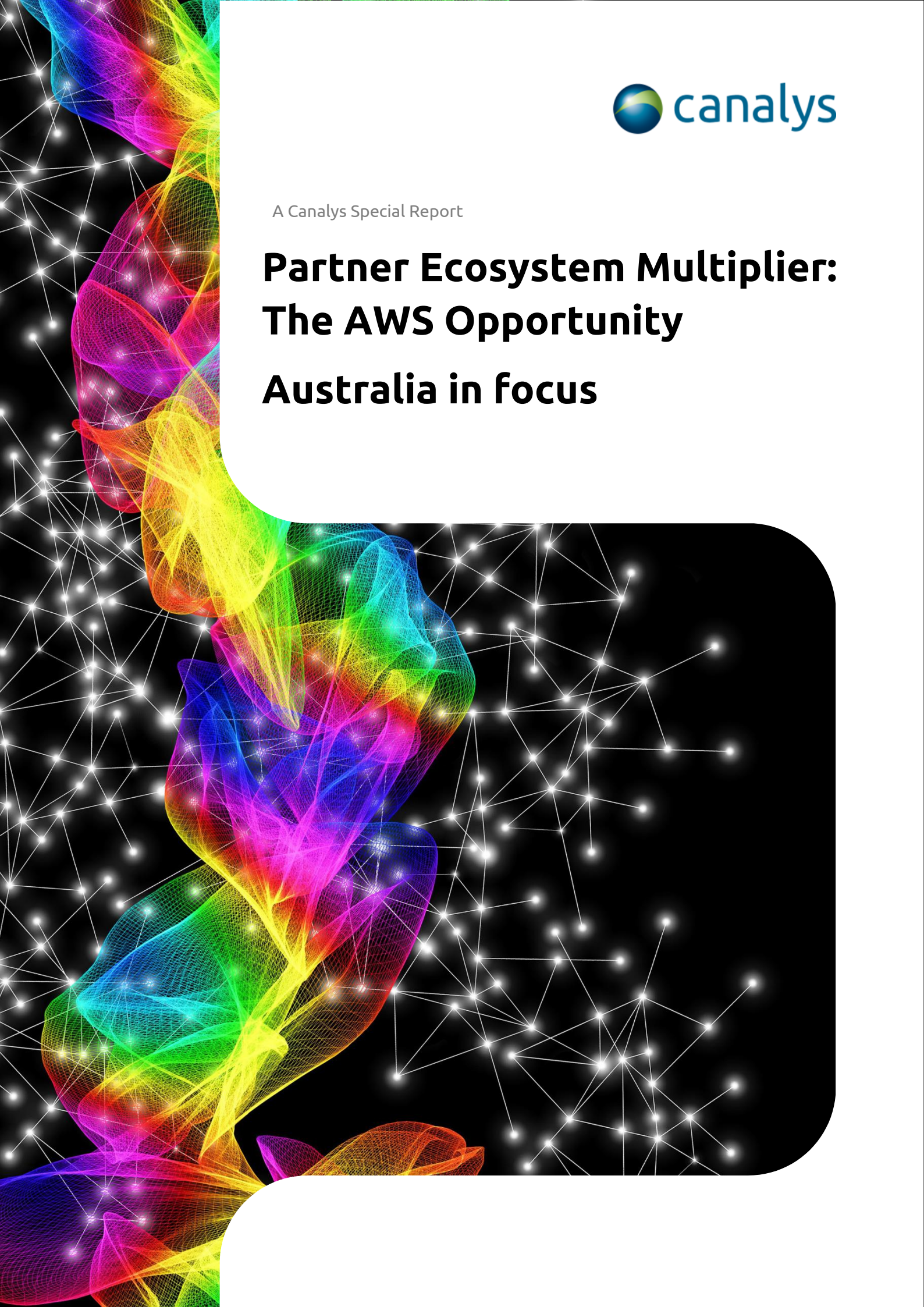


A Canalys Special Report

Partner Ecosystem Multiplier: The AWS Opportunity Australia in focus



Global Summary

Cloud adoption continues to expand rapidly, with the market for cloud infrastructure services expected to have been worth US\$250 billion in 2022 according to Canalys estimates. In combination with this infrastructure, is an entire ecosystem of partners that work with end customers to create functional cloud environments. Without these partners, customers would not be able to fully realize the potential of their cloud infrastructure. AWS provides a technology foundation to help customers solve key problems, but increasingly it relies on the contributions and offerings of their partners to complete the overall value stack. Canalys refers to these partner revenue opportunities as the Partner Ecosystem Multiplier (PEM). There are, of course, regional variances and this in focus series will highlight the key markets studied by Canalys in assessing the AWS Opportunity.

