

The Partner Opportunity For AWS Marketplace ISVs

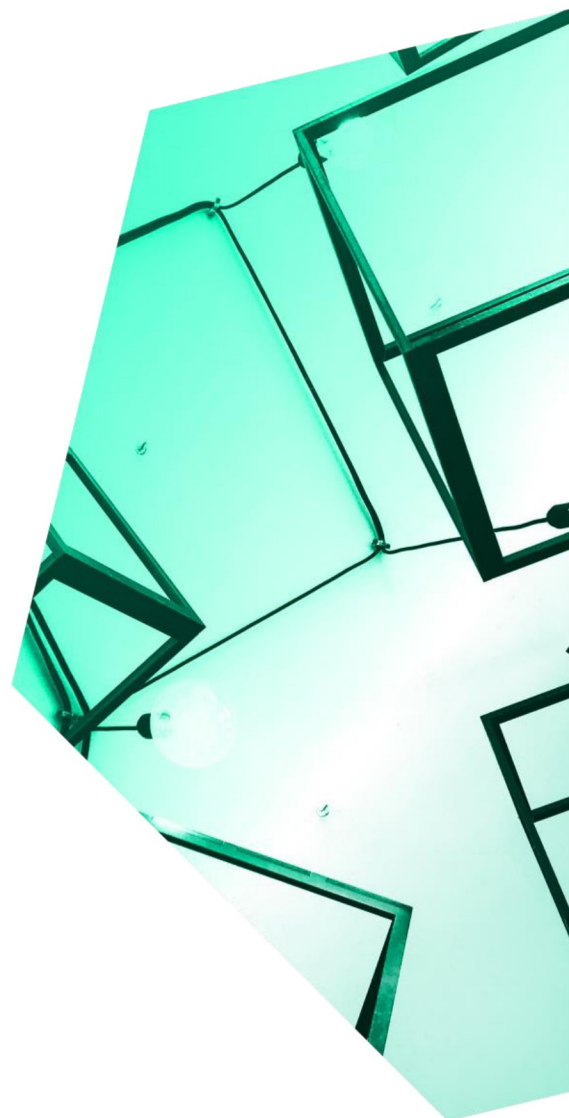
A Total Economic Impact™ Partner Opportunity Analysis

MAY 2022

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Executive Summary

B2B buying preferences often closely trail B2C buying preferences. Perhaps the most apparent example of this phenomenon in recent years has been the growth of B2B marketplaces for everything from software-as-a-service (SaaS) applications to technology services. Forrester estimates that the adoption of such marketplaces quadrupled in 2021 alone and is poised for continued growth in 2022.¹

Amazon Web Services ([AWS Marketplace](#)) is a digital B2B marketplace and ecosystem where independent software vendors (ISVs), systems integrators, and other suppliers can market, sell, and deploy their software and services.

AWS commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study to examine the potential business opportunity and return on investment (ROI) ISV partners may realize by building and scaling an AWS Marketplace offering.² The purpose of this study is to provide potential and existing ISV partners with a framework to evaluate the potential business opportunity associated with leveraging AWS Marketplace.

To better understand the revenue streams, investments, and risks associated with listing on AWS Marketplace, Forrester interviewed 12 existing AWS Marketplace ISVs and surveyed an additional 60 ISVs with experience building, managing, and commercializing an AWS Marketplace listing. To illustrate the financial impact and subsequent partner business opportunity for AWS Marketplace partners,

KEY STATISTICS



Return on investment (ROI)
81%



Operating margin
46% (in Year 3)

Forrester aggregated the characteristics of these interviewees and survey respondents and combined the results into a single, representative [composite ISV](#). This organization, which is used to reflect the following opportunity analysis, is a cloud-native B2B SaaS ISV with \$10 million in annual recurring revenues.

KEY FINDINGS

ISV benefits. The composite ISV captures the following benefits, which are representative of those experienced by the interviewees' and survey respondents' organizations:

- **Richer deal sizes.** Customers spent 80% more on third-party ISV applications when transacting through AWS Marketplace compared to outside Marketplace. The ability to draw down AWS Enterprise Discount Program (EDP) commitments when procuring via Marketplace primarily drove increased deal sizes. By reaching the full EDP commitment amount, these

Improved deal properties

80%

Richer deal sizes

27%

Higher win rates



organizations could benefit from contractually outlined discounts on their AWS consumption.

