Vendor Rating: Amazon

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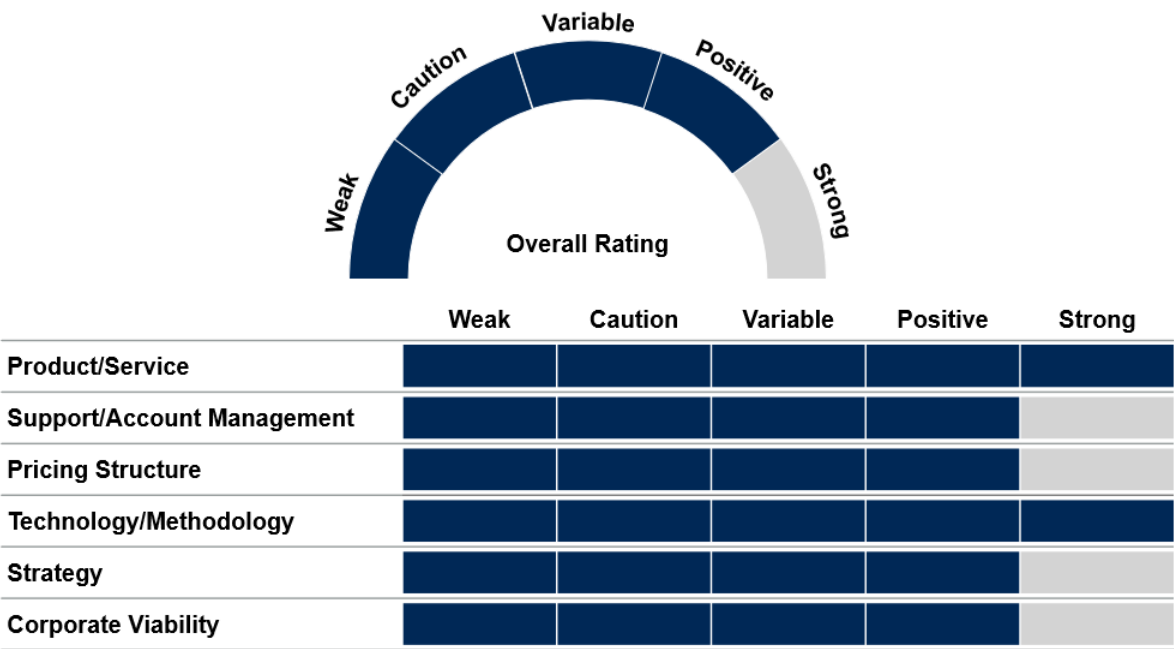
Initiatives: IT Sourcing Strategy Development and Execution

Amazon is a technology-driven vendor that continues to reshape a spectrum of markets. Amazon Web Services, its cloud subsidiary, is preintegrating more of its services to make usage and deployment simpler. IT leaders should assess AWS's expanding offerings and vision for strategic fit.

Overall Rating

Figure 1: Vendor Rating for Amazon

Vendor Rating for Amazon

	Weak	Caution	Variable	Positive	Strong
Product/Service					
Support/Account Management					
Pricing Structure					
Technology/Methodology					
Strategy					
Corporate Viability					

Source: Gartner (June 2023)
ID: 773178

Gartner

Overall Rating: Positive

Amazon has moved from an overall rating of Strong to Positive. It retains Strong ratings for Product/Service and Technology/Methodology and Positive ratings for Support/Account Management and Pricing Structure. Corporate Viability has moved from a Strong to Positive rating based on softer financial performance over the past year that impacted its Financial Statement Scorecard.

Amazon is a multifaceted business consisting of business interests in e-commerce, cloud computing, media, digital advertising, consumer electronics and retail, as well as extensive logistics resources including fulfillment centers, shipping and delivery. In 2023, Amazon expanded into the healthcare provider space with its acquisition of One Medical. Amazon Web Services (AWS), Amazon's cloud computing business, contributed over $80 billion to Amazon's top-line revenue, supported by an annual growth rate of 29%, which was down from the prior year but still showcases the demand for AWS cloud services overall.

