Life in the cloud: The Application Opportunity

Delivering the next wave of cloud solutions through collaboration

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WHAT WILL YOU LEARN IN THIS SESSION

Update on the cloud market

Where are the opportunities for Partners?

Voice of the customer

What are Australian CIOs planning to do with cloud?

What are the challenges and how do partners fit into their plans?

Voice of the partner

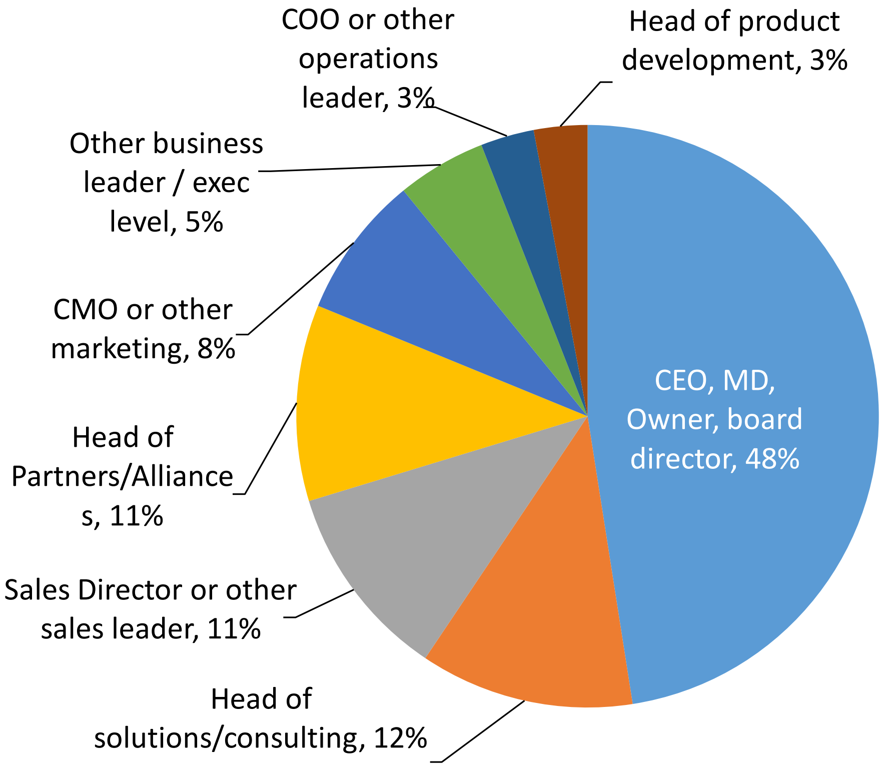
Where are partners seeing success with cloud?

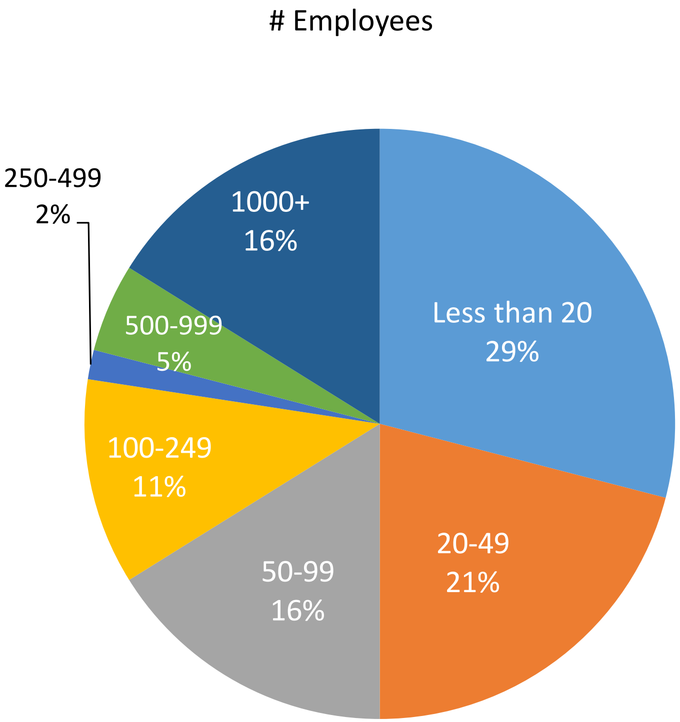
How are they going to market today?

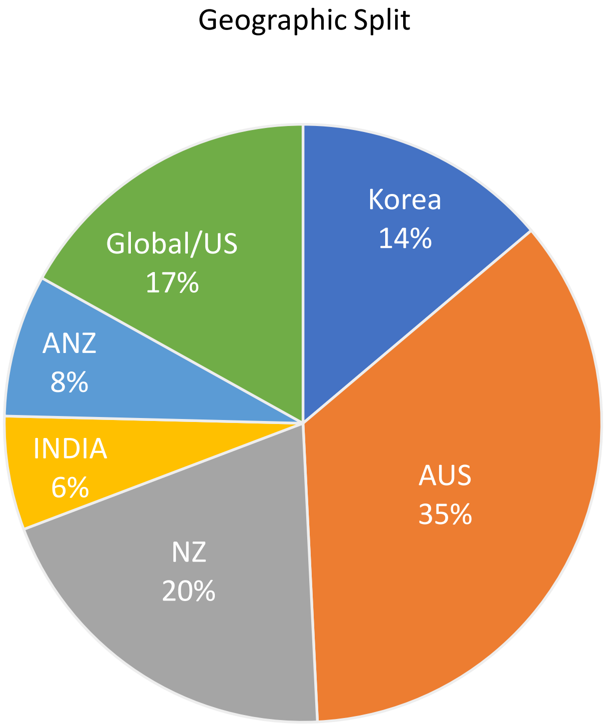
What are the new opportunities they can target?

