Public Cloud Vendors

Digital Transformation Buoys Demand

Faster migration to the cloud, increased consumption and the ongoing work-from-home trend drove spending during 3Q20, giving many AWS, Azure and GCP partners confidence that they can meet or exceed their original full-year 2020 targets.

- 2020 sales expected to meet (11) or exceed (6) pre-COVID forecasts for 17 of 29 partners (vs. 9 of 21 in July), helped by improving business confidence
- AMZN: 3Q20 sales met or exceeded expectations for 18 of 25 AWS partners (vs. 12 of 20 in July), helped by increased marketing spending, new customer sign ups
- MSFT: Government spending, services related to remote work helped 11 of 14 North American Azure partners meet or exceed 3Q20 expectations; 4 of 9 European partners fell below expectations, none exceeded because of limited activity by Azure to close new deals
- GOOGL: Expanded partner incentives and more staff hiring by GCP strengthened European demand; North American growth partially attributed to willingness to accept small businesses

KEY DATA

Percentage of Original 2020 Cloud Plan (All Vendors) Expected to be Achieved
(on average)

July	**90%–95%**
October	**92%–97%**

"It was tough getting and closing deals during the first half of 2020 because of the pandemic and postponed projects. However, the second half was booming and offset any delays or cancellations in projects that occurred during the first half."

Global account director of a large U.S. cloud partner

BY HARTMUT LEUSCHNER

SOURCES & BACKGROUND

31 service partners for AWS (27), Azure (25) and GCP (15) in North America (15) and Europe (16), comprising senior executives, strategy directors, marketing directors and key account managers, representing more than $1.4 billion in 2019 business with key public cloud providers (more than $803 million with AWS, more than $503 million with Azure and more than $109 million in 2019 business with GCP)

REPEAT SOURCES 20 (10 each in North America and 10 in Europe) from OTR Global's July report

INTERVIEWS Sept. 14 through Oct. 5

AVERAGES Straight

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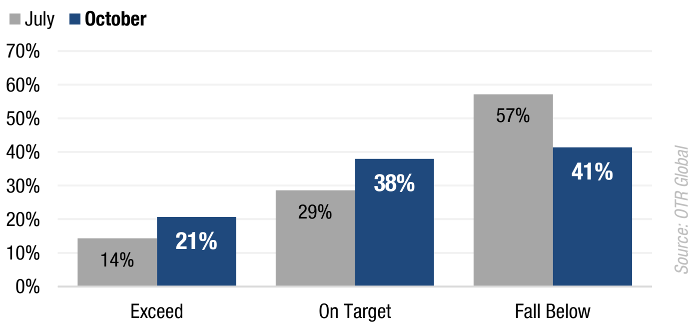
Confidence in 2020 Improves

Cloud partners for **Amazon.com Inc.**'s Amazon Web Services (AWS), **Microsoft Corp.**'s Azure and **Alphabet Inc.**'s Google Cloud Platform (GCP) in North America and Europe reported stable or improving confidence in their full-year growth expectations. Seventeen of 29 expect to at least meet their original 2020 cloud targets across all vendors, compared with only nine of 21 in July. Sources expect to achieve an average 92%–97% of their original 2020 cloud plans, compared with 90%–95% in July. Partners said their customers' businesses stabilized during 3Q20 and confidence in an improving economy has returned. (The improved sentiment is consistent with OTR Global's Sept. 15 note, in which eight of nine partners reported overall cloud business had improved since the beginning of 3Q20.) The executive of a West Coast implementation partner said he expects to achieve around 90% of his 2020 goal set before the pandemic. "This is driven by AWS clients spending more to migrate to the cloud — especially in healthcare, education, local government spending and the oil and gas industry," he said.

