

IDC MarketScape: Worldwide Cloud and Applications-Centric Marketplaces 2023 Vendor Assessment

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THIS IDC MARKETSCOPE EXCERPT FEATURES AMAZON

IDC MARKETSCOPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Cloud and Applications-Centric Marketplaces Vendor Assessment



Source: IDC, 2023

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Cloud and Applications-Centric Marketplaces 2023 Vendor Assessment (Doc # US51037123). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

Burgeoning Cloud Budgets and Changes in Buyer Behavior Drive Exponential Marketplace Growth

Marketplaces have been around for generations, bringing buyers and sellers together in a central location to exchange value and participate in the convenience of shopping for various goods without traversing geographically dispersed locations. Marketplaces provide a sense of community, where buyers and sellers can exchange ideas and discuss the day's news. These interactions often created new commerce opportunities and cultivated lasting relationships that increased customer lifetime value for merchants and more personalized consumer experiences. As digital technologies mature, underscored by the scalability and efficiencies of cloud computing, buyers and sellers seek digital methods of interaction that offer the convenience and speed provided by traditional marketplaces.

Seismic changes in technology buyer behavior, accelerating innovation cycles, and exploding cloud budgets supporting business transformation create the perfect storm for digital marketplace success. Cloud buyers can take advantage of discounts by committing to a level of spending over time. This amounts to hundreds of billions in pre-committed cloud spend for the top 3 providers. Buyers can extinguish a portion of this commitment by purchasing third-party products from the provider's marketplace. Recently, some marketplaces have allowed buyers to apply cloud credits to purchase implementation, professional, and managed services. Sellers stand to reap the rewards of readily available customer dollars to accelerate growth and create a better customer experience while lowering the cost of customer acquisition. According to IDC's 2023 *CloudShare Global Survey*, cloud marketplaces account for 18.6% of emerging independent software vendor (ISV) revenue, up from 15% in 2022. Digital-native technology buyers expect the same frictionless, consumer-like experience in their professional lives. Today, time is the most precious commodity and marketplaces offer faster time to value for buyers and accelerated deal cycles for sellers. A significant contributing trend is the elevation of business technology users to technology purchase influencers and buyers. Businesses can no longer impose applications that deliver poor user experiences increasing the risk of low adoption. Users are empowered to purchase their own tools and have more choices than ever. The rise of product-led growth as a GTM strategy creates low barriers to entry for software suppliers that seek to capitalize on user empowerment. Cloud and applications-centric marketplaces benefit from the product-led growth strategies of suppliers. The broad selection of products and services available in marketplaces empowers the customer through choice and encourages well-built products to succeed.

Until recently, the integration of communities and user groups into the marketplace experience has been lacking. Like in the past, marketplaces offer the opportunity for people to discuss business problems that can now be solved at scale with cloud and digital technologies. Marketplaces create increased visibility through communities and peer reviews and ratings. The ascendance of marketplaces as a prime channel for cloud applications and related services purchases is not limited to the leading cloud service providers (cloud SPs). Distributors, ISVs/SaaS providers, telcos, and service

providers invest considerable sums to build platforms and capture a percentage of this sizable opportunity. Salesforce has been investing in its AppExchange platform for more than 15 years. Some estimate that several hundred distributors are building out marketplace capabilities on a proprietary or third-party marketplace development platform. The exercise is not for the timid, as this effort could cost upward of a billion dollars. Marketplaces accelerate growth in ecosystem partnerships through network effects that lead to co-innovation and new value creation. However, not all marketplaces are designed to leverage data to take advantage of the platform's network effects. IDC expects this to change as advanced and generative AI brings new levels of personalization to the marketplace experience.

IDC MARKETSCOPE VENDOR INCLUSION CRITERIA

Using the IDC MarketScape model, the marketplace operators chosen for inclusion in this vendor assessment accurately depict the vendors most representative of the public cloud and applications-centric marketplaces that buyers consider when evaluating digital marketplaces. Vendors were rigorously researched to ensure that offerings adhered to the criteria for this assessment:

- The marketplace must be fully commerce enabled, with transactions executed on the platform.
- Offerings in the marketplace support SaaS business models, including subscription and consumption pricing.
- The marketplace provides a self-service experience with one-click purchase capability.
- For cloud marketplaces, buyers can extinguish pre-committed cloud budgets with marketplace purchases.
- The marketplace allows buyers to use multiple forms of payment, including corporate and personal credit cards and purchase orders.
- The marketplace provides a broad selection of products classified by functional market, industry, and solution type.