SURVEY DEMOGRAPHICS

- In total, 100 organisations (customers and partners) across the Asia Pacific region participated.
- The research was predominantly interview based with some APAC feedback gathered by survey to allow for local language.







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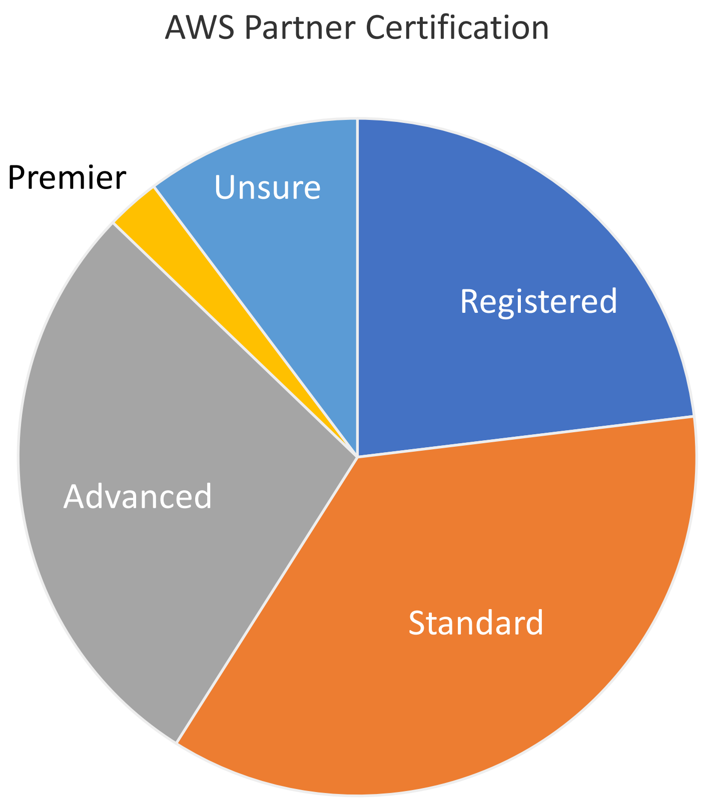
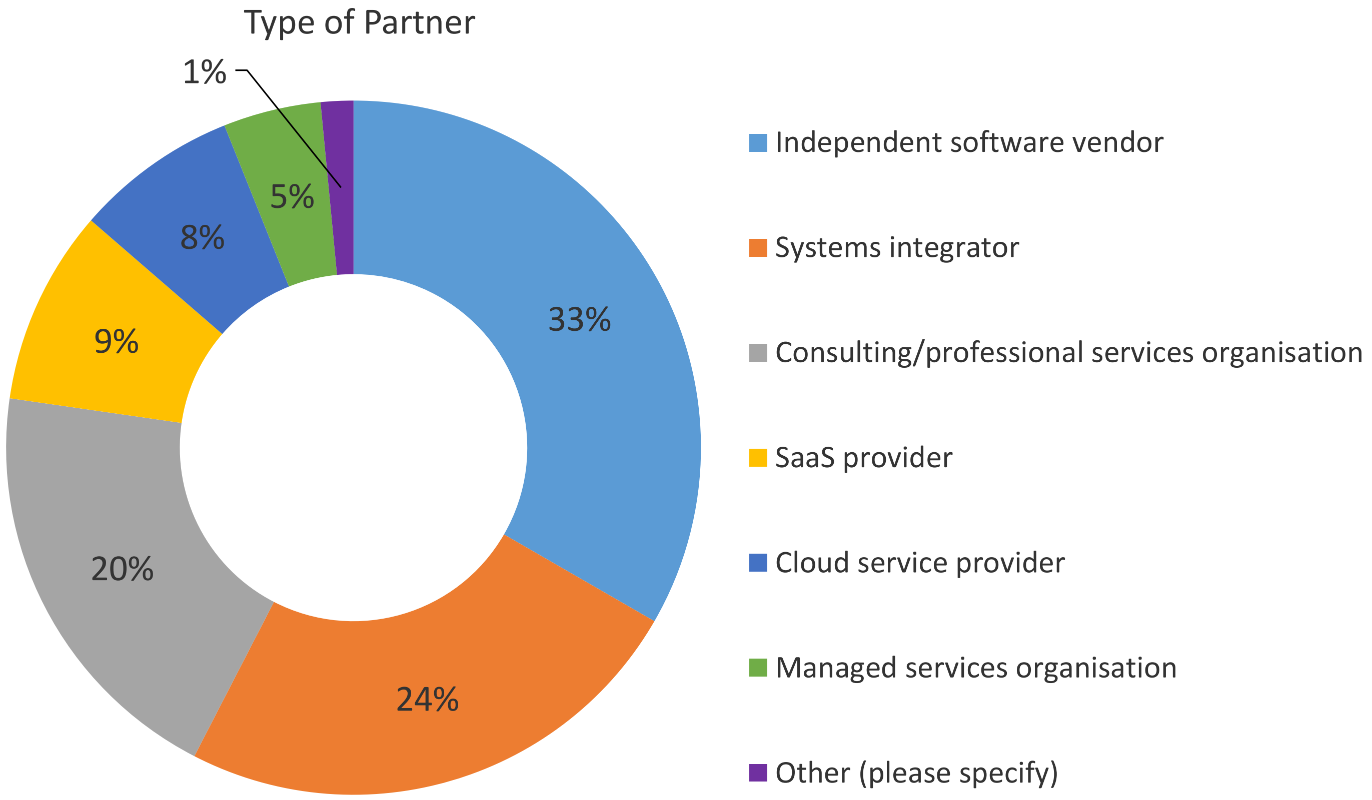