Despite the solid revenue numbers, Amazon has reduced its employee count as the company has effectively switched gears from hypergrowth mode to cost optimization mode in response to recessionary macroeconomic headwinds. The layoffs shouldn't set off alarms with customers but instead be viewed as Amazon being prudent in preparing for potentially difficult market conditions.

Overall, despite the market challenges Amazon faces, we rate Amazon as Positive due to its solid brand, reputation, broad partner ecosystem, and consistent delivery of innovative capabilities and customer value. Amazon's growth reflects its ability to meet customer needs and adapt to shifting market conditions globally. Although this document covers the entirety of Amazon, the detailed ratings included in this research primarily focus on AWS, unless otherwise noted.

Amazon's rating is Positive based on the following key highlights:

- **Market-leading cloud infrastructure platform**: AWS continues to have the greatest breadth and depth of capabilities of all the cloud infrastructure and platform service providers in the market. The vendor continues to be a market leader in the overall market by setting accepted standards, developing technologies and establishing methodologies that are often copied in whole by competing cloud providers.

- **Broad partner ecosystem**: AWS has heavily invested in building a portfolio of technology and service partners that run their solutions on AWS's cloud platform. These partners provide customers with the services they need to deal with increasingly complex hybrid, multicloud and business outcome solutions. AWS also has a large ecosystem of third-party independent software vendor (ISV) partners that deliver AWS-compatible applications that run on the platform.

Areas to monitor include the following:

- **Multicloud:** Over the past few years, AWS has increased the number of options to use its technologies elsewhere through software-only offerings (for example, Amazon Linux, Amazon EKS Anywhere and Amazon EKS Distro), but it has exhibited little interest in becoming a general multicloud management vendor or competing in the market for cloud integration platforms.

- **Applications**: AWS has a disjointed SaaS strategy offering a small number of productivity and business applications that do not seem to tie together. Although it has made some efforts in the productivity SaaS arena (for instance, WorkDocs), it is not meaningfully competitive against Microsoft 365 or Google Workplace. Amazon has productized some business applications originally built for Amazon.com, such as Amazon Connect, Amazon Supply Chain and Amazon One, but AWS's SaaS strategy seems to be centered around enabling its SaaS vendor partners, rather than directly competing in the application market itself.

- **Generative AI**: The viral adoption of OpenAI's ChatGPT has demonstrated the potential of generative AI. AWS has been investing in some initiatives around generative AI internally and recently announced a managed service and its own foundation models as part of the Amazon Bedrock announcement. However, AWS lacks mind share in this space and is perceived as being behind compared to other hyperscalers.

Recommendations for IT leaders using or considering AWS:

- Choose AWS if you prioritize using the market leader when selecting vendors. AWS's market share and its solid portfolio of cloud services and edge capabilities make the vendor a good choice when needing to migrate applications to the cloud or modernizing applications and operational processes. AWS has one of the market's richest and most mature cloud and hyperscale edge infrastructure and platform service offerings.

- Exploit AWS's innovative capabilities to support strategic digital business initiatives. Leverage its PaaS capabilities, not just IaaS, to modernize IT operations and accelerate digital transformation. Allow open experimentation with new capabilities within "sandbox" environments.