ADVICE FOR TECHNOLOGY BUYERS

B2B technology marketplaces empower buyers with unprecedented choice, efficiency, and an expansive range of products and services in one place. Marketplaces have evolved from basic catalogs and commerce-enabled websites to feature-rich platforms for procurement transformation. Continuous innovation is a hallmark of today's cloud and applications-centric marketplaces.

The focus on cloud-enabled software deployed on the cloud service provider's infrastructure and platform services distinguishes a cloud marketplace from other marketplaces. Leading cloud SPs invest considerable resources to develop robust ecosystems of independent software vendors, managed services providers, systems integrators, and value-added resellers that provide cloud SP customers with cloud products, services, and solutions that can be purchased through the cloud SP's marketplace.

Independent software vendors/SaaS providers own and operate applications-centric marketplaces that feature products and services from the ISV and its ecosystem that extend the functionality and enhance the value of its core applications. These products and services are increasingly deployed in the cloud and across hybrid and multicloud architectures. Buyers looking to leverage marketplaces' transformative potential should consider the following recommendations:

- **Begin with discovery.** Engage the marketplace early in the buying decision process. The number and variety of marketplace offerings increase daily. While most marketplace buyers today possess the technical knowledge to know what they want to buy, some lesser-known suppliers offer alternatives the buyer may be unaware of. Some leading marketplaces enhance the discovery process by publishing specialized guides and personalizing the search and browsing experience based on the customer profile.
- **Leverage marketplace innovation.** Marketplace operators engage buyers and sellers in the process of continuous improvement. Marketplaces can become part of an organization's procurement center of excellence, allowing stakeholders to measure, manage, and forecast technology purchase activity across the business. Many marketplaces have started embedding AI and machine learning to deliver better customer experiences across search and navigation, workflows, and personalized recommendations.
- **Integrate marketplaces into procurement workflows.** Many marketplace operators offer prebuilt connectors for the leading procurement systems and provide APIs to connect the marketplace to enterprise applications, integrating disparate systems, unifying data for analysis, and creating end-to-end procurement workflows.
- **Offer flexibility and choice while reinforcing security and compliance.** Some marketplace operators allow enterprise-curated private catalogs consisting of prevetted products from the broader public marketplace catalog. AWS introduced private marketplaces in 2018. Today, the leading cloud service providers and some applications-centric marketplaces offer a version of private marketplaces for customers seeking more control over technology purchases without imposing restrictions that stifle flexibility.
- **Augment and extend software asset management.** Some marketplace platforms enable businesses to distribute and track software license entitlements acquired in the marketplace. Marketplace admins can automate distribution and activation for end users across the business, ensuring only approved users can access the software.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Amazon

After closely evaluating the company's strategies and capabilities, supplemented with buyer and seller feedback, IDC has positioned Amazon in the Leaders category in this 2023 IDC MarketScape for worldwide cloud and applications-centric marketplaces.

Amazon was a first mover offering cloud infrastructure and platform services for business consumption. Building on its cloud momentum, Amazon launched the first-of-its-kind cloud marketplace in 2012. Since then, other cloud and software providers have launched similar platforms. Many new marketplace features and capabilities were introduced to the market by AWS as the company continues Amazon's legacy of customer-driven innovation. AWS introduced the market to features including private offers, private marketplaces, standard contracts, and standardized entitlements. AWS states that half of its marketplace catalog is on the same EULA. Private offers, introduced in 2017, is a significant driver of AWS Marketplace growth, enabling sellers and buyers to engage on-platform to negotiate custom pricing and terms with preferred sellers. This capability eliminates lengthy negotiations and accelerates deal velocity for sellers. A private marketplace allows

customers to take the entire public catalog and reduce it into an enterprise-defined preapproved catalog – for example, only software on standardized contracts. Like Amazon, AWS Marketplace strives to be the everything store for business technology purchases with a broad catalog of offerings that include DevOps, security, storage, networking, database, observability, and business applications. AWS Marketplace offers software, data, and services across verticals, including automotive and manufacturing, energy and industrial, financial services, media and entertainment, telecom, retail, and CPG. Amazon positions AWS Marketplace at the center of the AWS cloud ecosystem, aligned with the AWS Partner Network and delivering a fully integrated experience with the AWS environment. An AWS Marketplace tenet is to meet buyers where they are by providing integrations to AWS and third-party services, creating a simplified procurement and deployment experience. As cloud budgets continue to rise, business buyers can leverage them to procure third-party applications and services from AWS Marketplace, accelerating time to value by avoiding additional budget approval cycles. Amazon invests in continuous improvements that make AWS Marketplace a faster, more secure, and more flexible experience. The company provides customers with cost and usage reports that include purchases through AWS Marketplace. A goal of the AWS Marketplace is to enable AWS customers to buy, configure, and launch third-party application as easily as AWS-native services.