- **Increased win rates.** By articulating the additional value proposition of drawing down on EDP commitments when transacting through Marketplace, ISVs closed a higher percentage of deals when compared to transacting outside of Marketplace. Overall win rates increased by 27% (or 6 percentage points) from 22% when transacting outside of AWS Marketplace to 28% when transacting through Marketplace.
- **Accelerated sales cycle.** Standard end-user license agreements (EULAs) and templated statements of work (SOWs) enabled customers to quickly procure an ISV solution without engaging in lengthy procurement and review cycles. Furthermore, by associating with AWS, ISVs benefitted from increased credibility, which helped customers justify and ultimately approve the purchase. These factors accelerated ISV sales cycles by 40%, or from an average of five months down to just three months.
- **Incremental pipeline contribution.** By participating and investing in AWS Marketplace, ISVs demonstrated a commitment to AWS and to executing a Marketplace-first strategy. In exchange, AWS partner managers were more willing to invest time and resources into cultivating the partnership and contributing to their shared pipeline. As this partnership matured, ISVs saw as much as 20% of their pipeline generated through AWS.

The representative interviews and financial analysis found that a composite ISV with \$10 million in annual recurring revenues experiences total present value (PV) gross profits of \$1.4 million over three years versus investments and overhead expenses of \$795,000, adding up to a net present value (NPV) of \$646,000 and an ROI of 81%. For other organizations, results will scale based on size and

Enhanced operations

40%

Faster sales cycle

20%

AWS pipeline contribution

individual characteristics outlined in the calculation tables throughout this study.

AWS Marketplace ISV Pro Forma Revenue And Margin Opportunity: Three Year Analysis (USD)

Ref.	Metric	Source	Year 1	Year 2	Year 3
PL1	AWS Marketplace influenced revenues	A7	\$85,320	\$336,960	\$622,080
PL2	AWS Marketplace private offer revenues	B7	\$44,712	\$262,440	\$966,168
PL3	AWS Marketplace self-service revenues	C6	\$25,000	\$147,500	\$545,000
PL4	Total revenues	PL1+PL2+PL3	\$155,032	\$746,900	\$2,133,248
PL5	Total gross profit	At+Bt+Ct	\$94,785	\$457,707	\$1,299,218
PL6	Total gross margin	PL5/PL4	61%	61%	61%
PL7	Cosell and go-to-market	Dt	\$125,000	\$128,750	\$132,613
PL8	Partner operations	Et	\$99,375	\$102,356	\$105,427
PL9	Sales training and enablement	Ft	\$74,865	\$40,732	\$46,423
PL10	Marketplace onboarding and integration	Gt	\$30,000	\$30,000	\$30,000
PL11	Total operating expenses	PL7+PL8+PL9+PL10	\$329,240	\$301,838	\$314,463
PL12	Operating income	PL5-PL11	-\$234,455	\$155,868	\$984,755
PL13	Operating margin	PL12/PL4	-151%	21%	46%



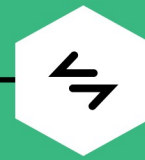
ROI
81%



GROSS MARGIN
61%



OPERATING MARGIN
46%



PAYBACK
25 months

Benefits (Three-Year)

AWS Marketplace private offer
gross profits

\$606.7K

AWS Marketplace influenced
gross profits

\$547.4K

AWS Marketplace self-service
gross profits

\$286.5K

“AWS is our sun and investing in AWS Marketplace allows us to get close enough to orbit the sun while being where our customers want to transact.”

— Director of strategic alliances, global ISV

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those partners considering building and growing an AWS Marketplace practice.

The objective of the framework is to identify the revenue streams, investments, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the holistic opportunity for partners building and growing an AWS Marketplace practice.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by AWS and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in a Marketplace practice.

AWS reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

AWS provided the partner names for the interviews but did not participate in the interviews.



DUE DILIGENCE

Interviewed AWS stakeholders and Forrester analysts to gather data relative to Marketplace.



INTERVIEWS

Interviewed 12 representatives and 60 key stakeholders at partner organizations with existing Marketplace offerings to obtain data with respect to investments, revenue streams, and risks.



COMPOSITE ISV

Designed a composite ISV based on characteristics of the interviewees' organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.



CASE STUDY

Employed four fundamental elements of TEI in modeling the impact of a Marketplace practice: revenue, investments, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of investment and partnership decisions. Please see Appendix A for additional information on the TEI methodology.

Market Overview

■ Survey results on AWS Marketplace Partners

SURVEYED RESPONDENTS

For this study, Forrester conducted a quantitative survey of 60 IT decision-makers at AWS Marketplace partner organizations.

FIRMOGRAPHICS

Forrester surveyed respondents from organizations in the US, India, China, the UK, Germany, and France. Eighty-seven percent of participating respondents noted their firms have fewer than 5,000 employees. These respondents' partner organizations range in annual revenue from \$1 million to greater than \$5 billion. The largest number of respondents' organizations fall between \$1 million to \$99 million in revenue (37%), \$100 million to \$199 million (12%), and \$400 million to \$499 million (12%). Most organizations (88%) list/sell in the IT cloud management solution area. Over three-quarters (82%) of respondents' organizations have been partners with AWS Marketplace for over a year. Almost half (42%) of respondents noted their organizations have been partners for two years or longer.