- Implement appropriate cloud governance, management and security when adopting AWS. Begin with the first-party capabilities. As you scale your adoption, consider the use of third-party tools to deliver additional functionality. Ensure cross-functional collaboration on cloud financial management to optimize the business value of your spending.
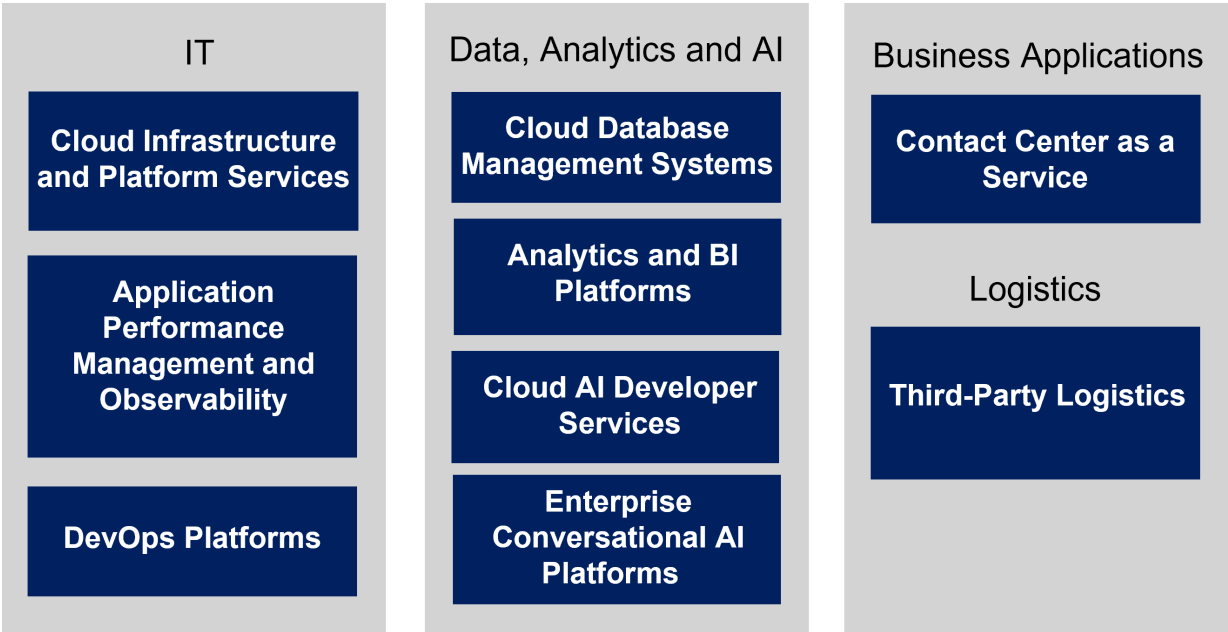
Detailed Rating

Product/Service: Strong

Product/Service	Weak	Caution	Variable	Positive	Strong

Amazon's product and service offerings maintain a Strong rating.

This rating reflects Amazon's continual stream of innovation in its product and service offerings. Innovation is particularly noted in AWS, whose integrated IaaS and PaaS (IaaS+PaaS) offerings are among the strongest and most complete in the industry. The vendor is also a strong leader in cloud database management systems and cloud AI developer services while also having a growing impact in other markets (see Figure 2).

Figure 2: Amazon Service Offerings in Gartner Magic Quadrants (2022-2023)

IT	Data, Analytics and AI	Business Applications
Cloud Infrastructure and Platform Services	**Cloud Database Management Systems**	**Contact Center as a Service**
Application Performance Management and Observability	**Analytics and BI Platforms**	Logistics
DevOps Platforms	**Cloud AI Developer Services**	**Third-Party Logistics**
	Enterprise Conversational AI Platforms	

Source: Gartner (June 2023)
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Gartner

To maintain its high rate of innovation, Amazon emphasizes one of its core "leadership principles": obsession with the customer. This is a philosophy that starts with the customer and then works backward, working "vigorously to earn and keep customer trust." [3] Amazon's customer focus results in hundreds of new product releases annually across Amazon's broad collection of products and services. The counter to Amazon's "customer obsession" approach is that it relies heavily on its customers' input to drive innovation. This reliance can impede AWS's ability to adapt to market dynamics and new buyer personas.

