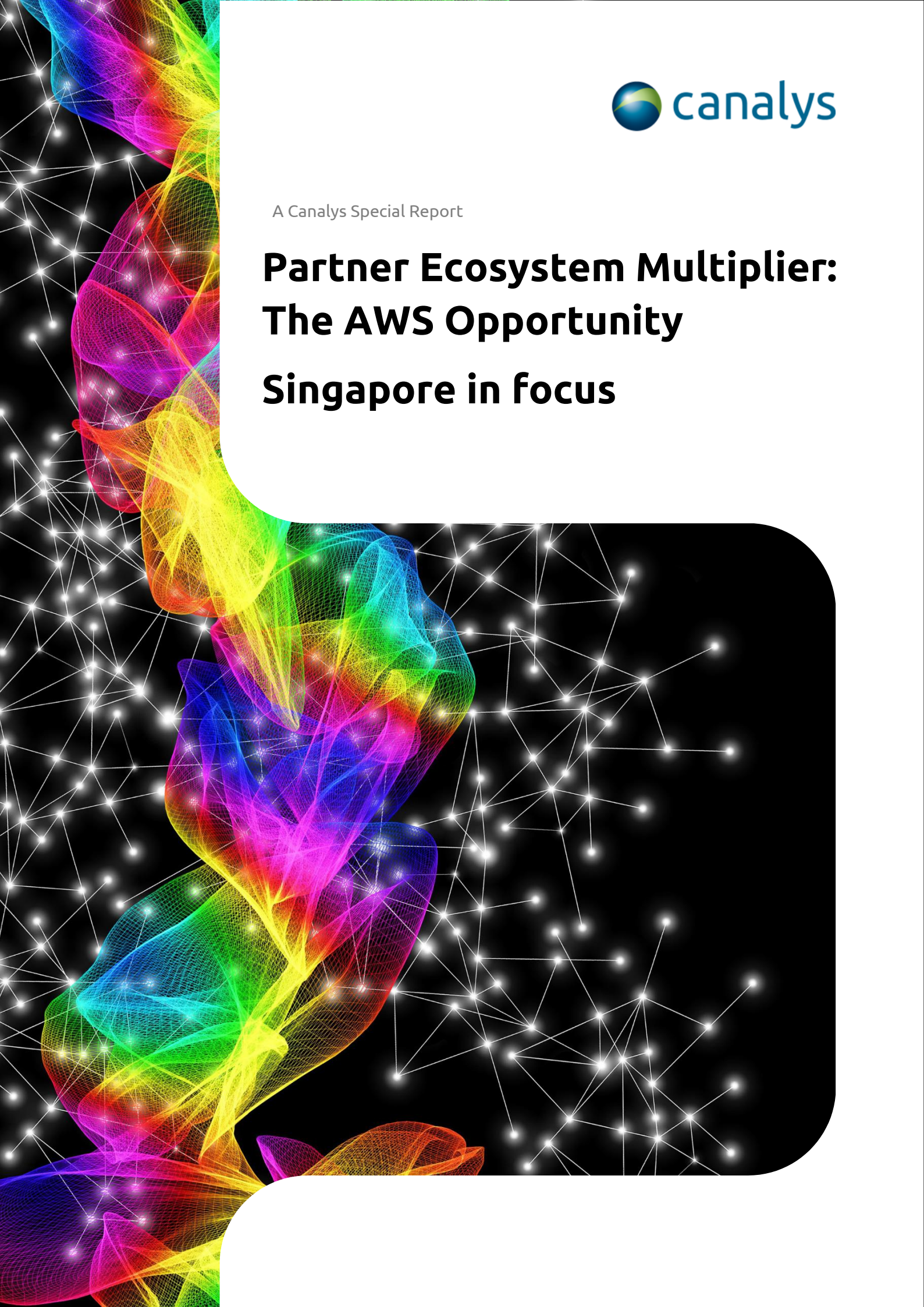


A Canalys Special Report

Partner Ecosystem Multiplier: The AWS Opportunity Singapore 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 who 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.

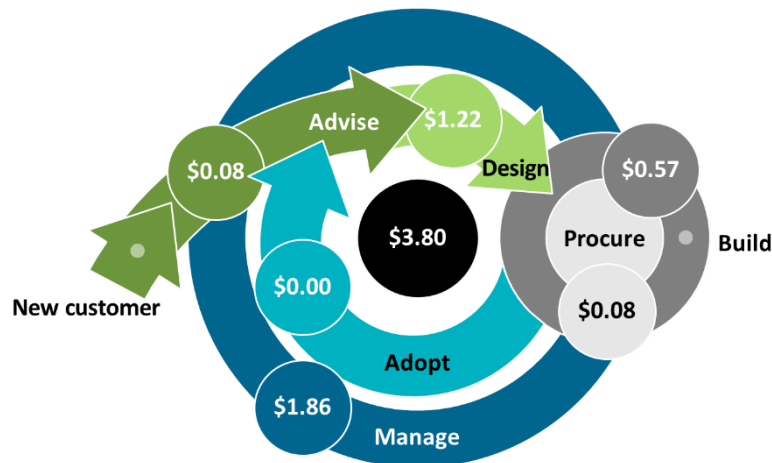
“We competed against larger SIs and won! Our differentiation was depth of expertise in large scale AWS migrations, and we were able to leverage our [AWS] Accreditations to prove this.”

