

Competitive Strategy Innovation and Leadership Award

Channel Partner Programs

NORTH AMERICA



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Background and Company Performance

Industry Challenges

Indirect channel partners have always played a large role in technology sales and service, from retail dealers, to “value-added resellers” of hardware and software licenses, to systems integrators who install complex solutions. However, the introduction of the self-service cloud model up-ended traditional channel partner models.

Traditional channel partners have struggled to understand their role in the new cloud-based economy, and to adapt —or else face the decimation of their businesses. The cloud has impacted channel partners in two primary ways:

- **Declining Hardware Sales** – First and foremost among the cloud trends that impact partners are declining hardware revenues. According to Frost & Sullivan research, cloud infrastructure revenues are expected to grow at a compound annual growth rate (CAGR) of 30% over the next 5 years. As demand increases for cloud infrastructure services, hardware providers like IBM and Oracle have seen declining hardware revenues in recent years. As a result, the channel partners that could expect to sell refreshed hardware every 2-3 years are seeing a sharp drop in opportunities.
- **Software-as-a-Service** – Most cloud services can be procured through a self-service portal online, thus eliminating the need to engage any sort of sales person, whether direct or indirect. The IT manager, or even line-of-business staff, can procure necessary services with a few keystrokes and a credit card, and no longer need a personal sales call to complete a cloud services sale. Channel partners that formerly relied on software license sales and renewals for revenue now find that even long-term customers can buy SaaS directly online, reducing the need to engage with partners for software-based services.

It has taken nearly a decade for cloud service providers and partners to start to figure out how to work together, and the evolution is still ongoing. While the traditional sales role is less relevant, over the past decade, a new role for channel partners has emerged as an integrator and provider of ancillary services. As such, there is a shift afoot in how cloud services are being sold, with channel partners increasingly leading the way in service sales and integration, with the full support of the cloud service providers they represent.

Many of the largest cloud service providers are growing their partner networks, as well as rolling out new programs and features to support their partners. Those that understand the needs of channel partners in a cloud-based IT environment and can best support channel partners are poised to thrive in today’s IT environment.

Strategy Innovation and Customer Impact

AWS is leading the way in features it has included in its Partner Network, and as such is growing its indirect sales channel at a strong pace.

Criterion 1: Strategy Effectiveness

AWS has been a leader and founder of the cloud market. The company has a strong portfolio of more than 90 cloud infrastructure and platform services, including compute, storage, networking, database, analytics security, and migration, among others.

In addition to its own robust portfolio, AWS has curated an extensive network of technology and consulting partners to meet customers' needs. Any technology provider that builds a complementary service based on the AWS portfolio is able to apply for membership in the AWS Partner Network, or APN, after meeting AWS's criteria. Providers of market-specific services—such as for financial services, healthcare, or manufacturing—or for extended services like disaster recovery or Internet of Things, can also apply to be part of the AWS Competency Program, which helps providers differentiate and capitalize on their strengths in niche markets. Providers that offer deeper, higher touch consulting or managed services can also participate the AWS Managed Service Provider (MSP) Program. The complete partner network enables AWS to maintain its core business focus, while providing customers with highly qualified partners that can integrate a more complete solution should they require more than just infrastructure and related services.

This strategy has been effective for AWS. It:

- extends the company's reach by bringing in customers that having existing relationships with different managed service or technology providers
- provides additional services for AWS customers to choose from that are compatible with the AWS platform.

Additionally, AWS's success in the cloud market begets even more success. As AWS dominates the cloud market, more partners want to work with the company. The more partners AWS works with, the more customers are brought into its cloud. This is evidenced by AWS's market share: the company currently enjoys 68% of the growing U.S. public cloud infrastructure market, up from 62% in 2014.

Criterion 2: Strategy Execution

AWS' focus on infrastructure and leverage of partners to support customers has been very successful. The AWS Partner Network (APN) is one of the largest and most highly cultivated partner networks in the cloud market, and many partners seek to become part of the network.

The company maintains two primary partnership types: technology partners and consulting partners. Technology partners are commercial software and Internet services companies that provide software solutions that are either hosted on, or integrated with the AWS platform. Consulting partners are systems integrators, managed service providers and VARs that help customers of all sizes design, architect, migrate, or build new applications on AWS. Consulting partners can achieve any of four tiers of partnership, depending on the value-based criteria that is meaningful to customers, such as customer references, AWS Certifications & Accreditations and AWS billings. Partners can be standard, advanced, premier, or Managed Service/Competency Partners. Each tier offers an increasing level of partner benefits.