AWS MARKETPLACE EXPERIENCE

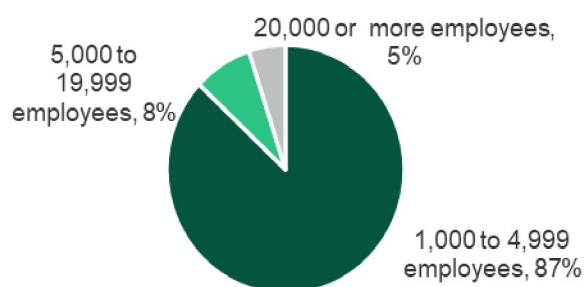
Just over half (53%) of survey respondents noted their organizations surveyed were AWS Network partners prior to joining/listing on AWS Marketplace. Firms were driven to join AWS Marketplace for a variety of reasons. The top driver (62%) was to create an additional revenue stream and expand market size. The security and compliance readiness of selling through Marketplace and the ability to contract and deploy software faster were tied for second at 60% each. On average, each firm handled 197 customers through AWS Marketplace last year, with an average deal size of \$217,082.90.

Once leveraging AWS Marketplace, the surveyed respondents noted a variety of business outcomes.

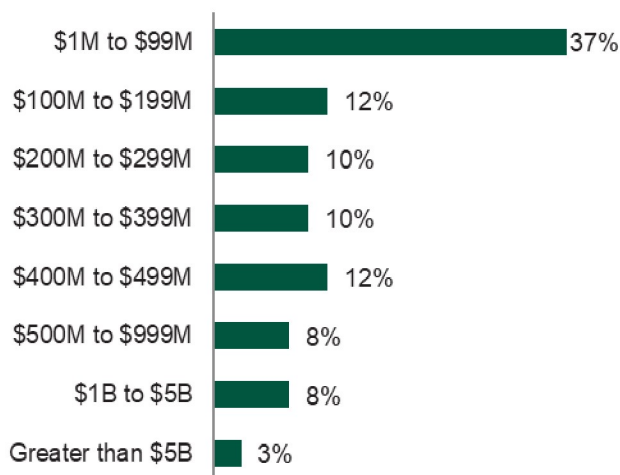
"In which country are you located?"

20%	India, China
45%	US
35%	UK, Germany, France

"Using your best estimate, how many employees work for your firm/organization worldwide?"



"Using your best estimate, what is your organization's annual revenue (USD)?"



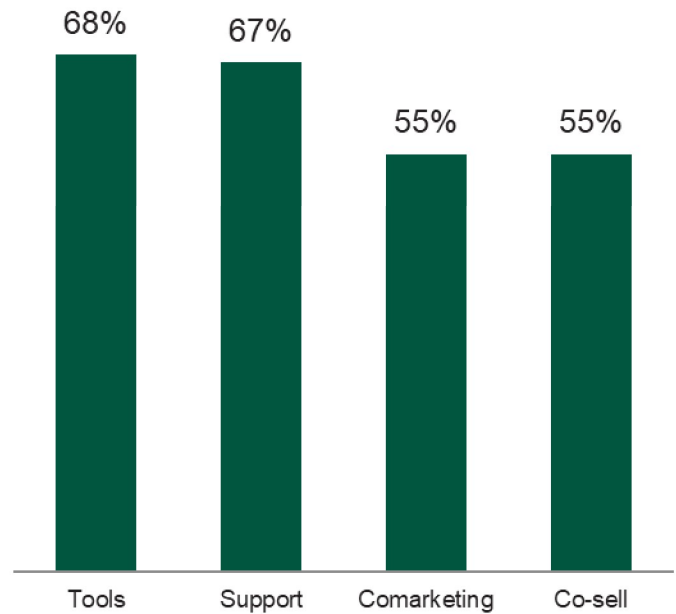
Base: 60 AWS Marketplace partners
Note: Percentages may not total 100 because of rounding.
Source: A commissioned study conducted by Forrester Consulting on behalf of AWS, March 2022

The highest reported outcome was an increase in innovation (63%), followed closely by improved performance or security and compliance (52%), and expanded market size/client base (52%).

Respondents also noted an increase in average win rate from 22.3% before AWS Marketplace to an estimated 28.3% with Marketplace.