2020 Revenue Expectations vs. Pre-COVID Plan

(percentage of responses)



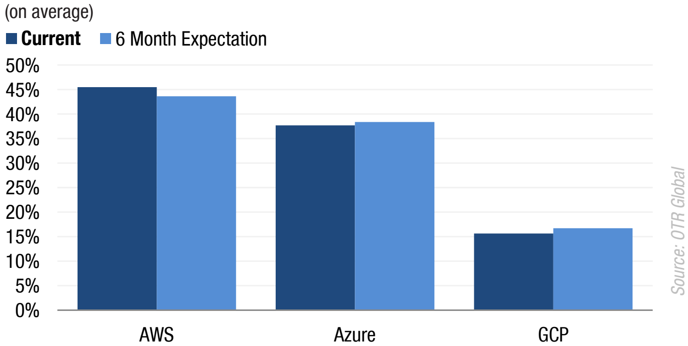
A U.K. partner selling AWS and Azure cloud services said his business bounced back much more quickly than he expected. "We were on track in the first quarter, and then it went down because of COVID, but then Q3 was above expectations," he said. A leading U.S. partner for all three main cloud providers who characterized 2020 as a roller coaster ride said, "It was tough getting and closing deals during the first half of 2020 because of the pandemic and postponed projects. However, the second half was booming and offset any delays or cancellation in projects that occurred during the first half."

No Major Share Shifts

AWS represented an average of 43%–48% share of sources' overall cloud revenue, slightly lower than the 48%–53% OTR Global found in July, largely because OTR Global's current source mix has more exposure to Azure. Sources said Azure represented 35%–40% of their business, and GCP 13%–18%. Overall, sources expect market share to remain largely the same during the next six months.

Cloud Partners' Market Share

(on average)



Payment Delays Decrease

Fifteen of 27 responding sources said the number of customers who had asked for lower payments decreased qq while only three said it had increased. Although several in July described AWS as more flexible in payment terms, most sources in October reported no new payment terms and a few said some of the flexibility was being revised back. A U.S. partner said AWS and Amazon had facilitated extended credit terms but handled it case by case. A large European cloud partner said, “Customers are no longer requesting longer payment terms of 60–90 days. Everyone is on 30–60 days, so this has improved.” Another European partner agreed and said AWS continued to offer extended payments, but noted there were barely any customers who took advantage of it.

Customer Seeking to Delay Service Payments QQ
(number of mentions)

Increased	3
Same	9
Decreased	15

AWS

Activity increases

AWS Partners’ Channel Sales vs. Expectations
(number of mentions)

	4Q19	1Q20	2Q20	3Q20
Exceeded	1	2	4	**9**
Met	13	7	8	**9**
Fell below	3	8	8	**7**
OTR Comparative Index	-12	-35	-20	**8**

Note: The OTR Comparative Index is a quantitative representation of qualitative responses. The Index is calculated by subtracting the “worse” from the “better” responses, dividing by the total responses and multiplying by 100. An Index below zero indicates a negative trend; above zero indicates a positive trend.

AWS-related sales during 3Q20 met or exceeded expectations for 18 of 25 partners, compared with 12 of 20 in July. In Europe, where 10 of 14 partners said their AWS related cloud business during 3Q20 met or exceeded expectations, most highlighted AWS’s increased incentive and marketing activity targeted to (especially large) customers. A very large European partner said AWS is investing heavily in cost optimization programs for large European customers. “With these programs, customers pay 20%–30% less to AWS. AWS believes that a happy customer is the most important for a long-term partnership,” the partner said. Another European partner said new contracts in healthcare as well as the oil and gas sector helped his AWS business exceed 3Q20 expectations.

In North America, eight of 11 partners reported AWS’s 3Q20 sales met or exceeded expectations. A West Coast-based partner said his AWS business has gotten back on track for the year, especially with large AWS customers who are figuring out the efficiencies of remote work, which helped him meet his 3Q20 expectations. An East Coast source said AWS was more aggressive than its competitors during 3Q20, driving new business that exceeded his expectations.

Most sources said a faster migration to the cloud than in previous quarters was their biggest driver for AWS business during 3Q20. One Californian AWS partner said AWS’s additional scale and workloads in the test and development environment were driving business for him, and an U.S. Southeastern partner said he believes the faster migration is just a result of the pandemic and the need for companies to accommodate people working from home. European sources agreed and said they had success with AWS customers who were already using public cloud and are looking for ways to optimize and expand that service to save costs.