Partners have access to free accreditations for AWS services, as well as to certification tracks for a variety of niche services and market segments. This allows a partner to focus on its core business, while differentiating itself from other members of the APN. AWS also helps develop its partners with deep sales enablement programs, including opportunities to participate in co-branded marketing campaigns, joint customer-facing webinars, and case studies, among other opportunities. Additionally, the APN Competency Program is designed to help APN Partners who have demonstrated technical proficiency and proven customer success in specialized solution areas. Attaining an AWS Competency allows partners to differentiate themselves to customers by showcasing expertise in a specific solution area.

The company has also developed what it calls the Shared Responsibility Model for security. This model clearly outlines security responsibilities in its cloud—both what AWS is responsible for ensuring for customers, and what partners or customers themselves are responsible for protecting. At its core, the program claims that AWS manages and controls the components from the host operating system and virtualization layer down to the physical security of the facilities in which the services operate, and AWS customers are responsible for building secure applications. AWS provides a wide variety of best practices documents, encryption tools, and other guidance that customers can leverage in delivering application-level security measures. Meanwhile, AWS partners offer hundreds of tools and features to help customers to meet their security objectives, ranging from network security, configuration management, access control, and data encryption. This again enables AWS to clearly define responsibility beyond its own infrastructure resources, shedding light on what can be an unclear area of partner relationships and helping partners be more successful.

Criterion 3: Customer Purchase Experience

Working with partners in the APN is an easy experience, thanks to the robust partner ecosystem that AWS has developed. End customers can use the Partner Solution Finder to locate partners based on partner level, market segment, industry specialization, or specific function that the customer requires help with (migration, security, disaster recovery, etc.).

Each partner profile includes not only a description of the partner and the solutions that it provides, but also the industries and clientele it targets, technologies it handles, and professional services it provides. The profile provides customers with a very comprehensive snapshot of what any particular partner can help them achieve.

Criterion 4: Partner Experience

Partners have access many benefits in the APN, which include:

- online portal with a plethora of tools and training to help them grow their business,
- Marketing support, including marketing development funds, which grow with the increases in business that the partner experiences with AWS, and access to APN Marketing Central where partners can access self-service marketing campaigns and pre-vetted agency services. In addition, APN Marketing Central has virtual partner marketing managers (vPMMs) that are available to help partners get started and assist with campaign execution. AWS also invests in integrated partner campaigns with its top competency partners,
- Technical enablement in the form of content, videos, live webinars, and classroom content,
- Unique programs that are not typical to the channel partner community, including the Professional Services Bootcamp, the Innovation Sandbox where technical partners can develop and test new services, and the Proof of Concept program which provides AWS funding to facilitate qualified APN Partners in pursuing strategic or enterprise customer projects on AWS.

Perhaps most significant is the AWS Competency Program, which enables the AWS Partner Network staff to help partners find and develop their core business differentiators, and then provides guidance in how to leverage those strengths to the customers' benefit. Thus, AWS has systematized a process to help partners both differentiate and market their strengths in order to grow their businesses. For example, if a partner has expertise in the healthcare field, but is marketing itself as a general partner, they can become an AWS Healthcare Competency partner by demonstrating a strong overall AWS practice and technical readiness, as well as showcasing customer success.

In addition to online tools and programs, APN members are also supported by AWS team members that are devoted specifically toward partner support and enablement. Called the Partner Development Manager Community, this global team--which includes Partner Solution Architects--is available to meet with and help support APN members with sales and marketing, training, certifications, or just to listen to what the partners need.

Few providers in the cloud space have developed partner programs with such a strong mix of both personal attention and online tools and support that are accessible around the clock to assist partners in growing their businesses.

Criterion 5: Partner Service Experience

Customer Service for partners within the APN is strong. Partners have their own support channels to connect with for help in serving their customers, and partners within the Premier tier have access to support options different from other partners, a named solution architect, and up to two weeks free AWS Professional Services for qualified enterprise opportunities. Dedicated support ensures that partners are able to gain assistance quickly in order to best meet their customers' needs. It also incents partners to grow their business in order to achieve higher levels of support.