CLOUD MARKET UPDATE

CLOUD MARKET UPDATE

THE NEXT PHASE OF CLOUD IN ASIA PACIFIC

Phase 1 – Pre 2012

- Characterized by move from x86 server virtualisation for management and DR into testing the waters with cloud-based Dev and Test and early web-based businesses.
- Issues with perceptions of security and data sovereignty and a lack of skills but growth was consistently strong and the concept highly attractive.

Phase 2 – The Infrastructure and Data Centre Shift 2012 onwards

- The cloud-first mantra emerges and tipping points are reached in Asia Pacific.
- Enterprise and Govt decisions are based on moving out of data centres and shifting infrastructure to 3rd parties.
- The drive from capex to Opex takes hold as does recognition of advantages in speed to market, scalability and agility.
- Iconic brands start to use (and in some cases are formed) from cloud.

Phase 3 – Business Innovation & Transformation from 2017

- **Business growth and adaptation goals dominate the use of cloud.**
- **Industry and organisation specific end-to-end solution needs become common.**
- **Applications are architected for cloud, not re-architected.**
- **The new wave of technology that relies on cloud expands.**
- **Digital is status quo. Buyers are the business.**

VOICE OF THE CUSTOMER

CLOUD FOCUS

40% of APAC organisation's IT budget currently being spent on 'as a service' solutions:

Rising to an average of 50% in 2017*

Cloud is the preferred platform for storage, compute and non-essential applications

Many organisations are looking to build internal skills as no-code/low-code initiatives gain traction rather than always outsourcing.

Competitive differentiation is emerging as an issue for organisations undertaking digital transformation strategies.

"It's no longer about being in the cloud but how to best use it ….there is a pressing need to look to other areas, especially cloud applications, to achieve competitive differentiation."

"We've fully adopted a cloud-first app policy. It's open source and we're moving as many apps to the cloud as quickly as possible. We have about 1,300 known apps but my guess is the real number is closer to 2,000."

Group Director of Global Digital Transformation, Real Estate Services Organisation

**TRA/Telstra Enterprise & Government Digital Transformation Research (n=1,040) Sep 2016*

CLOUD INHIBITORS

There is a skills shortage in many organisations with internal shortfalls in areas such as application security, analytics and application management.

Application integration was also singled out by numerous respondents as another key skills issue for both partners and business alike.

<5% of respondents had all of their applications in the cloud with the average being between 10% and 40% of workloads.

A more cautious approach was exhibited for taking core-apps into the public cloud due to security, compliance and performance concerns.

"It is really hard to make a business case for moving a $50m a day application off its current platform when it works so well."

"…whilst there's a mandate for moving apps to the cloud, the reality is that its difficult to act on the mantra – there is a distinct lack of expertise inside Govt organisations about how to use and move to cloud and a reluctance to engage the cloud partners in this space … as well as a distinct lack of experience and internal skills capabilities."

Group Director of Global Digital Transformation, Real Estate Services Organisation

**TRA/Telstra Enterprise & Government Digital Transformation Research (n=1,040) Sep 2016*

CLOUD TRENDS 2017/2018

Digital Transformation	• Will still be a major force - train's leaving the station, all aboard.
Government	• Remain committed to cloud and are moving, albeit slowly, patience is a virtue.
DNA Driven	• Shift from cloud-first strategies to DNA-driven (case by case) will continue.
Shadow IT	• We are pleased to announce the death of "Shadow IT".

CLOUD TRENDS 2017/2018

Cloud First	• Lift and drop applications → rewriting applications for cloud.
Security	• Will continue to be an issue (and/or excuse).
Skills shortages	• Especially app development, APIs/integration and security.
Specialists	• Organisations will be more open to working with smaller, specialist providers.

PARTNER ENGAGEMENT

Our research uncovered an emerging frustration with channel models that do not enable collaboration and flexibility in delivering application solutions.

"...ISV, SI? We don't really care about how a vendor classifies itself or its partners. ***We're looking for specific skills sets****."*

CIO National Retail Group

"…when it's more than just basic cloud infrastructure we want to see greater partner involvement. Anything that involves security, vertical applications, customisation …. requires multiple partners. ***We just don't see a single partner having the depth of skills****…."*