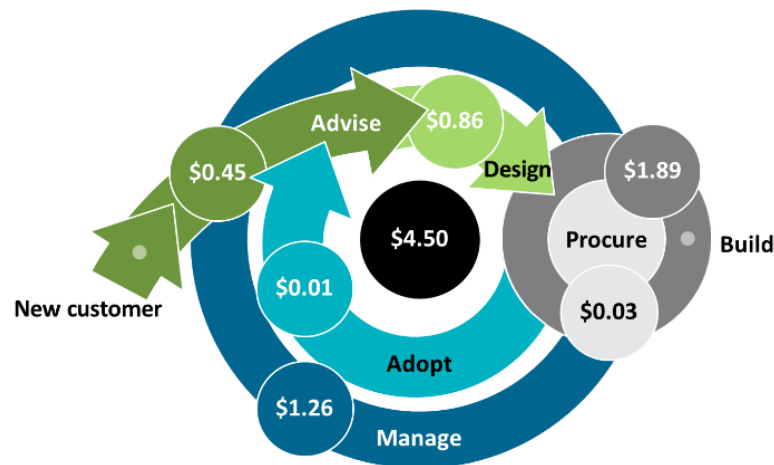
“[AWS] clients have been asking for support in the form of managed services. In Australia there is clearly a market for expansion across the board, even though we only have 15% of our revenue from managed services.”

Key findings in Australia

- AWS partners in Australia can reach a multiplier of US\$4.50 per US\$1 of AWS sold. This is compared to the global figure of US\$6.40 per \$US1 of AWS sold.
- Canalys estimates the Australian cloud infrastructure market to be worth US\$5.69 billion in 2022, which shows 30.39% year-on-year growth. In 2023, Canalys estimates this to grow to US\$6.95 billion at a year-on-year growth rate of 22.1%
- Australian customers show a willingness to embrace experimental approaches and are more comfortable and quicker to explore cloud-led digital transformation.
- Four of the six segments account for 10% or more of the total Australian PEM. This is as a result of Australia’s relatively mature services economy and allows Australian partners to deliver a breadth of services that is critical for a strong PEM.



Partner Ecosystem Flywheel: Australia



Build and Manage – Australia’s strongest segments

The most encouraging service segment when analyzing the Australian multiplier opportunity is the **Build segment**. This is where partners have the opportunity to leverage the wider AWS partner ecosystem, as well as presenting one of the clearer opportunities for partners to create recurring revenue streams. Overall, **the Build segment accounts for 42% of the total Australian PEM**. Beyond proving the AWS partner ecosystem to be in good health in this region, this figure is evidence of the overall maturity of the Australian services market, especially when it comes to the AWS ecosystem. Of all the potential revenue streams within the Build segment, activities surrounding application modernization are the largest sources of revenue. **67% of partners interviewed in the Australian market said that application modernization services were the largest generators of revenue within their respective Build segment**. When compared with more advanced geographies and the Global PEM, there is still **significant growth opportunity in vertical-specific software solutions**. Of the Australian partners interviewed who had Build segment revenue as part of their PEM, none had a vertical-specific software revenue total that made up more than 7% of their total Build revenue.

The Manage segment is also a strength of partners in Australia, as this segment **accounts for 28% of the total PEM for this region**. This is significant as it is another potential source of recurring revenue for partners who are able to deliver managed service offerings. **Partners with this capability put themselves in a position to take advantage of a PEM where up to 70% of revenue available has the potential to be recurring**. This allows long-term partnerships to be built and sustained by those partners capable of offering the necessary breadth of services to their end customers. Numerous partners interviewed highlighted a continued growth in demand for managed services.

Pre-procurement activities have room to grow in the Australian market

In the Australian market, **the pre-procurement activities (Advise and Design segments) account for 29% of the Australian PEM**. While the Design segment activities account for 19% of both the Australian and Global PEM, **there is a 6% disparity in the percentage share when the Australian and Global Advise segments are compared**. The proportion of Design segment revenue in Australia is an indication of a well-qualified pool of technically proficient partners who are able to provide customers with the

necessary services to lead their cloud migrations. Where there is an opportunity for growth pre-procurement phase is within the Advise revenue segment. Not only is the Advise segment essential for capturing net new cloud customers, it also provides partners opportunities for high-margin work. **Margins of up to 70% are available to partners who conduct digital strategy work (among other consulting activities).** These are the highest margins of any revenue segment. Not only is this work highly profitable for partners, it allows them to influence the cloud project from inception to completion and therefore create further opportunities for revenue.