The personal touch available through the Partner Development Community and the AWS Competency Program are uncommon in cloud partner programs. While some competitors support partners with internal staff, few have systematized those programs to help support and grow partners' businesses. Partners in the APN have both personal and online access to support for their customers as well as for their business, enabling them to access some form of support at virtually any hour of the day or night, regardless of their location.

Criterion 6: Brand Equity

The brand equity that AWS enjoys as the leader in the cloud infrastructure is unmatched, and many partners seek out AWS as a partner as a result. Additionally, because AWS is a market-leading cloud provider, its customers often seek complementary services from the APN, thus creating leads for member partners. This allows partners to directly benefit from the strength of the AWS brand through website leads generated.

Conclusion

AWS has honed a highly systematized and yet still personal partner program that has proven effective within the partner community, as evidenced by its broad and deep ecosystem of successful partners.

With its strong overall performance, AWS has earned Frost & Sullivan's 2017 Competitive Strategy Innovation and Leadership Award for its AWS Partner Network.

Significance of Competitive Strategy Innovation and Leadership

Any successful approach to achieving top-line growth must (1) take into account what competitors are, and are not, doing; (2) meet customer demand with a comprehensive, value-driven product or service portfolio; and (3) establish a brand that resonates deeply with customers and stands apart from other providers. Companies must succeed in these three areas—brand, demand, and positioning—to achieve best-practice levels in competitive strategy.



Understanding Competitive Strategy Innovation and Leadership

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Strategy Innovation and Customer Impact.

Key Benchmarking Criteria

For the Competitive Strategy Innovation and Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Strategy Innovation and Customer Impact—according to the criteria identified below.

Strategy Innovation

- Criterion 1: Strategy Effectiveness
- Criterion 2: Strategy Execution
- Criterion 3: Competitive Differentiation
- Criterion 4: Executive Team Alignment
- Criterion 5: Stakeholder Integration

Customer Impact

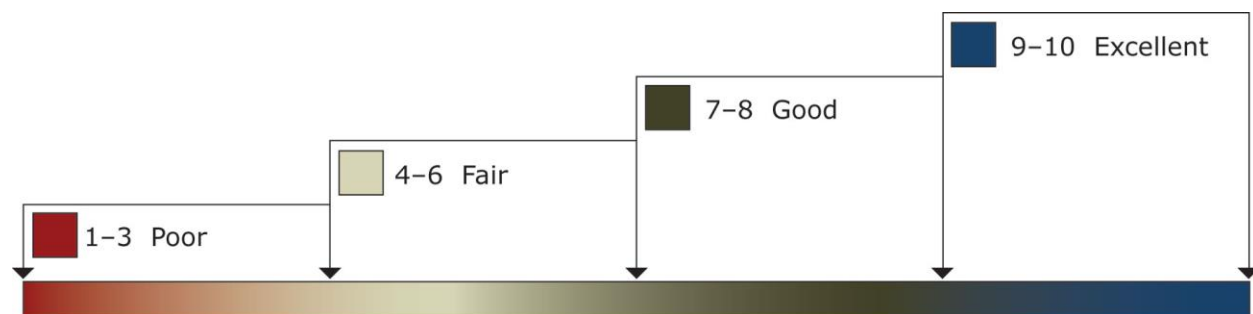
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for AWS

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard is organized by Strategy Innovation and Customer Impact (i.e., these are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard.). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key participants as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Competitive Strategy Innovation and Leadership	Strategy Innovation	Customer Impact	Average Rating
AWS	10	10	10
Competitor 2	7	7	7
Competitor 3	6	7	6.5

Strategy Innovation

Criterion 1: Strategy Effectiveness

Requirement: Strategy effectively balances short-term performance needs with long-term aspirations and vision for the company.

Criterion 2: Strategy Execution

Requirement: Adoption of best-in-class processes supports the efficient and consistent implementation of business strategy.

Criterion 3: Competitive Differentiation

Requirement: Unique competitive advantages with regard to solution or product are clearly articulated and well accepted within the industry.

Criterion 4: Executive Team Alignment

Requirement: The executive team is aligned along the organization’s mission, vision, strategy, and execution.

Criterion 5: Stakeholder Integration

Requirement: Strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees.