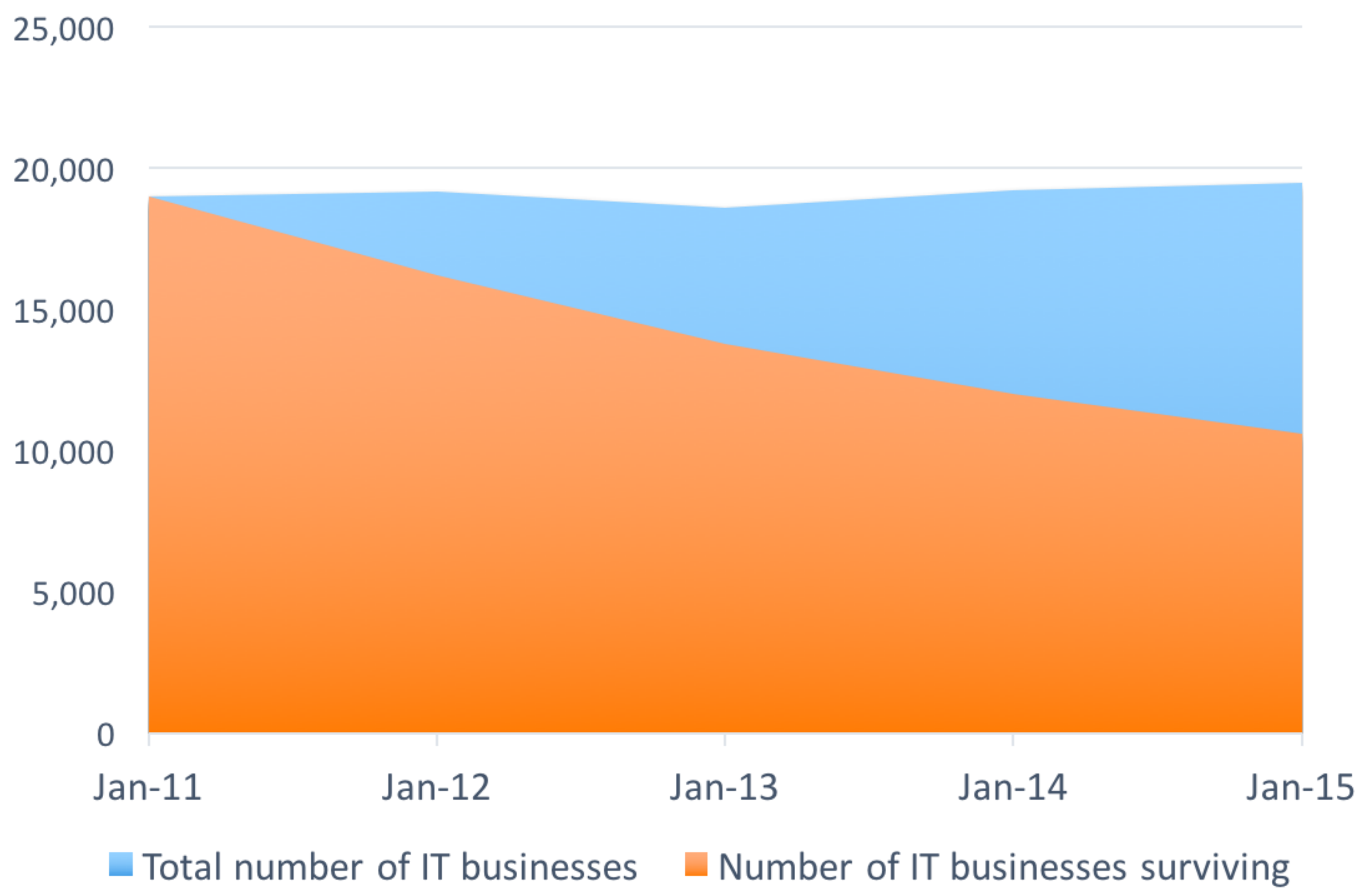
CTO, Global Professional Services Group

"Frankly it [the type of partner] doesn't matter. To us it totally depends on the skills level. ISV, VAR etc. is just a vendor designation and that simply doesn't work for us. For us it's about experience …. referenceability is key"

Australian CIO

VOICE OF THE PARTNER

WHAT'S HAPPENING IN THE AUSTRALIAN IT&T INDUSTRY



Key points

- Australian IT Industry had 19k organisations 5 years ago and 19k now ….
- **Survival rate over 5 years is 56%**
- Net rate of change of +1.5%