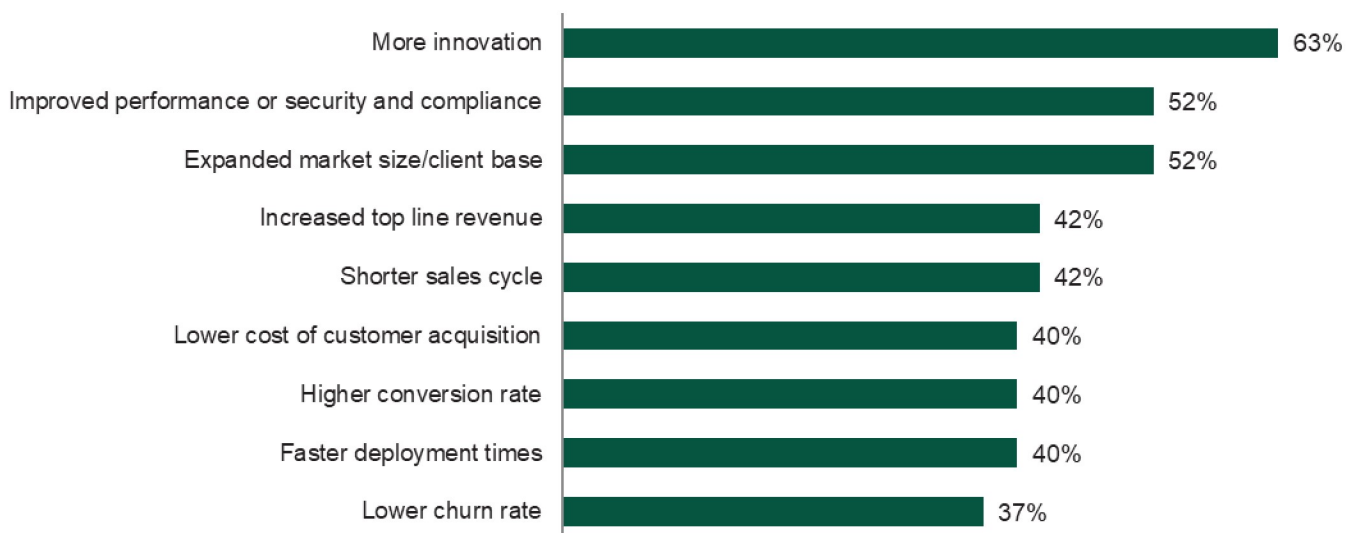
AWS Marketplace also assisted organizations' go-to-market efforts with respect to the AWS Marketplace app through tools (68%) and support (67%). Most respondents participated in AWS go-to-market programs, such as the AWS Distribution Program for Resellers (63%), the AWS Solution Provider Program (53%), and the ACE Program for AWS Referrals (48%). One-fifth (20%) of respondents participated in the ISV Accelerate Program.

"In which ways has AWS assisted in your organization's go-to-market efforts with respect to your AWS Marketplace app?"



Base: 60 AWS Marketplace Partners
Source: A commissioned study conducted by Forrester Consulting on behalf of AWS, March 2022

"What were your organization's business outcomes of leveraging AWS Marketplace?"



Base: 60 AWS Marketplace Partners
Source: A commissioned study conducted by Forrester Consulting on behalf of AWS, March 2022

The AWS Marketplace Partner Journey

■ Drivers leading to the Marketplace practice investment

Interviews			
Role	Revenue	Operating Regions	Solution Area
VP of alliances	<\$10M	Americas	Cloud monitoring
CEO	<\$10M	Americas	Managed cloud
Chief growth officer	\$10M to \$50M	Americas	Data platform
Chief revenue officer	\$10M to \$50M	Americas	Data platform
VP of cloud transformation	\$10M to \$50M	Americas	Data analytics
Head of partnerships	\$10M to \$50M	Americas	Media monitoring
Chief cloud officer	\$10M to \$50M	Global	Data platform
Director of technical alliances	\$100M to \$1B	Global	Security
Director of strategic alliances	\$100M to \$1B	Global	Security
Sales executive	\$100M to \$1B	Global	Security
Director of strategic partnerships	\$1B+	Global	Data warehousing
Sales specialist	\$1B+	Global	Security

PARTNER GOALS AND DRIVERS

Interviewees and survey respondents' ISVs varied in size and operational boundaries but typically developed solutions that fell into one or more of the following solution areas: 1) data, 2) analytics, and 3) security. These organizations were driven to AWS Marketplace for the following reasons:

- **Customer demand and imperatives.** While listing on AWS Marketplace was purely a strategic decision for some ISVs, for others it was a matter of winning or losing out on deals. Some interviewees alluded to situations in which customers required the ISV to be on AWS Marketplace to even consider procuring a solution. These scenarios were most common when customers had committed to a certain

spend with AWS through EDP and were looking to procure third-party solutions through AWS Marketplace to draw down on those commitments.