Customer Impact

Criterion 1: Price/Performance Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 2: Customer Purchase Experience

Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

Criterion 3: Customer Ownership Experience

Requirement: Customers are proud to own the company’s product or service and have a positive experience throughout the life of the product or service.

Criterion 4: Customer Service Experience

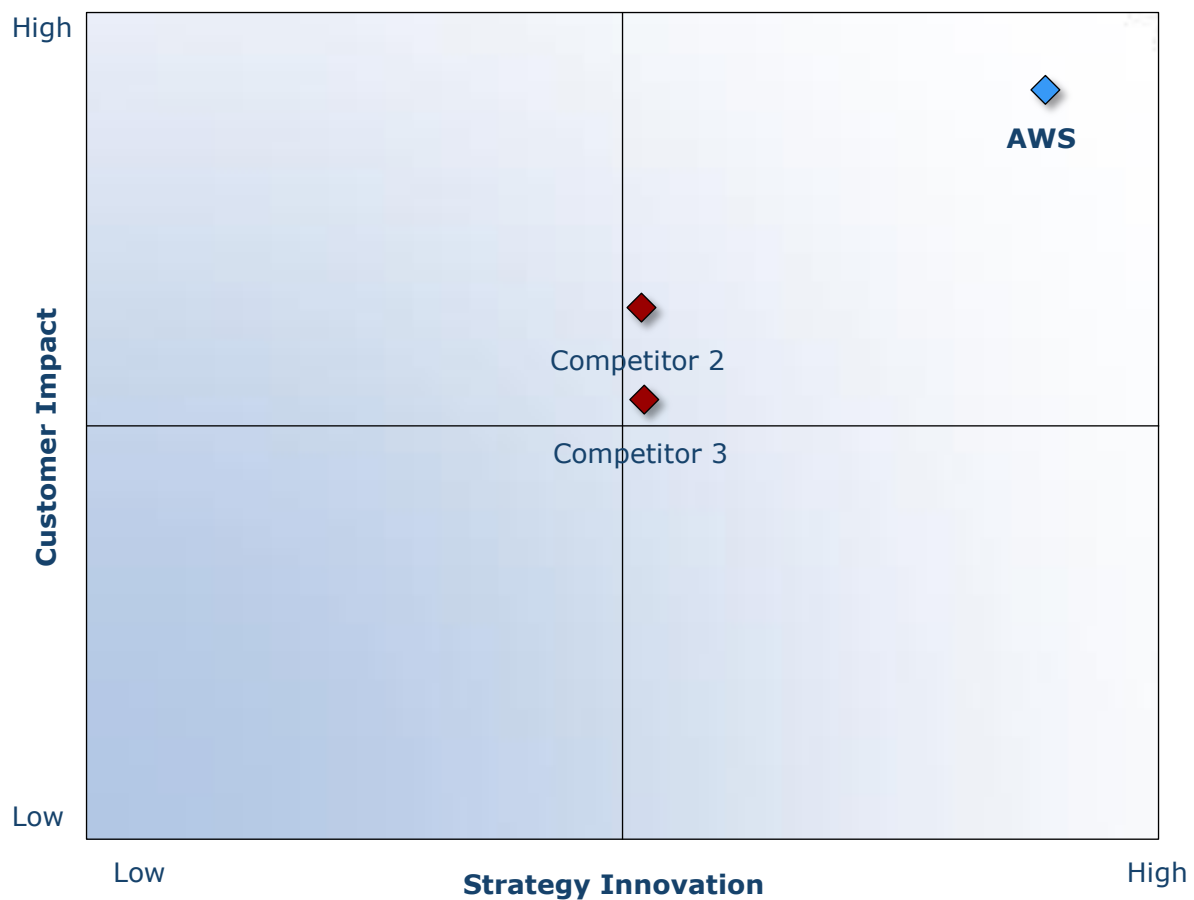
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify Award recipient candidates from around the globe	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates 	Matrix positioning all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized Award candidates
6 Conduct global industry review	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible Award candidates, representing success stories worldwide
7 Perform quality check	Develop official Award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best-practice Award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select recipient 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform Award recipient of Award recognition	<ul style="list-style-type: none"> • Present Award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10 Take strategic action	Upon licensing, company may share Award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess Award's role in future strategic planning 	Widespread awareness of recipient's Award status among investors, media personnel, and employees

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.