Data from Australian Bureau Statistics (ABS) 2015

YOU ARE NOT ALONE

TRA TECH RESEARCH ASIA

Australian Government
Australian Business Register

ABN Lookup

CLOUD

ABN Lookup » Search » Search results - active ABNs and names

Search results - active ABNs and names

671

3748

3711

Active ABNs | All ABNs

Export Print Email

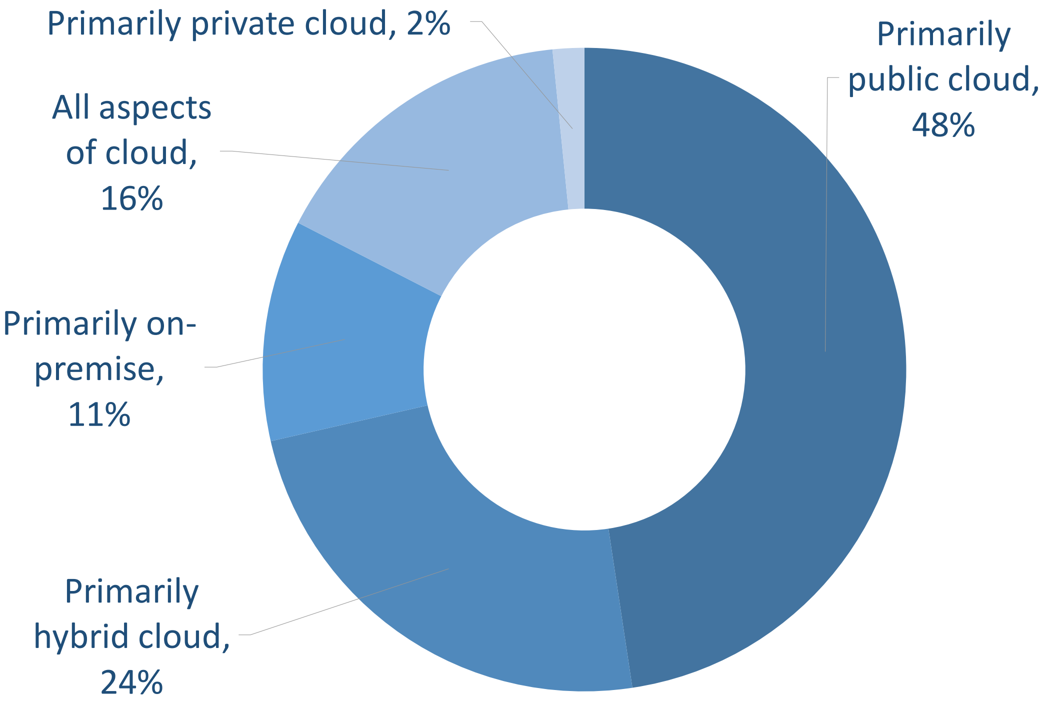
Your search for cloud found 3,469 matches. The top 200 current names with active ABNs are listed below sorted by relevance. Use All ABNs tab to list cancelled ABNs/names. Click on an ABN or refine your search.

Matching names

ABN	Name	Type	Location
88 050 022 850 Active	CLOUDCORP PTY. LTD.	Entity Name	3186 VIC
78 801 328 051 Active	Cloud	Other Name	6011 WA
21 399 262 760 Active	Into the Cloud	Business Name	2487 NSW
26 601 732 245 Active	THE CLOUD COMPANY PTY. LTD.	Entity Name	3134 VIC

CLOUD FOCUS

Q: What is your organisation's primary commercial cloud focus?



Public cloud is the dominant focus (may be a bias sample ….).

However, many continue to focus on non-public cloud areas reinforcing the relatively low % of all workloads currently in the cloud.

Hybrid reality continues to drive significant partner business.

"We went all in strategically when AWS hit scale, however, still have significant footprint of on-premises"

"AWS is key alliance, what we need is better hybrid positioning (AWS as part of the solution not the whole solution)"

INVESTMENT PRIORITIES

1. R&D / Innovation
2. Expansion of product or service lines
3. Customer acquisition
4. Expansion into new markets
5. Customer retention
6. Mergers and acquisition activity
7. Recruiting and retaining employees
8. Exploring new business model opportunities

Everyone is busy executing their cloud business model.

Software developers are focussed on innovation.

> *"Building new net new services on cloud, also have our own SaaS offerings which we are driving and moving existing products to AWS."*

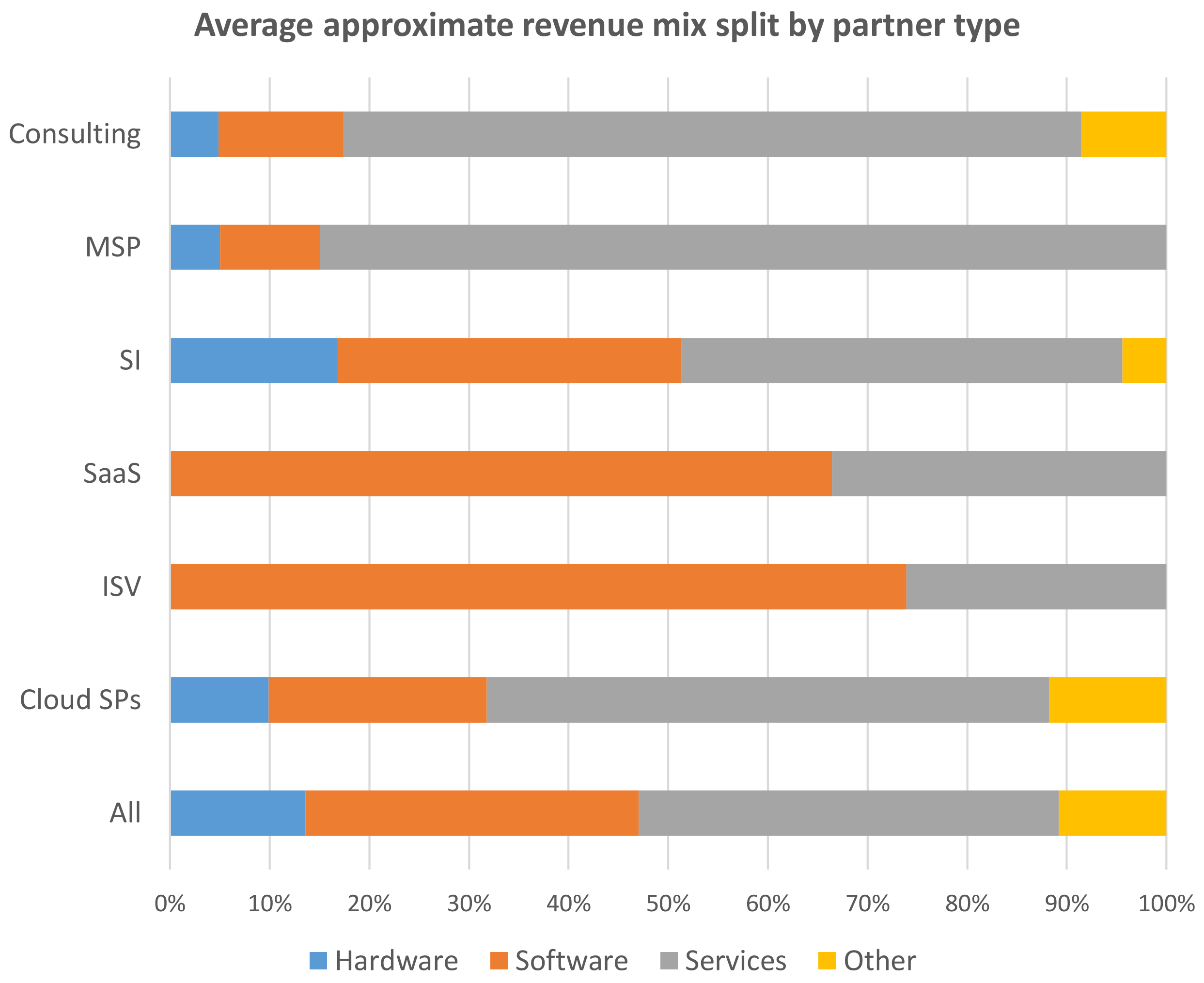
Consulting Partners are focussed on acquisition/scale.