“Marketplace allows us to unlock further business with AWS down the stretch, whether that be through coselling or comarketing.”

Chief growth officer, Americas ISV

- **Increased collaboration.** Over half of the survey respondents noted their ISVs were existing partners in the AWS Partner Network prior to joining AWS Marketplace. For many of these ISVs, listing and investing in AWS Marketplace was an opportunity to show commitment to AWS and, therefore, become more deeply embedded in a host of different partnership activities, such as coselling or comarketing. For example, participation in AWS Marketplace contributed to some ISVs being invited to exclusive programs, such as ISV Accelerate, whereby ISVs could expect increased investment, collaboration, and focus from AWS executives, sellers, and partner managers.

“We liked the idea of having a predefined master agreement so we could eliminate much of the contracting process, speed up sales, and remove points of friction with our customers.”

Sales executive, global ISV

- **Operational benefits.** The ability to streamline the sales cycle through vehicles such as standard contracts for Marketplace and EULAs added extra motivation for ISVs to fulfill increasing numbers of deals through Marketplace. ISVs recognized that AWS Marketplace could improve overall deal velocity and, in some cases, even speed time to deployment. These benefits, along with other AWS Marketplace features, such as consolidated billing and tracking of spend, improved the transaction journey for both ISVs and customers.

- **Marketing benefits.** Beyond the clear operational, customer, and partnership benefits, most interviewees and respondents' organizations recognized an inherent value-add by virtue of becoming certified with AWS Marketplace and cobranding with AWS. In particular, interviewees and respondents at smaller ISVs felt that the reputational boost from being associated with AWS could help ease some customer concerns around security, compliance, and longer-term viability. Furthermore, ISVs with easily deployable or out-of-the-box solutions looked to add an additional sales channel via AWS Marketplace's self-service functionality.

COMPOSITE ISV

Based on the interviews, Forrester constructed a TEI framework, a composite ISV partner, and an ROI analysis that illustrates the areas financially affected. The composite ISV is representative of the 12 interviewees and 60 survey respondents, and is used to present the aggregate financial analysis in the next section. The composite ISV has the following characteristics:

- The ISV is a SaaS company hosted on AWS cloud infrastructure.
- It has current annual recurring revenues (ARR) of \$10 million sourced from direct sales, cosell, and Marketplaces.
- It transacts 95% of Marketplace deals as private offers and 5% as self-service deals.

Key Assumptions

- **Cloud-native ISV**
- **\$10M ARR**
- **95% private offers**

Analysis Of Partner Revenue Streams

■ Quantified revenue data as applied to the composite

Revenue Streams And Gross Profits						
Ref.	Revenue Streams	Year 1	Year 2	Year 3	Total	Present Value
Atr	AWS Marketplace influenced gross profits	\$55,458	\$222,394	\$416,794	\$694,645	\$547,356
Btr	AWS Marketplace private offer gross profits	\$26,827	\$160,088	\$599,024	\$785,939	\$606,748
Ctr	AWS Marketplace self-service gross profits	\$12,500	\$75,225	\$283,400	\$371,125	\$286,456
Total benefits (risk-adjusted)		\$94,785	\$457,707	\$1,299,218	\$1,851,709	\$1,440,560

AWS MARKETPLACE INFLUENCED GROSS PROFITS

Evidence and data. For successful ISVs, the financial impact of AWS Marketplace extended beyond direct transactions routed through marketplace. Interviewees noted that participation in and growing pipeline through AWS Marketplace allowed their ISVs to gain the mindshare of AWS sellers and partner teams, ultimately activating cosell. Because AWS sellers had their own Marketplace quotas to meet, ISVs that showed they could help these sellers meet their quotas through shared pipeline growth ultimately had the most success collaborating on leads and jointly tackling opportunities.

Additionally, adopting AWS Marketplace factored into some ISVs receiving invitations to exclusive AWS programs, such as ISV Accelerate. Participation in these programs often came with important perks, such as marketing sponsorship or white-glove ISV go-to-market support from an AWS partner manager. These benefits, along with the aforementioned collaboration, resulted in additional deals and revenues for ISVs AWS Marketplace influenced.

Modeling and assumptions. Forrester assumes that the percentage of the composite ISV's leads

transacting through AWS Marketplace increases from 10% in Year 1 to 20% by Year 3 as AWS sellers contribute an increasing number of leads to the shared opportunity pipeline.

Risks. There are no risks involved that would impact this revenue stream.

Results. Over three years, AWS Marketplace influenced gross profits reached a total PV (discounted at 10%) of \$547,000.