Strengths

AWS Marketplace provides a seamless procurement and deployment experience for buyers and sellers. Marketplace purchases count toward enterprise customers' committed cloud spend. Continuous innovation has been a hallmark of AWS Marketplace's rapid cadence of new features and capabilities that address evolving customer needs. AWS Marketplace allows customers to choose self-service options or transact using private offers, engaging directly with the ISV seller or through a channel partner.

Challenges

As the first to market with AWS Marketplace, Amazon faces increasing pressure from leading cloud service providers that seek to capitalize on their success. Amazon has enjoyed a dominant position as a cloud service provider. However, customers are increasingly multicloud, which has implications for future marketplace growth in this fast-growing and hypercompetitive market. The implication is that more of the cloud budget of customers may shift to other providers and a percentage of their marketplace spend.

Consider Amazon When

AWS Marketplace will become an essential channel for AWS customers for the largest selection of products, services, and data that are secure, certified solutions, which can extend the value of their AWS environment and support the rapidly changing needs created by business transformation.

APPENDIX

Reading an IDC MarketScape Graph

For this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

The six marketplace operators evaluated in this IDC MarketScape provide a strategic vision and commitment to innovation. While a relatively new channel, cloud and applications-centric marketplaces are evolving rapidly, moving from online catalogs and commerce-enabled websites to full-featured platforms for procurement transformation.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

IDC defines marketplaces as two-sided platforms offering a full digital commerce experience where buyers can learn about, find, compare, procure, and manage approved SaaS and cloud applications and services. These offerings can be built by the provider and third-party developers and integrate with or enhance the cloud or software provider's offerings, delivering frictionless self-service experience. Sellers leverage marketplaces to extend their reach across markets and regions, at a lower cost of customer acquisition, taking advantage of the cloud or software provider's extensive commerce infrastructures to deliver an exceptional customer experience.

IDC defines cloud marketplaces as a digital commerce-enabled platform where buyers purchase software and services that easily integrate with or are built on the cloud service provider's infrastructure and platform services.

IDC defines applications-centric marketplaces as digital commerce-enabled platforms where buyers can purchase software and services that extend the functionality and augment the value of the ISV/SaaS provider operator's core applications and platform.

LEARN MORE

Related Research

- *Market Analysis Perspective: Worldwide Software as a Service, Business Platforms, and Industry Cloud Software, 2023* (IDC #US51194223, September 2023)
- *How Are Industry Clouds Rated Across Industries?* (IDC #US51230623, September 2023)
- *Hyperscaler Industry Clouds and Their Alignment to the Six Pillars Framework* (IDC #US50001423, September 2023)
- *Worldwide Software as a Service and Cloud Software Market Shares, 2022: Advanced AI and the Era of Hyper-Innovation* (IDC #US51007823, July 2023)
- *Worldwide Software as a Service and Cloud Software Forecast, 2023-2027* (IDC #US50936223, June 2023)
- *The Partners' Role in the Verticalization of SaaS Applications* (IDC #US50781523, June 2023)

Synopsis

This IDC study provides an assessment of the leading cloud and applications-centric marketplaces based on the criteria and priorities of buyers that are increasingly seeking the convenience, speed, and choice provided by traditional marketplaces, but at the scale and efficiency of a digital environment. Digital marketplaces are defined as two-sided platforms offering a full digital commerce experience where buyers can discover, find, compare, procure, and manage approved SaaS and cloud applications and services. The study discusses current trends in the space, including the accelerated use of private offers and the emergence of different types of marketplaces, such as those run by distributors, ISVs, telcos, and service providers. It reviews the strengths and challenges of each vendor's marketplace and the vendor's strategic road map and positioning. Interviews and surveys conducted with active marketplace buyers and partners provide additional feedback and details for the evaluations.

"Technology buyers demand the same consumer-like experience, including convenience, broad selection, and speed, in their professional lives. Marketplaces have become a significant force multiplier for cloud service providers and ISV operators seeking to deliver that experience to business buyers. This is the first IDC MarketScape for cloud and applications-centric marketplaces that provides buyers with a detailed evaluation of the major vendors in this fast-growing purchasing channel," said Frank Della Rosa, research vice president, SaaS, Business Platforms, and Industry Cloud, IDC, and Nadia Ballard, research manager, Industry Clouds and SaaS, IDC.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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