AWS will no longer have to choose between AWS or VMware for virtualization.
- **Service delivery program:** AWS announced a new service delivery program that currently recognizes over 150 partners across six geographies. This program helps AWS customers quickly locate APN partners that have proven expertise delivering specific AWS services. Attaining an AWS service delivery distinction allows APN partners to differentiate themselves by showcasing to AWS customers their areas of specialization. AWS services included at launch are Aurora, RDS PostgreSQL, DynamoDB, Redshift, Database Migration Service, Server Migration Service, Kinesis, EMR, Lambda, Machine Learning, API Gateway, CloudFront, WAF, and GovCloud (US) Services.

- **New competencies:** AWS announced two new competencies to add to its growing list. The new competencies are financial services and IoT. AWS competencies are segmented by industry, application, and workload and include government, healthcare, life sciences, digital media, and marketing and commerce; migration, DevOps, security, mobile, big data, and storage; and Microsoft SharePoint, Microsoft Exchange, SAP, and Oracle.
- **New AWS marketplace capabilities:** According to AWS, there are currently 1,100 ISVs participating in the AWS marketplace with 3,500 software listings and 100,000 active customers. New capabilities announced included metering API, elastic pricing on dimensions tied to usage and end-customer value, and a new single pane of glass for billing and monitoring on AWS or in hybrid cloud architecture scenarios. Previously, customers could only purchase software by the hour, the month, or the year. With these enhancements, customers can purchase software from select AWS marketplace vendors with pricing that can scale along new pricing dimensions, allowing customers to pay for only what they need. Usage is aggregated at the end of the month, along with other AWS products, and charged as part of an existing AWS bill.
- **AWS Business Builder:** AWS Business Builder provides a portfolio of go-to-market (GTM) resources to help software companies of all sizes connect with customers to grow their business. New tools and resources were announced, including new "Build" tools for building solutions on AWS, "Market" tools for creating markets for those solutions, and "Deliver" tools for delivering those solutions on AWS. The vendor stated that it has invested "tens of millions" of dollars in go-to-market resources and delivered on "tens of thousands" of demand generation campaign leads.
- **Partner solutions finder:** AWS announced a new partner solutions finder that allows end customers and partners to search for partners based on competency, industry expertise, use cases, and AWS product focus. Partners are featured in this tool with customer case studies and references, and this tool provides a direct connection between customers and partners, which is a big improvement over the previous version.
- **Public sector:** AWS announced a new public sector partner program with joint business planning and funding and bid and proposal engagement. The program is designed for APN partners with solutions and experience to help deliver government, education, and nonprofit customer solutions leveraging the AWS Cloud. With approximately 400 partners at launch, the program aims to help qualified APN partners build and grow their AWS public sector business.
- **GSI growth:** AWS is continuing to grow its GSI relationships. This is demonstrated in the Accenture Amazon business group partnership, which is the furthest along of the GSIs in building on AWS. The group's focus is on migrations, but with expected growth in industry-specific solutions and IoT.
- **AWS professional services:** The AWS professional services group was set up five years ago based on customer and partner requests for high-touch services to help customers transition to the cloud, with a focus on providing business outcomes. AWS said that 70% of its professional services effort is nontechnical, that is, advising on policy, people, and strategy. The AWS team includes 300 personnel across 18 countries, with expertise in a variety of disciplines. According to AWS, the professional services group never competes with partners, and in fact, 70% of engagements are done with partners. The group had over 800 engagements in 2016.
- **Hybrid and IoT:** AWS Greengrass and Snowball Edge are worth mentioning in a channel update because of their importance to partners. These new hybrid services help partners and their customers extend the AWS cloud to connected devices. This coincides with the vendor's IoT strategy, with Jassy stating that many IoT implementations are running on AWS, but that

IoT devices need access to Lambda functions on the device or in the cloud. AWS Greengrass lets customers run AWS Lambda and IoT functionality locally on virtually any connected device, while AWS Snowball Edge appliance stores 100TB of data and includes on-board compute and storage.

There were many other product announcements that can be explored (see the Related Research section of this document).

FUTURE OUTLOOK

As the AWS platform capabilities continue to expand at an increasing rate, AWS' leadership position in its chosen markets will continue to hold, if not expand. The increased depth of its partner strategy and program will also help steer the vendor's growing indirect market opportunity and depth of ecosystem.

The company's new hybrid strategy and edge computing strategy, in addition to its acknowledgment of the complexity of large-scale data migrations, demonstrates a broader perspective of the market that will no doubt lead to an expanded footprint. The vendor's rapid growth and expanding capabilities also put it in an increasingly strong competitive position.

To continue its success with partners, AWS will need to embrace what has become a large and diverse ecosystem by continuing to innovate APN. That process is ongoing and is typified by many of the event announcements. At the same time, and because of its program innovation, AWS will need to actively communicate to partners the value of the relationship and how best partners can maximize engagement with AWS, rather than expecting partners to join up and automatically excel.

LEARN MORE

Related Research

- *Redefining Hybrid Infrastructure: Amazon Brings Cloud Innovations to the Edge* (IDC #US42055816, December 2016)
- *VMware and AWS Announce Cloud Partnership* (IDC #US41901016, November 2016)

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