“Things really started to click when we aligned our goals exactly to those of AWS’s ISV Success Managers. I’m now paid exactly the same way they’re paid, which means we have the same incentives to help each other out.”

*Director of strategic alliances,
global ISV*

AWS Marketplace Influenced Gross Profits					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Annual qualified AWS leads	Interviews	40	118	218
A2	Percentage of leads contributed by AWS sellers	Interviews	10%	15%	20%
A3	Percentage of leads transacting outside of AWS Marketplace	Assumption	90%	80%	60%
A4	Average win rate when transacting outside of AWS Marketplace	Survey	22%	22%	22%
A5	Incremental customer accounts influenced by AWS Marketplace	$A1 \times A2 \times A3 \times A4$	0.79	3.12	5.76
A6	Average annual contract value (ACV)	Survey	\$108,000	\$108,000	\$108,000
A7	AWS Marketplace influenced revenues	$A5 \times A6$	\$85,320	\$336,960	\$622,080
A8	Gross margin	Interviews	65%	66%	67%
At	AWS Marketplace influenced gross profits	$A7 \times A8$	\$55,458	\$222,394	\$416,794
Three-year total: \$694,645			Three-year present value: \$547,356		

AWS MARKETPLACE PRIVATE OFFER GROSS PROFITS

Evidence and data. Associating with AWS through AWS Marketplace allowed the interviewees' ISVs to extend and enrich the value proposition of their solutions and applications to end customers in several ways. The ability to draw down on existing EDP commitments through Marketplace purchases and other governance features empowered customers to view procuring third-party solutions as more than simply purchasing technology. Instead, AWS Marketplace transactions could become part of a broader strategic effort to optimize on overall AWS consumption costs.

Listing on AWS Marketplace also helped ISVs instill confidence with their customers that their solutions met basic security and compliance expectations and were certified to integrate well with the AWS tech stack. Because of these aforementioned factors, ISVs found that customers engaging in private offer transactions through AWS Marketplace were 27%

more likely to close and willing to spend 80% more than their nonmarketplace private offer counterparts.

Modeling and assumptions. To calculate profits from AWS Marketplace private offers, Forrester makes the following assumptions:

“We’re driving a higher percentage of multiyear deals and have overall higher deal sizes with AWS Marketplace because our enterprise customers want to reach their EDP commitments.”

*VP of cloud transformation,
Americas ISV*

- The percentage of the composite ISV's leads transacting through AWS Marketplace increases from 10% in Year 1 to 40% by Year 3 as AWS sellers contribute an increasing number of leads to the shared opportunity pipeline.
- Private offer customers make up 95% of AWS Marketplace deals, while self-service accounts for 5% of total AWS Marketplace deals.

Risks. There are no risks involved that would impact this revenue stream.

Results. Over three years, AWS Marketplace private offer gross profits reached a total PV (discounted at 10%) of \$607,000.

AWS Marketplace Private Offer Gross Profits					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Annual qualified AWS leads	A1	40	118	218
B2	Percentage of leads transacted through AWS Marketplace	1-A3	10%	20%	40%
B3	Percentage of customers leveraging AWS private offers	Assumption	95%	95%	95%
B4	Increased win rate when transacting through AWS Marketplace	Survey	6%	6%	6%
B5	Incremental private offers driven by AWS Marketplace	$B1*B2*B3*B4$	0.23	1.35	4.97
B6	Average annual contract value (ACV)	$A6*80\%$	\$194,400	\$194,400	\$194,400
B7	AWS Marketplace private offer revenues	$B5*B6$	\$44,712	\$262,440	\$966,168
B8	Gross margin	Interviews	60%	61%	62%
Bt	AWS Marketplace private offer gross profits	$B7*B8$	\$26,827	\$160,088	\$599,024
Three-year total: \$785,939			Three-year present value: \$606,748		

AWS MARKETPLACE SELF-SERVICE GROSS PROFITS

Evidence and data. While all interviewed and surveyed respondents noted that their ISVs transacted most of their AWS Marketplace deals via private offers, several ISVs were noticing a gradual uptick in the number of customers discovering and procuring their solutions organically through Marketplace search engine. These self-service deals often entailed noncommittal pricing structures, such as hourly or consumption-based pricing. Customers paid a premium for this added flexibility, which is why deal sizes were slightly higher than those of private offers when annualized.

Modeling and assumptions. To calculate profits from AWS Marketplace private offers, Forrester makes the following assumptions:

- The percentage of the composite ISV's leads transacting through AWS Marketplace increases from 10% in Year 1 to 40% by Year 3 as AWS sellers contribute an increasing number of leads to the shared opportunity pipeline.
- Private offer customers make up 95% of AWS Marketplace deals while self-service accounts for 5% of total AWS Marketplace deals

Risks. There are no risks involved that would impact this revenue stream.