Amazon Web Services

AWS is an IaaS+PaaS offering, which provides a broad and comprehensive collection of services to support the development, deployment and operations of virtually any type of workload. In this market category, Amazon is the clear global market share leader, with a market share position of 46%. [4]

The AWS portfolio of products and services continues to be consistently strong and capable, and well-aligned with its more technical customers' needs. However, as with all hyperscale cloud providers, the sprawl of services creates significant complexity due to the abundance of choices. The sheer breadth of options — the result of AWS's greater history in the market and philosophical fondness for customer choice — requires expertise to optimize. AWS is initially easy to adopt, and the ease of self-service can encourage a "You Build It, You Run It" adoption model. However, most enterprises will need capable centralized governance (such as delivered by a cloud center of excellence) to promote effective and safe adoption. Technologists will require appropriate AWS-specific expertise, and AWS provides relevant training and certification capabilities. Amazon's solution partners are often engaged by AWS's customers to help with this complexity in the design, deployment and operation of cloud-based solutions. As cloud markets continue to shift and include more business-focused buyers, AWS must likewise evolve its capabilities, offerings and market messages to deliver business value outcomes.

Artificial Intelligence and Machine Learning

AWS offers a comprehensive collection of artificial intelligence (AI) and machine learning (ML) services and APIs, including support for language and vision service areas, which are further supported by Amazon's SageMaker ML services for developers and data scientists. AWS also offers specialized infrastructure designed for ML, including AWS Inferentia and AWS Trainium chipsets, and open-source ML frameworks optimized for performance on AWS. AWS has a broad set of cloud AI developer services, tools and capabilities, but the large number of products and services can be challenging for developers and their teams. (See Magic Quadrant for Cloud AI Developer Services.)

Alongside its existing SageMaker range of products, in 2023 AWS has announced:

- **Amazon Bedrock** — a managed generative AI foundation model (FM) API service

- **Amazon Titan FMs** — two FMs — one for text generation and another for search and personalization — that are currently available to a limited number of early-access customers

- **Partnership expansion** — an expanded partnership with ML company Hugging Face to make it easier to leverage open-source FMs together with Amazon SageMaker

See Building an Analytics and AI Architecture Using Amazon Web Services and Solution Comparison for Cloud Data Science and Machine Learning Platforms.

Cloud Infrastructure and Platform Services

AWS provides more than 150 IaaS and PaaS services within an integrated self-service experience. Due to its extensive capabilities, AWS is popular with customers building new cloud-native solutions and migrating legacy applications into cloud infrastructure. It is also popular with developers modernizing existing applications or building new applications, including customer-facing applications, data and analytics, mobile applications, and IoT.

AWS services are delivered through a global network of data centers comprising 27 full commercial regions (containing 87 Availability Zones) across 19 countries and six continents. There are at least five additional regions devoted to the U.S. government, as well as two regions in China that are delivered via partners. [5] AWS regions do not all offer the same services or hardware options — and services in each region may be at different versions — requiring customers to be thoughtful about region choices. Newer services are often rolled out into US-East-1 before other regions, leading many digital-native customers to prefer this region — which leads to notable systemic concentration risk in this region.

AWS provides customers a rich set of capabilities and services (AWS Migration Hub and AWS Migration Acceleration Program) to migrate their applications and workloads on to the vendor's IaaS services.

See Magic Quadrant for Cloud Infrastructure and Platform Services, Critical Capabilities for Cloud Infrastructure and Platform Services and Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers.

Data and Analytics

AWS has a diverse collection of database management system (DBMS) offerings and is the DBMS service provider leader by market share, irrespective of cloud. [4] AWS has a broad range of relational and nonrelational database platform as a service (dbPaaS) offerings, covering a comprehensive set of use cases. These offerings encompass commonly used open-source and commercial databases but also include proprietary AWS databases. However, AWS does not have a unified multimodal dbPaaS. AWS also offers its own proprietary data warehouse (Amazon Redshift), which is supported by numerous business intelligence (BI) partners. AWS also offers a full range of services comprising an end-to-end data and analytics pipeline.