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Stronger sales growth during 3Q20

Overall channel sales of AWS products and services grew an average 18%–23% yy during 3Q20, an increase compared with up 8%–13% in 2Q20 (a surge confirmed by repeat sources). Eighteen of 25 partners cited yy increases. A German AWS partner said growth was sluggish at the beginning of the quarter but improved, especially after AWS offered stronger funding and more sales support to close new deals.

AWS Partners' Channel Sales YY
(number of mentions)

	4Q19	1Q20	2Q20	3Q20
Up	16	11	16	**18**
Flat	-	3	2	**5**
Down	1	4	2	**2**
Average	Up 37%–42%	Up 17%–22%	Up 8%–13%	**Up 18%–23%**

Solid pipeline

Partners' AWS deal pipeline was meeting or exceeding expectations for 20 of 26 sources. The strategy manager of a European AWS partner said, "We are more than happy with the current pipeline. It's full — very full. The pent-up demand I was talking about earlier is now helping us to come closer to our full-year goal, and that was not expected two to three months ago." A large global AWS partner said, "The 2020 outlook is in line with what we expected. We see a lot of net-new pipeline being generated. The pandemic has accelerated interest in cloud technologies more than anything else before."

AZURE

Europe weighs on Azure's growth

Azure Partners' Channel Sales vs. Expectations
(number of mentions)

	4Q19	1Q20	2Q20	3Q20
Exceeded	9	10	7	**5**
Met	4	5	4	**11**
Fell below	2	4	6	**7**
OTR Comparative Index	47	32	6	**-9**

Public cloud business with Azure tools and services at least met expectations for 16 of 23 Azure partners during 3Q20, compared with 11 of 17 during 2Q20 but with fewer sources exceeding. In North America, Azure sales met or exceeded expectations for 11 of 14 sources, who said customers had figured out the efficiencies of remote work and are now adding new projects. One said his customers have determined the pandemic is not a temporary issue. "[Customers] decided to move forward in this new normal, and they have set-up their IT networks so that their employees can work remotely," he said. A U.S. East Coast Azure partner said government spending and education projects resulting from the pandemic also helped Azure business exceed his expectations.

However, results were mixed in Europe, where four of nine Azure partners said 3Q20 sales fell below expectations, and none said Azure sales exceeded expectations, compared with three exceeding in

July — a cautious view consistent with OTR Global's September findings. One very large European Azure partner said he was hoping for more business with Azure but noted Azure sales staff was relying too much on legacy contracts rather than targeting new accounts.

Growth at lower rates

Azure partners reported their 3Q20 (FY1Q21) sales grew an average 13%–18% yy, a continued deterioration from 1Q20 (up 32%–37%) and 2Q20 (up 18%–23%). Six of 22 reported 3Q20 sales were flat yy or declined. A very large European Azure partner said his Azure business had slowed because of customers' smaller budgets and lower visibility into their revenue. He said Azure is doing more business with midsized companies (not the typical Azure customer) than with larger customers. (This in line with OTR Global's September note, which highlighted Azure picking up deals with smaller companies than usual.) Two other partners said Azure lost growth with them because of poor execution. "Microsoft is currently not executing as proactively as one would hope. They do OK with some very large accounts in the automotive industry but are otherwise not as agile or dynamic as AWS or Google," one said. Only eight of 24 partners said Azure was offering new incentives (e.g. free training and free cloud sessions for two to three months), compared with 11 of 17 sources in July. One U.S. partner said Microsoft has become very selective in funding specific industry sectors, handing more money to sectors like healthcare and manufacturing while reducing payments for retail customers.

Azure Partners' Channel Sales Growth YY
(number of mentions)

	FY2Q20	FY3Q20	FY4Q20	FY1Q21
Up	15	13	14	**16**
Same	-	3	-	**5**
Down	-	3	3	**1**
Average	Up 34%–39%	Up 32%–37%	Up 18%–23%	**Up 13%–18%**

European sources said Azure is still growing with smaller companies while AWS is growing with larger companies. One expects Azure's share to decline because of its lack of initiative to create and hand business to its partners, noting AWS and Google are very active in finding new customers in Europe and creating new business for implementation partners.