Results. Over three years, AWS Marketplace self-service gross profits reached a total PV (discounted at 10%) of \$286,000.

“Customers that self-service through AWS Marketplace can easily make the purchase using a credit card so it doesn’t have to go through an approval process with finance or procurement.”

Head of partnerships, Americas ISV

AWS Marketplace Self-Service Gross Profits					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Annual qualified AWS leads	A1	40	118	218
C2	Percentage of leads transacted through AWS marketplace	1-A3	10%	20%	40%
C3	Percentage of customers leveraging AWS Marketplace via self-service	1-B3	5%	5%	5%
C4	Self-service AWS Marketplace customers	C1*C2*C3	0.20	1.18	4.36
C5	Average annual contract value (ACV)	Survey	\$125,000	\$125,000	\$125,000
C6	AWS Marketplace self-service gross profits	C4*C5	\$25,000	\$147,500	\$545,000
C7	Gross margin	Interviews	50%	51%	52%
Ct	AWS Marketplace self-service gross profits	C6*C7	\$12,500	\$75,225	\$283,400
Three-year total: \$371,125			Three-year present value: \$286,456		

Analysis Of Partner Investments

■ Quantified investment data as applied to the composite

Total Investments							
Ref.	Investments	Initial	Year 1	Year 2	Year 3	Total	Present Value
Dtr	Cosell and go-to-market	\$0	\$125,000	\$128,750	\$132,613	\$386,363	\$319,675
Etr	Partner operations	\$0	\$99,375	\$102,356	\$105,427	\$307,158	\$254,142
Ftr	Sales training and enablement	\$74,865	\$0	\$40,732	\$46,423	\$162,020	\$143,406
Gtr	Marketplace onboarding and integration	\$30,000	\$0	\$30,000	\$30,000	\$90,000	\$77,333
	Total investments (risk-adjusted)	\$104,865	\$224,375	\$301,838	\$314,463	\$945,541	\$794,556

COSELL AND GO-TO-MARKET

Evidence and data. The interviewees' ISVs dedicated a percentage of an alliance or partnership manager's time to driving the strategic direction of the partnership, building and articulating the value story, and driving continued commitment from AWS. This manager frequently engaged with AWS on everything from joint comarketing events and initiatives to securing continued buy-in with sponsorship dollars and market development funds (MDFs). Simultaneously, this resource also assisted in developing the value story around procuring a

solution through AWS Marketplace for end customers and salespeople interacting with those customers.

Modeling and assumptions. Forrester assumes an annual salary for a VP of alliances of \$250,000 in Year 1, which includes a 25% benefits overhead rate. Forrester assumes an additional 3% salary growth rate in subsequent years.

Results. Over three years, cosell and go-to-marketing investments reached a total PV (discounted at 10%) of \$311,000.

Cosell And Go-To-Market						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
D1	FTEs managing alliances and go-to-market	Interviews	0.0	0.5	0.5	0.5
D2	Fully burdened annual salary for vice president of alliances	Assumption	\$0	\$250,000	\$257,500	\$265,225
Dt	Cosell and go-to-market	D1*D2	\$0	\$125,000	\$128,750	\$132,613
Three-year total: \$375,000			Three-year present value: \$319,675			

PARTNER OPERATIONS

Evidence and data. In addition to having an AWS Marketplace strategy, interviewees' ISVs also required resourcing to handle the operational elements of Marketplace. This included negotiating and managing private offer contracts, reconciling revenue, overseeing the AWS Marketplace listing, and ensuring that AWS Marketplace was embedded in broader revenue operations.

Modeling and assumptions. Forrester assumes an annual salary for an operations manager of \$132,000 in Year 1, which includes a 25% benefits overhead rate. Forrester assumes an additional 3% salary growth rate in subsequent years.

Results. Over three years, partner operations investments reached a total PV (discounted at 10%) of \$254,000.

Partner Operations						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	FTEs managing partner and revenue operations	Interviews	0.00	0.75	0.75	0.75
E2	Fully burdened annual salary per operations manager	Assumption	\$0	\$132,500	\$136,475	\$140,569
Et	Partner operations	E1*E2	\$0	\$99,375	\$102,356	\$105,427
Three-year total: \$307,158			Three-year present value: \$254,142			

SALES TRAINING AND ENABLEMENT

Evidence and data. Working closely with partner operations and partner management, interviewees noted a sales enablement leader championed the AWS Marketplace go-to-market model to sales teams to drive buy-in and engagement. Sales teams, too, invested time into understanding this new model and how it impacted their overall sales targets and quotas.