In 2023, AWS announced the preview of a new data management service called Amazon DataZone, which makes it faster and easier for customers to catalog, discover, share and govern data stored across AWS, on-premises and third-party sources.

See Magic Quadrant for Cloud Database Management Systems, Solution Scorecard for Amazon Relational Database Service, Building an Analytics and AI Architecture Using Amazon Web Services and Building a Data Management Architecture Using Amazon Web Services.

AWS offers a cloud-based analytics and BI service called Amazon QuickSight that is primarily sold to the AWS customer ecosystem.

See Magic Quadrant for Analytics and Business Intelligence Platforms and Critical Capabilities for Analytics and Business Intelligence Platforms.

Distributed Cloud and Edge Computing

AWS's distributed cloud and edge offerings are typically tethered to an AWS region — that is, the services are dependent upon a control plane physically located in the data centers of that region. This may be inadequate to meet some cloud sovereignty requirements. AWS's "local zone" strategy — extending large regions with small data centers placed in other metropolitan areas (which may be located in other countries), rather than building full self-contained regions in those areas — poses similar sovereignty challenges.

Location-specific dependencies are driving the need for AWS to deliver cloud services to locations outside of centralized, public cloud data centers. Application and operating needs driving this trend include latency and performance issues, data sovereignty, compliance, security, and user preference. AWS delivers location-specific services through different types of distributed cloud offerings, including:

- AWS Outposts — An integrated and managed hardware and software offering delivering select AWS services for use in dedicated customer facilities including on-premises customer data centers and colocation facilities

- AWS Wavelength — AWS services delivered and integrated with 5G networking connectivity, offered in partnership with AWS's 5G telecom partners

See Important and Compelling Innovations in the CIPS Market: Distributed Cloud and Hyperscale Edge, Comparing On-Premises Public Cloud Appliances: AWS Outposts, Microsoft Azure Stack Hub and Google Distributed Cloud Edge and Quick Answer: How Do I Obtain Isolated Private Cloud Services?

Security and Identity

While AWS has proven to be a reliable provider of secure cloud infrastructure and platform services, use of these services ultimately relies on the customer for correct and compliant configuration. The large number of services and their huge range of configuration options increases the chance for customer misconfiguration that could result in a breach. AWS provides numerous governance, management and security services intended to assist customers with policy-driven controls. However, the sheer number of these services (and third-party options), along with the deep granularity of the available control schemes, can be a complexity challenge unto itself.

In terms of built-in security capabilities, AWS offers a rich set of services, such as distributed firewalling, web application firewalling, sensitive data discovery, threat detection and response, key management, and identity services. However, the security services are neither fully integrated nor comprehensive. Beyond the security capabilities available from AWS, an extensive ecosystem of security partners offers a wide range of third-party products and services, some of which build on and extend AWS native controls.

See Solution Path for Security in the Public Cloud.

Industry Focus

AWS is a cross-industry cloud service offering with capabilities that can be applied broadly across all industries. However, organizations today are increasingly looking for solutions that meet their industry-specific requirements, in line with supporting their business requirements.

AWS has prioritized offering more industry-specific expertise, services and solutions. Today, AWS itself offers services/solutions across 15 different core industry verticals. The vendor has also hired more industry specialists to engage customers and also help prioritize the right use cases. The vendor's industry portfolios include three industry offering varieties, including AWS industry-focused products (AWS calls them purpose-built services), AWS Industry Solutions and partner solutions. Some examples include:

- AWS for Financial Services — Amazon FinSpace, Amazon Textract Analyze Lending

- AWS for Health — Amazon Omics, Amazon HealthLake, Amazon Comprehend Medical

- AWS for Retail — AWS Supply Chain, Amazon Just Walk Out, Amazon Dash Cart, Amazon One, Amazon Forecast

In addition to its product investments in industry-focused solutions, AWS is building go-to-market capabilities in its sales, marketing and partner programs to engage with customers through industry value propositions and solutions. AWS offerings are complemented by validated, third-party ISV solutions targeted at specific vertical-industry markets, which are often available in AWS Marketplace.

