

A Canalys Special Report

# **Partner Ecosystem Multiplier: The AWS Opportunity – Brazil in Focus**

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## Global summary

Cloud adoption continues to expand rapidly, with the market for cloud infrastructure services reaching a value of 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.

***“Why did they [the customer] choose AWS? Simply, they are the dominant player and so for the client it was a much easier purchase.”***

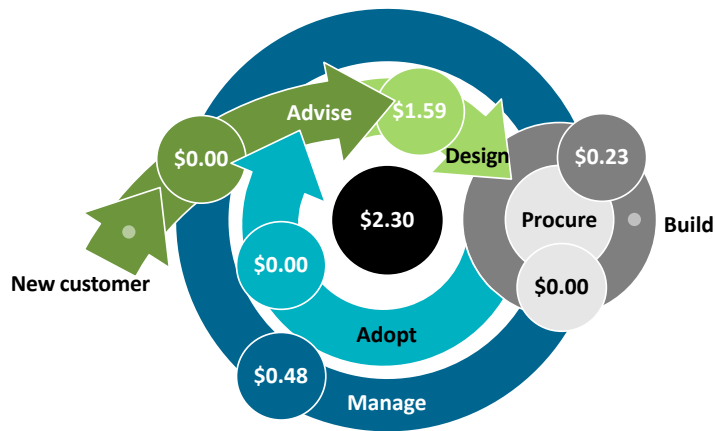
## Key findings in Brazil

- AWS partners in Brazil can achieve a PEM of US\$2.30 per US\$1 of AWS sold. This is compared with the global figure of US\$6.40 per US\$1 of AWS sold.
- Canalys estimates the Brazilian cloud infrastructure market was worth US\$3.45 billion in 2022, which shows a year-on-year growth rate of 30.21%. In 2023, Canalys estimates this will grow to US\$4.34 billion at a year-on-year growth rate of 25.8%. This would be the second-highest growth rate of the surveyed countries in this study, behind India.
- 69% of all revenue activity in Brazil is focused on the Design category, indicating a market at the start of a cloud adoption journey. The lack of service breadth is a key limiting factor in the Brazilian PEM.
- Of the Brazilian partners interviewed for this study, none charged for services that would fall into the Advise category of services. The lack of revenue in this segment indicates a cautious market where end customers require significant advice.





## Partner Ecosystem Flywheel: Brazil



### Design driving Brazil's PEM

The Design segment includes infrastructure and systems setup, testing and, critically, migration services. Fundamentally, they are the core tenets of creating cloud environments. With Latin America accounting for only 2.9% of worldwide cloud infrastructure according to Canalys estimates, the region (including Brazil) is very much in the early stages of its cloud adoption journey. As a result, the vast majority (69%) of the total PEM revenue in the Brazilian market occurs in the Design segment. **70% of Design revenue was attributed to migration services**, with the rest of this revenue being attributed to activities surrounding either infrastructure and systems setup or testing. As Brazil's cloud adoption grows, the Design segment will continue to lead the Brazilian PEM, and its relative size globally (second largest of the highlighted regions in this study) is a strong indicator of accelerated growth and adoption of public cloud in the Brazilian market that will lead to a large PEM and greater need for a wider AWS ecosystem where partners will need to provide more than core cloud infrastructure services. If Brazilian partners wish to expand their total addressable market and PEM, they will need to broaden their service offerings substantially.

### Build and Manage – the beginning of a growing ecosystem

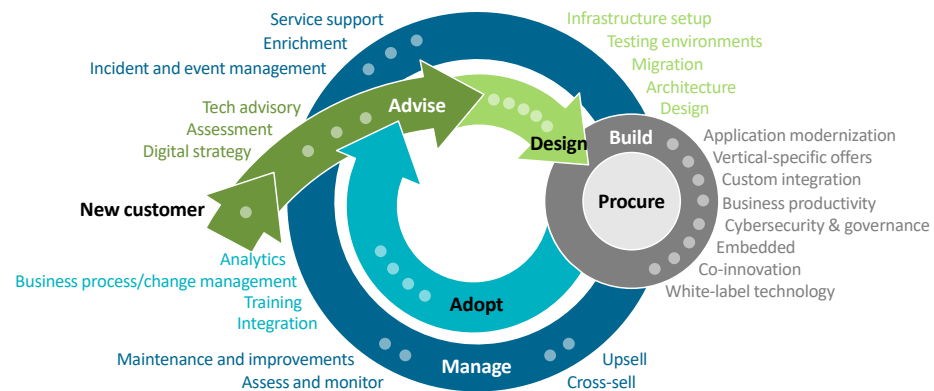
The Build and Manage revenue segments contribute the remaining 31% of revenue in the Brazilian PEM. While small in comparison with other global markets in this study, their existence in the Brazilian market is an important signifier of the developing maturity of services. **The 21% of total revenue attributed to the Manage segment is indicative of a growing maturity of services offering within the Brazilian cloud ecosystem, where partners are recognizing the importance of extending their involvement in cloud projects** with the possibility of recurring revenue a critical part of the long-term profitability of their cloud services. On the other hand, **the Build segment accounts for only US\$0.23 of the total PEM in this market, which is the smallest figure for this segment globally.** The lack of maturity in the Brazilian services market creates a gap waiting to be filled when it comes to the provision of critical services, such as infrastructure support, application modernization and cybersecurity. There is

a clear opportunity for Brazilian partners that are willing to make the necessary skills investments to lead their market early in this regard. By investing early in such capabilities, these partners will position themselves to control significant market share across these areas in the Brazilian market.

### Summary

The Brazilian market currently holds the lowest PEM figure of all the markets surveyed in this study but shows foundations that can be built on. In the short term, Brazilian partners have an opportunity to control the agenda surrounding cloud adoption and implementation through the Advise segment. While many partners currently only leverage this in a pre-sales capacity, there is clear opportunity to expand this into a revenue-generating segment for relatively small investments and staff upskilling. By moving beyond simply educating end customers and helping them form their digital strategies, Brazilian partners could stand to rapidly grow their PEM figure. Beyond this, embracing the wider AWS ecosystem will be particularly important for Brazilian partners as they have the opportunity to be early leaders in this market and thus win significant portions of market share as cloud growth in the Brazilian market is anticipated to be the second fastest in the regions surveyed in this study. Canalys estimates suggest that Brazil will see year-on-year growth of 25.8% in 2023, which will see Brazilian cloud infrastructure hold a total value of US\$4.34 billion.

## 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 needed 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 let partners 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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