> *"Focussed primarily on increasing penetration in existing accounts/markets and within partner ecosystem."*

How much **re:Invent**ion (*sorry*) is happening?

> Have we lost sight of transforming ourselves?

WHERE'S THE REVENUE COMING FROM?



Partners are (largely) staying in their comfort zone.

The majority of total revenues are still from professional / managed services

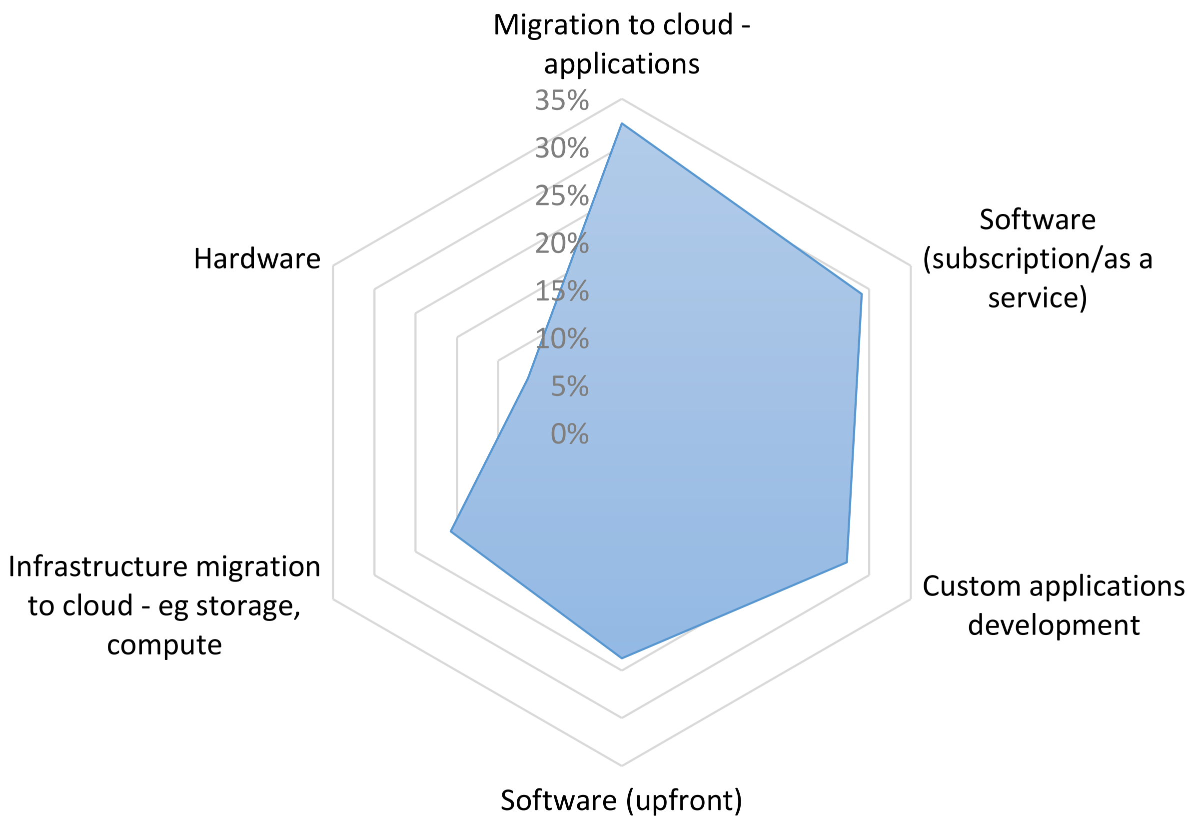
> A by-product of high customer demand and low skills availability / cloud maturity.
>
> Over time likely to see rates fall as skills become more abundant.

The % of revenues derived from services by SaaS providers and ISVs is growing

> Highlighting the greater level of integration and customisation customers now require.

WHERE'S THE PROFIT?

