

# TOP 3 PREDICTIONS FOR CLOUD PARTNERSHIPS IN 2022

**Cloud partnerships go from important  
to critical in 2022**

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## **ECOSYSTEMS WILL BECOME EVEN MORE TAILORED TO THE ATTRIBUTES OF CLOUD IN 2022**

The shift to partner-led growth is not a new trend, but we expect it to be further legitimized in 2022. Growth from indirect, partner-led revenue streams have been outpacing direct go-to-market efforts for several years, but indirect revenue is reaching a new level of scale and significance in the market. TBR estimates indirect cloud revenue is approaching 25% of the total cloud market opportunity, which is a significant milestone. For reference, in traditional IT and software, indirect revenue represents somewhere between 30% and 40% of revenue streams. We expect the indirect portion of the cloud segment to surpass that level within five years, approaching half of the market opportunity within the next decade. For all cloud vendors, the combination of short-term growth and long-term scale makes partnerships an increasingly critical element of their business strategy.

Partner ecosystems have been a core part of the IT business model for decades, but the developments around cloud will be different for various reasons, primarily because the labor-based, logistical tasks of traditional IT are largely unnecessary in the cloud model. For cloud vendors and their partners to succeed in growing the cloud market, they both need to be focused on enabling business value for the end customer. Traditional custom development becomes cloud solution integration. Outsourcing and hosting are less valuable, while managed services are far more variable for cloud solutions. To capture this growing and sizable opportunity in 2022, we expect companies will adapt their partner business models and vendor program structures to align with vibrant cloud ecosystems.

## ▼ PREDICTIONS




### PARTNERS ENABLE GROWTH AND STICKINESS

-  **Trend:** Partner strategies have been unlocking growth opportunities for years, but their value is shifting to include other benefits for cloud vendors.
-  **Driver:** Customers increasingly require multiproduct solutions, which are much stickier once deployed than stand-alone solutions.
-  **Result:** Vendors will shift their investment strategies and KPIs for partner activities in 2022.

Despite approaching \$400 billion as of 2021, the public cloud market is still growing at a robust growth rate, which TBR estimates will exceed 23% year-to-year in 2022. Changes brought on by the COVID-19 pandemic certainly played a role in sustaining the rate of growth, but partner channels are also contributing to the sustained expansion of the market. The rates vary by vendor, but on average we estimate that indirect revenue streams are growing at twice the rate of direct sales channels. Amazon Web Services (AWS) claims that over 90% of the Fortune 100 and most Fortune 500 companies use AWS Partner solutions and services, while Google Cloud claims to have seen a sixfold increase in partner involvement and a 300% year-to-year increase in third-party marketplace revenue from partners through its marketplace in 2020.

Beyond the growth available through partners, many vendors are realizing additional benefits from their partner initiatives. Customers are moving more mission-critical workloads and solutions to cloud deployment methods, making it increasingly difficult for any single vendor to deliver an entire solution. Partner networks delivering different subscriptions and modules are becoming commonplace. Once these multivendor solutions are deployed, they become engrained in the customer's business and IT environment and highly renewable, or sticky from a revenue perspective. This realization should prompt great ecosystem participation from both vendors and partners in 2022 and beyond.




## VALUE-ADD PARTNERS IN SOFTWARE DEVELOPMENT AND MANAGED SERVICES BECOME THE FOCUS IN 2022

-  **Trend:** Partners that can deliver value through IP or by freeing customers from ongoing administrative tasks will see growth and prioritization from vendors.
  
-  **Driver:** Customers are optimizing business value from cloud investments, moving mission-critical workloads while grappling with limited staffing and skills.
  
-  **Result:** Growth in demand for partner cloud modules and managed services within cloud ecosystems will accelerate in 2022.

The cloud market has reached a point at which customers are going beyond lightweight workloads, moving more complex and mission-critical workloads to cloud environments. Similar to traditional applications, most customers are using a variety of vendors and solutions. Since most customers will need more than a single cloud provider, there is a desire to simplify the architecture and purchasing of solutions. This is where partner ecosystems and cloud marketplaces have a strong value proposition, facilitating multivendor solutions but with more consistency than if customers procured entirely separate solutions on their own. Marketplace revenue streams have been growing for leading vendors like Salesforce, AWS and Google Cloud, and TBR estimates the total revenue transacted through cloud marketplaces in 2022 will surpass \$50 billion, more than 10% of the total cloud opportunity.

The other area of strong demand from customers, driving enhanced focus from cloud vendors, is in managed services. Increased cloud adoption has led to higher cloud complexity for many customers, leading to more challenging tasks to provide ongoing administration, integration and operations of the environment. This increasing complexity coincides with a historic shortage of personnel with cloud expertise, driving demand for managed service offers from third-party providers to fill the gap. As a result, we expect managed services to be the fastest-growing segment of the cloud professional services market, reaching \$75 billion by 2026. Cloud vendors like AWS, Google and Microsoft have a vested interest in nurturing their managed service ecosystems to facilitate new investments from their cloud customers.

## PARTNER ACTIVITIES WILL BE MORE IMPORTANT THAN TRADITIONAL DESIGNATIONS

-  **Trend:** Programs are beginning to center on the activities partners engage in versus the business models they operate.
-  **Driver:** The partner value-add is fundamentally different for cloud versus traditional solutions, forcing partners and now vendors to change.
-  **Result:** Programs are now open to partners of all different business models that engage in value-add activities within cloud ecosystems.

In the traditional IT partner model, the business models of partners — such as reseller, systems integrator, and ISV — were used to segment partner programs. Cloud has disrupted the traditional model, with born-on-the-cloud partners competing in a variety of activities to optimize their revenue streams and traditional partners expanding their business models to sustain their financials. As a result, resellers can develop their own solutions and IP, while systems integrators sell and resell their own software solutions and ISVs offer their own managed services. It is common for partners to have multiple business models, making the traditional designations too restrictive.

In 2022 we expect to see cloud vendors reduce the barriers for partner participation across multiple different value-add activities. For instance, AWS just introduced new Solution Provider reselling incentives that are open to all partners, not just those that have reselling as their primary business model. The program is open to ISVs, MSPs and systems integrators that resell AWS solutions. Many of the traditional IT companies that migrated to cloud, such as SAP, Oracle and Microsoft, will be the most challenged by this trend, as they must accommodate both traditional and cloud partners within their overall programs. Nevertheless, all vendors will increasingly move to focus their programs and incentives on the activity being performed rather than the designation of the partner.

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