Key findings in Singapore

- AWS partners in Singapore can reach a multiplier of US\$3.80 per US\$1 of AWS sold. This is compared with the global figure of US\$6.40 per US\$1 of AWS sold.
- Singapore has had consistently strong cloud adoption growth in the past years, with Canalys estimates suggesting that Singapore saw year-on-year cloud adoption growth of 38.2% in 2022, the largest of all markets assessed in this study. In 2023, Canalys expects 22.5% year-on-year growth in Singapore, meaning the cloud infrastructure market in Singapore will grow from US\$2.71 billion in 2022 to US\$3.31 billion in 2023.
- Singapore channel partners shared that the labor costs in project implementation had the biggest impact on their profit margins.
- There is wider opportunity for partners in Singapore to more comprehensively monetize the potential of the PEM flywheel. Two activities (Manage and Design) account for 89% of the total PEM figure for Singapore.



Partner Ecosystem Flywheel: Singapore



Manage – Singapore’s largest service segment

The Manage segment accounts for 49% of the total PEM in Singapore. It is a strong source of recurring revenue for partners, as the demand for managed services offerings continues to grow in the city-state. This figure shows the maturity of channel partners in Singapore and alludes to the strong capabilities that have been built to deliver a diverse range of services to end customers. Partners interviewed in the Singapore market offer managed services ranging from assessing and monitoring to maintenance and improvements, and incident and event management. Partners with capabilities in this segment stand to benefit from long-term growth opportunities with their customers.

Another key service segment in the Singapore market is **the Design segment, which is responsible for a further 32% of the total Singapore PEM.** Furthermore, **all the partners interviewed in Singapore shared that migration services were the largest growth driver in the Design segment.** These Design services are the core fundamental services provided by partners to end customers. From these core services, partners can then leverage relationships built to upsell other cloud services, creating prospects for recurring revenue streams and generating strong PEM figures.

All other cloud activities have room to grow in the Singapore market

Although Singapore is a relatively mature market in terms of technology adoption, there is still an opportunity to grow in terms of cloud services. Some businesses, especially SMBs (which make up 99% of businesses in Singapore), have been slow to adopt wider cloud ecosystem services at a rate that matches businesses in other regions. Despite strong Manage and Design segments, the lack of breadth within the Singapore AWS ecosystem and flywheel ultimately affects the overall PEM in this market. Of the remaining 19% of the Singapore PEM revenue, **15% can be attributed to the Build segment.** With the maturity of the technology adoption in the Singaporean market, comes a growing AWS ecosystem focused on a more complex transformation. The extent of this complexity is limited by the lack of Adopt segment activities outlined by Singaporean partners who were interviewed. This creates a challenge for partners in this market to identify further growth opportunities with their customers.

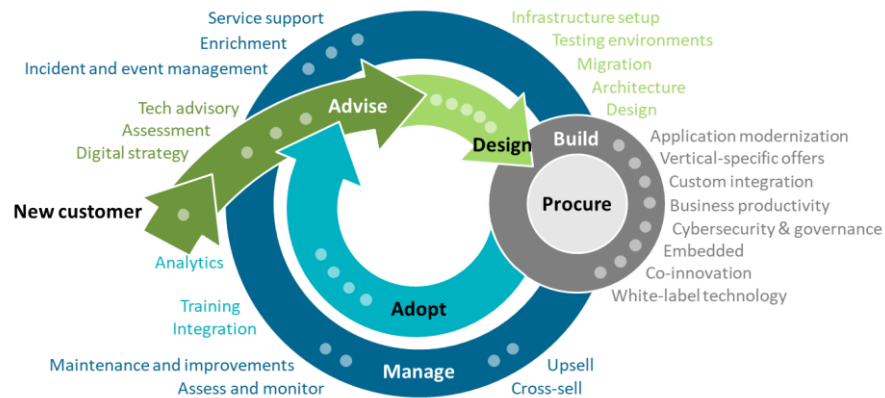
The opportunity to Advise

The Advise segment activities account for 2% of the total Singapore PEM, but they are a clear opportunity for partners to increase their immediate PEM revenue with highly profitable activities in technology advisory and digital strategy. **67% of partners already perform some of these activities at the pre-sales stage.** By simply identifying revenue opportunities within these already performed activities, partners in this market can unlock revenue with profit margins of up to 70% while also increasing their overall PEM. Beyond the revenue opportunities at the beginning of the journey, controlling the cloud transformation from beginning to end is also critical to educating the end customer and unlocking other segments within the flywheel.

Summary

Singapore is a relatively mature market when it comes to technology adoption, as has been evident with the rate of cloud adoption growth in this market, at 38.2% year-on-year in 2022, resulting in cloud infrastructure value being US\$2.71 billion in 2022 in Singapore. Despite a cautious customer base, partners in the Singapore market must work creatively to ensure that they are able to drive demand across the necessary breadth of services to fully unlock potential PEM revenue. In the short term, partners should look at activities, like the ones in the Advise segment, that they are already able to perform and explore monetizing these. In the longer term, investments in AWS accreditations and data analytics capabilities will give customers increased confidence while also providing the necessary tools to unlock the next cloud opportunity. These investments will become more critical for partners as macroeconomic conditions will cause cloud adoption growth to slow, with Canalys estimating that Singapore will see cloud adoption growth slow to 22.5% year-on-year in 2023. Partners will need to diversify their service offerings to maintain their own revenue growth in response to this.

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.

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