Modeling and assumptions. Forrester assumes Year 1 annual and hourly compensation rates for sales enablement leads and account executives of \$141,250 and \$106, respectively. This includes a 25% benefits overhead rate. Forrester assumes an additional 3% salary growth rate in subsequent years.

Results. Over three years, sales training and enablement investments reached a total PV (discounted at 10%) of \$143,000.

“Training our sellers on AWS Marketplace was so much easier than training them to work with VARs because our integration with a cloud marketplace platform allows us to register a deal and get credit for it with the click of a button.”

Director of technical alliances, global ISV

Sales Training And Enablement						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Sales enablement FTEs	Interviews	0.50	0.00	0.25	0.25
F2	Fully burdened annual salary per sales enablement lead	Assumption	\$141,250	\$0	\$145,488	\$149,853
F3	Sales FTEs	Interviews	10	0	20	40
F4	Hours of training on AWS Marketplace and cosell	Interviews	4	0	2	2
F5	Fully burdened hourly salary per account executive	Assumption	\$106	\$0	\$109	\$112
Ft	Sales training and enablement	(F1*F2)+(F3*F4*F5)	\$74,865	\$0	\$40,732	\$46,423
Three-year total: \$162,020			Three-year present value: \$143,406			

MARKETPLACE ONBOARDING AND INTEGRATION

Evidence and data. These activities included the initial technology integration into AWS Marketplace, integrations into an ISVs billing and operational functions, and ongoing reporting on overall AWS Marketplace revenues and individual deal components. Most interviewees' organizations opted to leverage a third-party cloud marketplace platform to perform these functions rather than build the engineering capability to do so internally.

Modeling and assumptions. Forrester assumes flat marketplace and onboarding pricing of \$30,000 annually based on third-party cloud marketplace platform costs that interviewees' ISVs experienced.

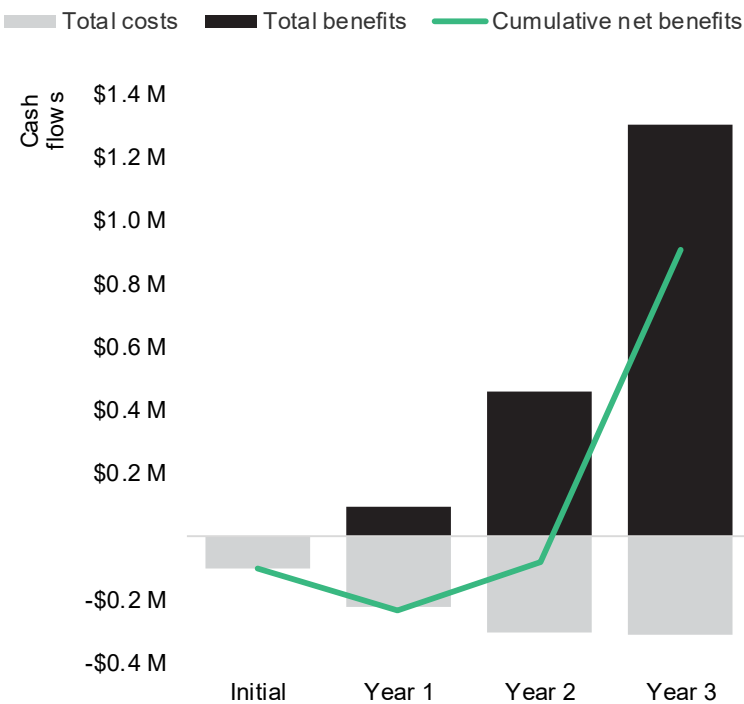
Results. Over three years, marketplace onboarding and integration investments reached a total PV (discounted at 10%) of \$77,000.

Marketplace Onboarding And Integration						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
Gt	Marketplace onboarding and integration	Interviews	\$30,000	\$0	\$30,000	\$30,000
Three-year total: \$90,000			Three-year present value: \$77,333			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Revenue Streams and Investments sections can be used to determine the ROI, NPV, and payback period for the composite ISV's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Revenue Stream and Investment section.

Cash Flow Analysis (Risk-Adjusted Estimates)						
	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total investments	(\$104,865)	(\$224,375)	(\$301,838)	(\$314,463)	(\$945,541)	(\$794,556)
Total gross profits	\$0	\$94,785	\$457,707	\$1,299,218	\$1,851,709	\$1,440,560
Net benefits	(\$104,865)	(\$129,590)	\$155,868	\$984,755	\$906,168	\$646,004
ROI						81%
Payback						25 months

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Endnotes

¹ Source: “Scoring Our 2021 Cloud Predictions,” Forrester Research, Inc., February 14, 2022.

² Total Economic Impact is a methodology developed by Forrester Research that enhances a company’s technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

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