See Analyzing Industry Cloud Offerings From CIPS Providers.

Professional and Managed Services

AWS provides support, training, and professional and managed services, including AWS Support, AWS Managed Services (AMS), AWS Migration Acceleration Program, AWS Professional Services (PS), AWS IQ, and AWS Training and Certification. AWS PS provides packaged offerings that help to accelerate specific business outcomes. These offerings are designed to address more advanced "how to" scenarios than premium support. AWS also assists partners by embedding AWS PS people inside partner-led customer engagements assisting the partner PS teams.

AWS has an extensive array of third-party managed service provider (MSP) partners. AWS Advanced and Premier Consulting Partners that successfully complete the MSP Program qualifications (including a third-party audit of capabilities) are entitled to an "MSP Partner" badge. However, AWS also offers AWS Managed Services (AMS), a set of automation-first managed service offerings that are narrower in scope than typical third-party managed services. AMS can be wholly delivered by AWS, delivered in conjunction with a partner, or resold by a partner.

AWS Training and Certification provides customers with resources to build skills for individuals and the customer organization, rather than outsourcing for those skills. Credits for training are often negotiated into Private Pricing Agreement (PPA) agreements.

Amazon Products and Services

Amazon's innovations in its cloud (AWS), e-commerce and consumer-focused businesses often share a common technology heritage providing leverage and benefit across Amazon's businesses. Beyond AWS cloud services, Amazon has a wide portfolio of offerings for consumers and businesses, including devices such as Amazon Echo and Alexa-enabled devices, Kindle e-readers, and Amazon Halo health tools. Although most Amazon devices serve the consumer market, Amazon also provides business service offerings via its Alexa Smart Properties (ASP) offering launched last year. In May 2023, AWS retired Alexa for Business and replaced it with ASP Core, a common tool intended to let enterprises manage a wider range of Echo devices and access more Alexa features. AWS also offers ASP subscriptions that include device fleet management and industry-specific offerings (Senior Living, Residential, Hospitality, Healthcare) tailored for specific users and tasks.

Support/Account Management: Positive

	Weak	Caution	Variable	Positive	Strong
Support/Account Management	■	■	■	■	

Our unchanged Positive rating for Amazon's support/account management relates to AWS capabilities and not the broader Amazon businesses. This rating reflects its excellent presales, onboarding and technical support, but variable levels of engagement in ongoing account management from sales.

The AWS sales organization is highly technical, which provides customers consistency throughout their sales cycle, including solution feasibility discussions, trials, purchase, deployment, configuration and optimization. AWS has shown a strong and consistent ability to engage with technical audiences, including architects, developers and IT operators. While in the past, AWS has been less adept at engaging with business-focused audiences, the vendor has been making investments in developing its sales competencies to include business value discussions with customers, including industry-specific outcomes. AWS has developed over 300 prebuilt vertical/industry and partner solutions. The evolution of AWS sales and account management capabilities from its technical orientation to include business outcome competencies is critical for AWS to engage buyers who are increasingly oriented around business outcomes rather than the more traditional IT outcomes.

AWS's sales representatives are subject to significant pressure from aggressive quota targets. This means that customers who are midcontract may receive significantly less attention, leaving their AWS sales representatives potentially unaware of new opportunities within existing customer accounts, or changes in customer needs and priorities. It can also lead to significant conflict during renewal negotiations, as the AWS sales teams often push for aggressive growth targets even though customers are trying to optimize their existing spending and become more thoughtful about expanding their cloud adoption.