In North America, Azure partners said Microsoft is helping them to find more business in the education and government sector, and two AWS and GCP partners said they may add Azure as a partner during the next six months to expand their customer base. One said he does not perceive Azure as a better public cloud provider than AWS, but believes that more companies are looking for multi-cloud solutions and does not want to depend on one provider.

Faster migration

A faster migration of services to the cloud was cited most often (12 sources) as supporting partners' Azure business, followed by services that support work from home (seven sources). A large North American Azure partner said more companies are using VoIP, Microsoft Teams and unified communication, getting stronger into the overall Microsoft ecosystem, which often leads to Azure usage.

Azure's deal pipeline for the next three to six months looks solid but slightly weaker than in July, with 18 of 23 partners saying their Azure pipeline was meeting or exceeding their expectations, compared with 16 of 18 in July. North American partners said the government sector keeps spending, with Azure benefiting from it. Four of the five partners who said their Azure pipelines were below their expectations were from Europe, where sources criticized Microsoft's attitude toward its partners, ignoring implementation partners as long as direct deals with customers work well.

GCP

Incentives attract new partners

Sales of products and services for GCP met or exceeded 3Q20 expectations for 10 of 12 partners. Two North American sources said GCP is gaining more new cloud customers but also believe the average GCP customer is smaller than with Azure or AWS, leading to lower revenue per account.

GCP Partners' Channel Sales vs. Expectations

(number of mentions)

	4Q19	1Q20	2Q20	3Q20
Exceeded	4	3	4	**5**
Met	4	3	5	**5**
Fell below	-	3	2	**2**
OTR Comparative Index	50	0	18	**25**

Sales of GCP-related services for partners grew an average 20%–25% yy during 3Q20, higher than OTR Global's 2Q20 findings of 12%–17% growth, mainly because of customers' faster migration to the cloud and from companies investing more in remote work places during the pandemic.

In Europe, sources said GCP is doing better than in the past as the recent hiring of more than 150 people helped initiate more business. Two other sources said GCP attracted new implementation partners after expanding its presales budget program. A very large GCP partner in North America said GCP was more aggressive with marketing during 3Q20 than AWS and Microsoft. This source also noted GCP is willing to accept small companies as new customers while AWS and Azure concentrate on large and midsized companies.

The GCP deal pipeline for the next six months was meeting or exceeding expectation for 12 of 13 partners. A North American partner said GCP business is slowly returning to normal and helping fill the pipeline, while another expects GCP to begin collaborating more closely or even invest in very large partners to strengthen its business in North America.

Contributors: Elizabeth Frey, Dimitri Kaczmarek, Nancy Piccin, Fabrice Pozzoli-Montenay, Paul Ridgewell and Ulli Wilser

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"Most companies jumped in and started spending on cloud again at the end of June. We ramped our business in August. We won't hit 100% of our 2020 goal, but it set us up for a very good rebound in the fourth quarter and a good first half of the year."

"I think many cloud clients are waiting to see what comes after the election. Some are waiting for more stimulus money. Others are waiting to see if their industry regulation changes."

"We had so much work during the third quarter. I am dreading the fourth quarter. We have our team working 60 hours a week."

"The cloud side of our business wasn't too affected by COVID. We're not seeing any downturn and we're not seeing an upturn either. It's just been steady."

"We had some aggressive growth targets and spent the first part of the year putting the foundations in place to accelerate growth. Against those aggressive plans, we will likely achieve about 65% as we haven't been able to have sales conversations with customers in the way we did prior to COVID, and it's been hard to skill-up our new hires. But the year-to-year growth we've seen has been very good — around 20%–25%."

"Projects started to resume during August and September. The fourth quarter looks very strong. Business during 2H20 will make up for any delays in projects during 1H20."

"In the beginning of July, everyone seemed like they were paralyzed. Now, it seems as if everyone limped through and survived the initial wave. They are back to business now and saying, 'We know what to do, we want to get on with it.'"

"We are setting ourselves up for a great 2021. Our Q4 project prospecting pipeline looks very healthy. Most projects will close in the first quarter of next year and start to be implemented at that time. We — like many of our clients — are waiting until after the election to start pushing and making decisions about projects."

