Partner Ecosystem Multiplier: The AWS Opportunity

India in focus

canalys

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.

> *"The customer evaluated all products and portfolios, but they chose AWS because the proved use cases were relevant to them and their industry."*

Key findings in India

- AWS partners in India can reach a multiplier of US$3.20 per US$1 of AWS sold. This is compared to the global figure of US$6.40 per US$1 of AWS sold.

- Canalys estimates show India saw year-on-year cloud adoption growth of 31.3% in 2022 for a total infrastructure market value of US$4.21 billion. This places the Indian market in a strong position to grow its PEM figure in the near future. India has the highest predicted cloud adoption growth figure of the study for 2023, estimated to be 26.4% year-on-year, which would expand the Indian cloud infrastructure market to US$5.41 billion.

- 61% of India's PEM comes from the Manage segment, which is the largest Manage segment share of any market globally and is evidence of the reliance of end customers on the technical capabilities of partners in managing their cloud environments in this region.

- All partners interviewed for this study provided Advise services as pre-sales activities and therefore collected no revenues on these activities.

Partner Ecosystem Flywheel: India
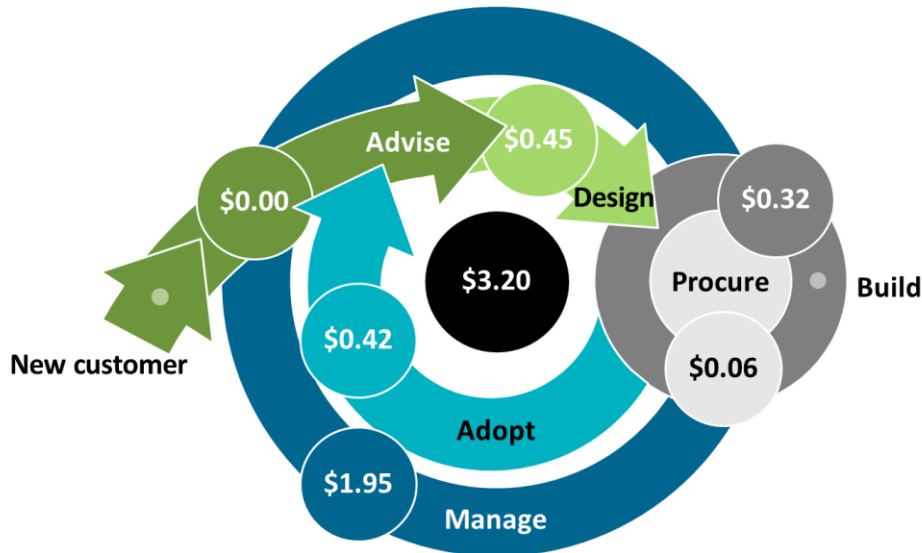
Post-procurement activities show the Indian market's true potential

The Manage segment is not only India's largest segment for their total PEM, but also the largest Manage segment in terms of total revenue (US$1.95) globally. **This segment represents 61% of the total Indian PEM.** With such a strong Manage segment figure, what partners in India are showing is a clear ability to provide the necessary technical skills that end customers require. This is critical for continued cloud adoption and ultimately PEM growth in the region. By evidencing the technical abilities through the management of these environments, partners are showing their readiness for continued investment in cloud environments as public spending in cloud transformations continues to grow in the Indian market. While it is encouraging for the continued growth of the Indian AWS ecosystem that partners have the requisite skills to service clients in this way, the dominance of the Manage segment also indicates a lack of the necessary breadth of services offered in this market, which is a critical element to a high-performing PEM figure, as seen in the US and EMEA markets.

The second post-procurement revenue stream within the Indian market comes from the Adopt revenue segment. India's Adopt revenue figure is the largest in the APAC region. **40% of this revenue was attributed by partners interviewed to data analytics, the more technically intensive sub-segment in the Adopt segment.** Leading the APAC region in this technically complex segment is significant, as it shows that with the correct priorities and diversity of services, Indian partners are well-positioned to take greater advantage of PEM opportunities.

Lower cloud adoption causing lag in Indian PEM growth

The Design and Build segments are the two areas where Indian partners should look to grow their offered services. The relatively low **Design figure in India of US$0.42 is the second lowest of the global markets highlighted in this study**, which is indicative of a lack of cloud adoption within the market. While current cloud adoption rates limit the potential PEM when compared globally, recent government investment will see an increase in cloud adoption in the coming years in the Indian market. This low adoption rate is also shown with a low Build revenue segment, which is typically a health indicator of the wider cloud ecosystem beyond the basic migration and storage of data. If the Indian PEM is to expand further, there will need to be an increased usage of the wider AWS ecosystem for solutions in topics such as cybersecurity.

Increased advisory work is an immediate revenue opportunity

All Indian partners interviewed in this study offered some form of Advise services as part of their cloud delivery. However, instead of charging for digital strategy and infrastructure assessments, Indian partners typically absorbed these revenue opportunities as a cost of sale. While opening the multiplier to themselves as a result of this, and passing benefits to their end customers, this is a missed revenue opportunity that also hampers their profitability on any given cloud project. In terms of margins, digital strategy, and assessment services were consistently the most profitable service a cloud partner could participate in, with margins of up to 70%. Further emphasis on Advise services will not only create more profitable projects for Indian partners, it will allow them to control the end-to-end process of a cloud project more effectively by guiding their customer's entire digital strategy. In doing this, partners in this market will be able to unlock a larger overall PEM.

Summary

Despite holding the lowest PEM figure in the APAC region, India stands ready to take advantage of the continued growth of cloud adoption. Of all of the APAC markets assessed in this study, India's cloud adoption growth continues to be the largest, with Canalys estimating that 2023 year-on-year growth will be at 26.4%. This means cloud infrastructure would grow to US$5.41 billion by the end of 2023. The prominence of the Manage and Adopt revenue segments in this market is a strong sign of the technical capabilities that already exist in India, which bodes well for future growth. By expanding Advise capabilities, Indian partners will be able to better control the end-to-end process of cloud transformations and thus rapidly expand their PEM within the AWS ecosystem.

Appendix – Defining the Partner Ecosystem Flywheel
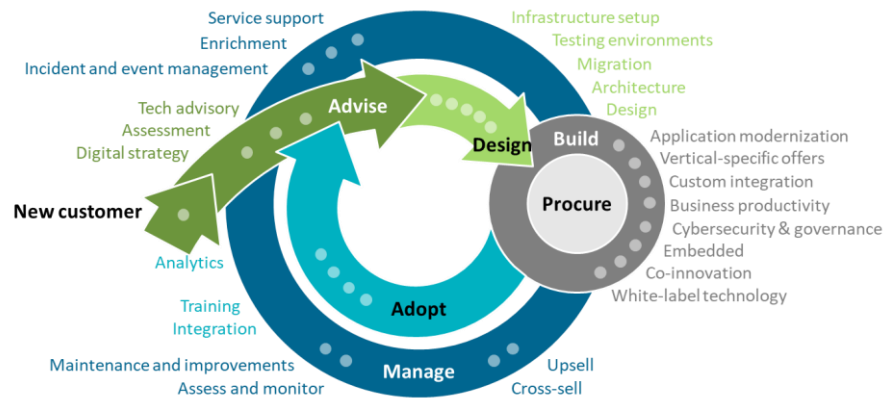
- **Advise services** capture the consulting and professional services activities held either with new customers, or existing customers that are embarking on new cloud projects. This typically involves an understanding of the customer's digital strategy, an assessment of the existing infrastructure and 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 segment also includes the partner's 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.