AWS's paid support programs are highly rated by customers for timeliness, quality and online resources. Customers engaging with AWS typically find fast resolution of technical questions or issues throughout the sales process, and during implementation and ongoing operations. AWS customer support provides tools and expertise to optimize the performance, risk and cost of using AWS. The AWS support teams demonstrate a consistent and deep technical competence and, in many cases, work closely with customers to build end-to-end support practices for industries and business solutions, and to inform their roadmaps. Customers implementing sophisticated business solutions based on AWS can alternatively seek out qualified AWS Partners, IT services partners in particular, which bring industry expertise and assist with envisioning and implementing business solutions based on AWS technologies.

Customers that have gone beyond experimental or pilot use of AWS should consider purchasing one of AWS's four paid support plans, which are structured by function and the criticality of the systems using AWS:

- Developer — Recommended for experimental use of AWS or for testing

- Business — Recommended for production use of AWS

- Enterprise On-Ramp — Recommended for production and/or mission-critical use of AWS

- Enterprise — Recommended for mission-critical and business use of AWS

AWS customers opting for AWS Enterprise Support have access to a designated technical account manager (TAM) who will provide not only direct support, but also proactive advice, such as recommendations for technical improvements and cost optimizations. Enterprise On-Ramp and Enterprise Support customers have access to a concierge support team for billing and account inquiries and receive an architectural review by AWS solution architects to ensure incorporation of AWS best practices. AWS also provides comprehensive online support resources, including regularly updated AWS documentation. The AWS Trusted Advisor service, which can perform automated checks on AWS accounts for conformance to good practices, is freely available to all customers, but Business and Enterprise Support customers have access to a larger library of checks.

Partner Programs

AWS's partners are supported through the AWS Partner Network (APN). The APN is a global community of 100,000 partners from more than 150 countries that leverage programs, expertise and resources to build, market and sell customer offerings. AWS's partners provide customers with the services they need to deal with increasingly complex hybrid, multicloud and business outcome solutions. AWS partners complement and supplement AWS capabilities in delivering the complete solutions that customers require for their unique circumstances and desired outcomes.

The APN is a critical factor in AWS's go-to-market strategy to extend the reach of AWS expertise to more diverse markets and to scale the expertise needed for complete, cloud-based solutions. To help partners achieve higher profitable growth, the vendor introduced the AWS Partner Profitability Framework in 2022 as a new organizing construct for simplifying AWS programs, tools and benefits across all partner business models: resell, services, managed services, technology solutions and business outcome delivery.

Pricing Structure: Positive

	Weak	Caution	Variable	Positive	Strong
Pricing Structure	███	███	███	███	

Amazon's pricing structure remains rated as Positive. The rating is based on AWS pricing structures and not the pricing structures of the broader Amazon.

The AWS pricing and discount structure is consistent and predictable with flexibility to accommodate the unique needs of customers through its private pricing options. However, the AWS pricing structure, combined with the dynamic nature of cloud operations and usage-based billing, is complex and challenging for most organizations to forecast, manage and optimize. AWS customers — like customers of other cloud providers — often struggle with this complexity and invest time and money in building cost management strategies.

AWS does not require long-term contracts, although higher discounts are applied when customers make longer commitments (usually in three- to five-year terms). Additional service discounts, migration credits and other incentives are negotiated in Private Pricing Addendums (PPAs) based on total spend, term, migration and publicity commitments on AWS services.

AWS provides a broad and comprehensive approach to pricing, including standard and negotiated pricing models. AWS makes heavy use of cloud spending commitments for discounting, including Amazon EC2 Reserved Instances (RIs) and AWS Savings Plans. AWS also supports ad hoc consumption through the preemptible Amazon EC2 Spot Instances, in which customers pay a variable rate for EC2 capacity. Spot Instances can provide significant savings over on-demand consumption for workloads where interruptibility is technically reasonable and the organization has the wherewithal to manage fluctuating prices.