"They tried [working from home], and it did not work, so companies now are asking us to help get migrate over to Azure cloud and their employees can use Excel, an application they are familiar with. The company did not want to spend time and money retraining their staff."

"We are doing better than expected because AWS is really pounding on the table with the most significant spending ever. They have beefed up their acceleration program to new levels. I have never seen them spending so much money on new customer acquisition."

"Google and Microsoft seem to be better at getting local government and education projects compared to AWS."

"Clients are spending more than ever on cloud services and consumption, but the large enterprise are not switching their providers that quickly."

"Cloud has become more essential to companies' futures. I'm hearing more about, 'where are we with the cloud assessment' when I thought that was something that was a lower priority. People are going to get into a preparatory phase quite quickly whether they go back to offices or not. But COVID has definitely taught people that they need to be in cloud. The other thing we're hearing a lot is 'digital transformation.' That is synonymous with cloud, as the cloud is the great enabler. We're trying not to call it 'cloud.' We're calling it 'business agility.' It's about re-branding and re-innovating."

"The biggest problem with Azure in my opinion is their ignorance toward system integrators. They try do the business themselves, adding incentives, but as long as that works, they leave the system integrators behind. Only if they struggle to get the deal, then suddenly the system integrators become important."

"Microsoft is retiring a lot of legacy workflow that's under SharePoint. That is driving a ton of business. They want everybody off that stuff by Nov. 1, so Q4 is going to be crazy. They are retiring SharePoint 2010 workflows, and we have a lot of customers with a lot of those … so Microsoft retiring legacy products right now is driving Power Platform for us."

"The main sales driver has been Windows Virtual Desktop. That's due to more remote working. Azure Synapse has also been a sales driver, which is kind of data warehousing and analytics within Azure. It's been surprising how many customers have taken that on. I didn't see that coming. We're having more conversations now about data warehousing, and customers are starting to consume the service more. Microsoft was talking about it a year ago at Inspire, but it's only now that we're seeing strong [adoption]."

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"The main sales drivers for us would be Cloud Advisory and also Platform Review, both of which are up. Also, actual cloud usage is up. All of those apply to both AWS and Azure. Plus, the whole work from home thing is leading to more cloud usage, and that's going better than we expected. Workspaces as we call them in the Amazon world, and the workspace in the cloud is upping usage quite well. We hit a bit of a trough with COVID, but now it's coming up again. What we're starting to see now is that customers are looking at how they can redeploy their apps to the cloud."

"The important point is that AWS does not lose customers. They remain faithful to it. They still have an advantage in advanced uses, but their sales team is not good enough against Azure"

"AWS is a little bit slower [than Azure]. We're finding the work we're doing with AWS is managed services-based, so rather than doing net-new deals on data center migrations and builds, what we're actually doing is pulling people into our Cloud Care MSP product on their existing AWS accounts."

"We've seen a lot of cloud adoption programs that people have started post-lockdown. People are looking at things like how they adopt at scale, build landing zones and look at mass migration. In the past couple of months, there have been some large deals coming through as we help with these areas."

"Zoom [Video Communications Inc.] has been eating Teams' lunch for the last several months. Microsoft just started offering a significant [$5,000] amount of money to the channel partners to train clients on Teams."

"Historically … Microsoft is the most — not flexible, that implies there's give and take — but the most open to creative pricing options, and I think that continues."

"In terms of incentives, we've stuck with the same ones. Microsoft is doing proof-of-concept enablement and end-user customer advertisement funds for our enterprise customers, but nothing has really changed too much. In fact, I don't think it's changed enough. I've been talking to some customers who've been using Azure in the back-end, but they're also getting a lot of resources thrown at them by AWS and Google. To be honest, I think the incentives from Azure haven't been taken up as well as I'd like."

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1. What percentage of your original 2020 public cloud plan (at the beginning of the year) do you expect to achieve by year-end across all vendors?

More than 100%:	6
100%:	11
91%–99%:	1
81%–90%:	6
71%–80%:	3
61%–70%:	1
21%–30%:	1
Don't know:	2
Average:	**92%–97%**
July average:	**90%–95%**

2a. What is the current share of your public cloud services providers by revenue?