Q: What are your average margins (%) on each of the following?



Partners reported the healthiest margins – typically higher than 30% - were most common in cloud applications migrations, SaaS, and app development.

ISV/Software providers are expecting sales through channel partners to nearly double in next 12 months.

> *"We need to take labour intensive services and shift to 'as a service' - greater margins for us and lower fees for clients"*

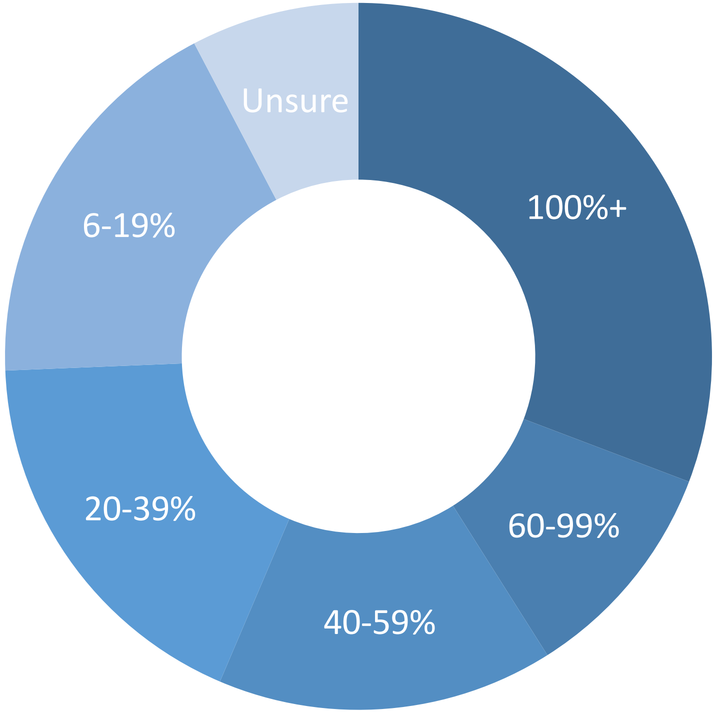
As customers accelerate migration to cloud applications, revenues will move towards 'aaS' and application development areas.

> For Software providers this is a clear path.
>
> For services focussed companies some are looking to Managed Services but others are concerned the "big players" will takeover.

CLOUD OPPORTUNITY AND GO-TO-MARKET

WHERE'S THE GROWTH / OPPORTUNITY?

Q: What is your organisation's expected growth in cloud applications / services?



1/3 of partners expecting to double their business in 12 months

Q: Where is the opportunity for your organisation with cloud?
*Results ranked by top priority first**

1. Custom Business Solutions
2. Application Migration
3. Software-as-a-Service
4. Custom Application Development
5. Infrastructure Migration
6. Software (Up front)
7. Hardware

* Excludes Korean results

GO TO MARKET

Results ranked in order of feedback

Direct Sales	**Still a core GTM for the majority of partners**	*"**Main focus is via our own BDMs** due to solution complexity."*
	Most remain focussed on leveraging channel longer term	
Digital Marketing, PR	**Majority of partners lack awareness for their solutions**	*"**More joint digital marketing (with AWS)** would be very valuable."*
	Market education on new solutions is key to growth	
Referrals inc. AWS	**Most partners lack reach: introductions are highly valued**	*"Any opportunity to leverage AWS brand pull is good for us."*
	Partners report mixed success engaging with AWS field sales	
Partner Sales	Key acquisition channel still - specialisation main focus	*"**Channel is still a tremendous force multiplier for us**."*
	Also, still key for ISVs growing service capacity	
Events, Advertising	AWS events are generally well received	*"Events not as strong as they used to be but still valuable."*
	Mixed reviews for joint marketing activities (MDF issues noted)	
Telemarketing	Rarely mentioned (as expected)	*"No, hate it."*

COLLABORATION

PARTNERING CHALLENGES

Q: What have been your biggest challenges with partner engagement and collaboration?

1. Trying to find the 'right' partners
2. Effective collaboration / engaging joint sales teams
3. Partner also representing competitive solutions
4. Agreeing on customer ownership
5. Lack of skills within the partner
6. Lack of focus from partner on your product
7. Agreeing commercial terms including margins

Current partner engagements remain primarily based on customer acquisition and services capacity.

"Looking to grow channel for scale - sales and delivery"

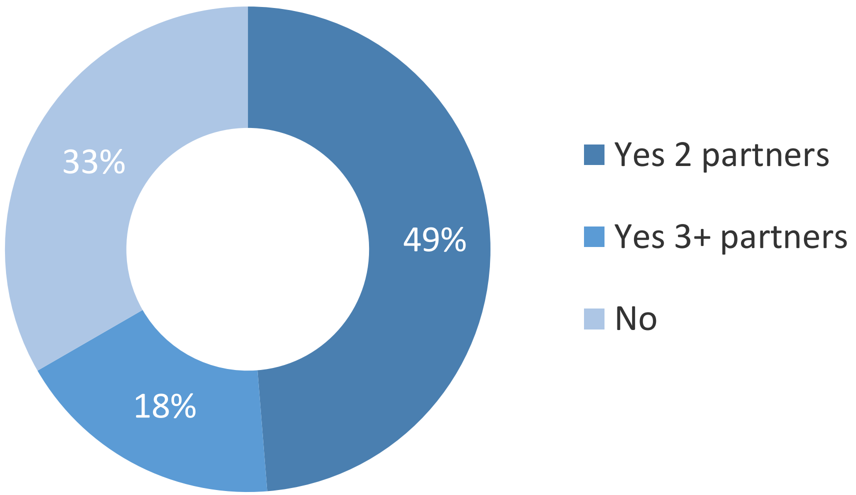
Key focus is not finding partners it's finding partners with the right specific specialist focus and skills.