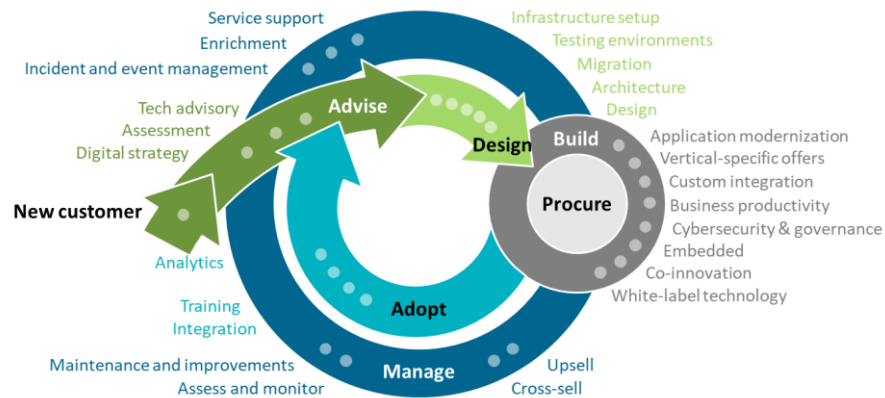
Adopt services will be the accelerator of Australian PEM

The most significant growth opportunity in the Australian AWS ecosystem, however, lies within the Adopt segment. Accounting for less than 1% of the Australian AWS PEM, there is potential for this segment to be a further catalyst in this market. The Adopt segment includes services based on data analytics, and not only provides opportunities for efficiencies in the eyes of the customer but also provides partners a key opportunity for cross-selling and upselling. This is not only within the specific cloud project, but also in expanding the customer cloud infrastructure more broadly. By doing this, partners can create the next potential multiplier opportunity.

Summary

Australia stands out as a leading AWS ecosystem when compared to other APAC markets in this study. With 70% of the total PEM in the Australian market offering partners opportunities for recurring revenue, the long-term stability of the opportunity is also clear. While the significant Build segment is a further indicator of the health of the AWS ecosystem in Australia, the Adopt revenue segment stands as a clear point of emphasis for potential growth as Australia continues its growth and looks to become even more internationally competitive. Further emphasis on Adopt activities will not only increase immediate revenue for Australian partners but provide further opportunities for cloud projects with current customers in the future. Canalys estimates suggest that Australia's cloud infrastructure will grow at 25.8% year-on-year in 2023 for a total cloud infrastructure market in Australia of US\$6.95 billion. This would be lower than the 2022 growth figure estimate of 30.97% year-on-year growth. To mitigate against this, Australian partners should be looking to expand the breadth of service offerings to unlock further PEM opportunities in the future. While the multiplier is likely to grow as cloud adoption grows in the region, it is also important for partners to invest in their own capabilities in order to take advantage of the wider ecosystem.

Appendix – Defining the Partner Ecosystem Flywheel



- **Advise services** capture the consulting and professional services activities held either with new customers, or existing customers that are embarking on new cloud projects. This typically involves an understanding of the customer’s digital strategy, an assessment of the existing infrastructure and systems, as well as advisory on the specific technology solutions that will need to be built or procured.
- **Design services** capture the set-up activities required for customers to establish or expand their cloud capabilities. This involves designing and testing the environment that will be used and ultimately migrating customer data onto the public cloud infrastructure.
- **Procure services** are the activities that partners conduct to acquire the necessary infrastructure for setting up cloud environments. Revenue from these activities typically occurs in the form of resell or through procurement services offered by partners.
- **Build services** are the broadest and most diverse set of services within the Flywheel. Inclusive of industry and functionally focused software stacks, these services leverage the widest variety of partners within the ecosystem. Partners leverage these services to, for example, transform a cloud environment from a storage solution into a business solution that adds value to customers, while also ensuring that the environment is safe and functional against growing external threats and challenges. This segments also includes the partners own IP creation and IP software development, for example, as part of a customized solution.
- **Adopt services** can be understood as the services that allow partners to help customers use and unlock value from their cloud investments. This could be in the form of ongoing customer success engagements or dedicated workshops to train customers in usage. Business process and change management services allow partners to fine-tune these environments depending on customer demand, while data analytics are leveraged to identify opportunities, both for efficiency and further cloud revenue in the future.
- **Manage services** for many partners are the end goal for cloud projects that they undertake and are by far the most operational of the services featured within the Flywheel. They can also be a key revenue driver as they offer an opportunity for consistent recurring revenue beyond the initial set-up of the cloud environment.

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