	AWS	AZURE	GCP	OTHER
91%–100%:	5	3	2	-
81%–90%:	1	1	1	-
71%–80%:	3	3	-	-
61%–70%:	2	2	-	-
51%–60%:	1	1*	1	-
41%–50%:	4*	3	-	-
31%–40%:	1	2	1	-
21%–30%:	4	3	1	-
11%–20%:	2	2	-	-
1%–10%:	4	4	9	4
0%:	4	7	16*	27*
Average:	**43%–48%**	**35%–40%**	**13%–18%**	**0%–3%**
July average:	**48%–53%**	**33%–38%**	**11%–16%**	**0%–2%**

** One source who could not give 6-month projections excluded from the averages*

2b. What do you expect the share of your public cloud services providers by revenue to be in six months?

	AWS	AZURE	GCP	OTHER
91%–100%:	3	3	2	-
81%–90%:	3	1	1	-
71%–80%:	2	2	-	-
61%–70%:	3	3	-	-
51%–60%:	1	1	1	-
41%–50%:	1	1	1	-
31%–40%:	3	4	-	-
21%–30%:	4	2	1	-
11%–20%:	3	3	4	-
1%–10%:	3	5	5	4
0%:	4	5	15	26
Don't know:	1	1	1	1
Average:	**41%–46%**	**36%–41%**	**14%–19%**	**0%–3%**
July average:	**46%–51%**	**34%–39%**	**11%–16%**	**0%–2%**

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3a. Did your 3Q20 AWS, Azure and GCP business increase, remain the same or decrease yy?

	AWS	AZURE	GCP
Up 81%–90%:	1	-	-
Up 71%–80%:	-	-	1
Up 61%–70%:	-	-	1
Up 51%–60%:	-	-	1
Up 41%–50%:	2	2	-
Up 31%–40%:	2	-	-
Up 26%–30%:	-	1	-
Up 21%–25%:	2	2	-
Up 16%–20%:	2	3	-
Up 11%–15%:	2	-	-
Up 6%–10%:	4	3	2
Up 1%–5%:	1	2	1
Up:	2	3	1
Flat:	5	5	4
Down:	2	1	1
Don't know:	2	-	1
Not applicable:	4	9	18
Average:	**Up 18%–23%**	**Up 13%–18%**	**Up 20%–25%**
July average:	**Up 8%–13%**	**Up 18%–23%**	**Up 12%–17%**

3b. Did your 3Q20 AWS, Azure and GCP business exceed, meet or fall below your targets or forecasts?

	AWS	AZURE	GCP
Exceeded:	9	5	5
Met:	9	11	5
Fell below:	7	7	2
Don't know:	1	-	-
No response:	-	1	-
Not applicable:	5	7	19
OTR Comparative Index:	**8**	**-9**	**25**
2Q20 Index:	**-20**	**6**	**18**

4. What were the biggest drivers for your 3Q20 AWS, Azure and GCP business?

	AWS	AZURE	GCP	TOTAL
Faster migration:	9	7	5	21
Work from home:	3	12	3	18
Increased consumption:	4	2	1	7
Aging hardware:	3	2	1	6
Competitive gains:	1	2	1	4
Shifting capex to opex:	-	1	1	2
Other:	18	11	5	34

Note: Some sources gave more than one answer while others did not respond.

5. Did AWS, Azure or GCP offer customers new or expanded existing incentives during 3Q20 to drive business?

	AWS	AZURE	GCP
Yes:	11	8	7
No:	14	16	8
Don't know:	1	-	1
No response:	-	1	-
Not applicable:	4	6	15

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6. Are more or fewer customers seeking to delay payments qq?

Significantly more:	1
More:	2
Same:	9
Fewer:	13
Significantly fewer:	2
No response:	1
Not applicable:	3

7. Does your pipeline for AWS, Azure and GCP business expected to close in the next three to six months exceed, meet or fall below your expectations?

	AWS	AZURE	GCP
Exceed:	8	6	5
Meet:	12	12	7
Fall below:	6	5	1
Don’t know:	1	-	-
No response:	-	1	-
Not applicable:	4	7	18
OTR Comparative Index:	**8**	**4**	**31**
July Index:	**5**	**28**	**40**

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