"Specialised AWS partners are a good fit for us - especially ISVs"

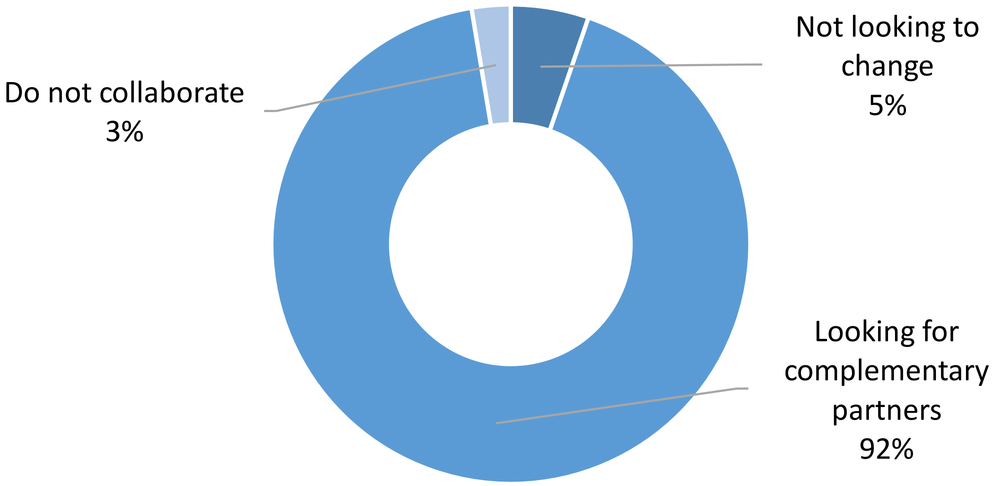
"Where we can leverage partners with deep industry/solution expertise that we don't have and is complementary"

COLLABORATION: TODAY AND FUTURE

Q: Do you have examples where you collaborated successfully with other partners on a customer solution



Q: Which best categorises your approach to partnering in the cloud applications market



2/3 of partners are already collaborating, however, the majority (77%) reported no increase in margin….but

50% reported an increase in win rate and 25% stated the proportionate deal size increased.

"Will we collaborate where we can work with partners that have deep expertise in solutions so can help the customer with the whole project not just parts of it"

Majority of partners recognise the need for more collaboration in a cloud world, as do customers, however:

Key issue is neither party see value in the "brokering" approaches of the past and are looking for a new approach to collaboration.

"We will look for complementary partners even if margins are the same (we don't margin share), it's the deep vertical market expertise that's important for us"

AWS ENGAGEMENT

"AWS have been very good to us, good collaboration when we do engage, event participation is good"

"Connect regularly with the AWS team and provide feedback to them, responsiveness is good"

"New to AWS relationship, we appreciate partner credits, proof of concept funding, support, marketing/PR, events to get to know their teams"

"what would be great, an AWS program to pull offerings together more cohesively, AWS very IaaS focussed - need to be more business aligned not talking platform but talking solutions"

"Best vendor relationship we have, supportive with funding"

WHERE'S THE VALUE

Q: What (additional) assistance would you like to see AWS give you?

1. Help to drive awareness to broader customer base
2. Sales introductions / leads
3. Help to find the right partners in cloud ecosystem
4. Help to better collaborate with other partners
5. Digital marketing assistance
6. Technical assistance

A significant proportion of AWS partners are either

1) New

2) Selling new solutions and need help to drive awareness.

"If AWS reps have a direct line to ISVs that help to drive growth of platform will be a joint win"

Partners are looking for opportunities to engage more strategically with AWS around solutions.

"AWS help to drive new customers for us. Challenge is a new client for us is not necessarily a new client for AWS and need a healthy balance where we can be mutually successful."

VOICE OF THE PARTNER

BEN LEVER, CHIEF TECHNOLOGY OFFICER

JAMES KAHN, MANAGING DIRECTOR

WRAPPING IT UP

WHAT DID WE LEARN

SPECIALISATION IS KEY

- **Customers and partners see applications as the next growth area for cloud**
  Key Issue is skills shortages in cloud application migration, development and integration. What is it you do better than your competitors.

COLLABORATION IS KEY

- **Customers and partners recognise the need for greater collaboration to deliver the next wave of cloud solutions**
  Key issue is neither party see value in the "brokering" approaches of the past and are looking for a deeper, more solution orientated approach to collaboration.

AWS ENGAGEMENT IS KEY

- **Partners (and customers) see huge benefits from joint Go-to-Market with AWS**
  Key is to focus on specific customer scenarios and solutions and find ways to consistently deliver this to target customers.

FINAL THOUGHT

"For us, the app partner is the one that determines the cloud approach we will take"

CIO

"We are all in on AWS but the conversation is less about migrations, that was Gen 1, and increasingly higher up the stack, it's about the apps"

Partner

"We're looking to a vendor like AWS to broker a model that brings their infrastructure plus partner applications to us. That's a super sticky model done in the right way"

CIO

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