AWS Savings Plans allow customers to gain lower per-unit costs (compared with On-Demand pricing) in exchange for a spending commitment over a one- or three-year term. AWS offers three types of Savings Plans:

- Compute Savings Plans

- EC2 Instance Savings Plans

- Amazon SageMaker Savings Plans

AWS offers usage discounts to customers spending more than $500,000 annually via the PPA. Private pricing plans are nonstandard agreements, which must be negotiated with AWS. Discount terms are based on the size and duration of the customer's spending commitment. Private pricing discounts favor organizations making significant financial commitments and those customers with notable potential for future growth. Customer commitments and corresponding discounts (as well as incentives such as migration credits or discounts off support) are applied over the term of the contract. Discounts are indexed based on the standard AWS pricing schedule, which means that, if the published retail price changes, the discounts are applied to the new standard prices.

Some customers still report being pressured to increase their AWS spending at contract renewal time by up to 20% in order to continue receiving discounts; however, this is not AWS policy, and these issues are typically resolved if the customer escalates.

Overall, the AWS pricing models are sufficiently flexible to allow organizations to find an AWS procurement strategy that works for their unique situation. Discount structures are generally standardized, making it easier for customers to determine whether or not they have the right plan in place. The complexity of AWS pricing is manifest in the dynamic nature of cloud, the opacity of some of the billing constructs, and the extensive collection of AWS services (each with its own cost).

Pricing and cost issues can generally be addressed with the use of AWS (or third-party) cost management tools that provide cost visibility (monitoring and reporting), governance, optimization, forecasting, and entitlement management in conjunction with cloud financial operations (FinOps) practices. AWS has become more proactive in working with customers (including through partners) to help customers optimize their AWS spend.

See 5 Phases for Preparing to Negotiate Your AWS Private Pricing Contract, 3 Steps to Strategic Negotiation With AWS, and Tool: Checklist for Negotiating Optimal AWS Contract Terms and Conditions.

Cloud Marketplace

AWS has built a robust marketplace not only to promote partner solutions and services, but also to simplify procurement, provisioning and governance of third-party software, services and data. The AWS Marketplace helps customers discover, acquire, provision and manage:

- Solutions built on AWS, such as SaaS solutions from ISV partners

- Professional services from APN partners

- Software designed for deployment on the AWS platform, delivered as Amazon Machine Images (AMIs) for virtual machines (VMs), container images or CloudFormation templates

- AI/ML algorithms and pretrained ML models for Amazon SageMaker

- Curated datasets (through AWS Data Exchange)

The AWS Marketplace offers standardized contract options giving customers the ability to purchase software and data from participating sellers with standard terms that govern software usage and define obligations of each party. This allows organizations to alleviate lengthy negotiations and streamline software procurement. The AWS marketplace also supports a "private offers" option that enables customers to receive custom software pricing and terms from a third party that is not publicly available in AWS Marketplace. Customers report few complaints apart from sometimes having difficulty searching for the right partner or solution on the website.

Technology/Methodology: Strong

	Weak	Caution	Variable	Positive	Strong
Technology/Methodology					

Amazon retains its Strong rating in technology/methodology.

Technology is at the core of the Amazon business model and a key lever for driving growth and profitability for the company. Amazon uses technology to support its broad business interests and as a key differentiator in its approach to the markets it serves. Technology innovations are shared across business boundaries in a mutually beneficial fashion. Amazon business units also share a common culture, including leadership principles, which drive consistency in operations and encourage cross-organizational leverage of the company's assets. An example of this approach is the Amazon "Day 1" philosophy, [6] which positions customer requirements at the center of all innovation initiatives and drives the technology strategy for Amazon broadly.

Amazon's high rate of technical innovation is demonstrated in AWS, where there is a culture of continuous innovation and feature expansion. AWS introduces thousands of new capabilities annually, typically showcased at its annual AWS re:Invent event. [7] AWS innovation includes its support of third-party partners, which build solutions using AWS tools and often make those innovations available through AWS Marketplace, an extensive catalog of validated third-party solutions available on the AWS platform.

AWS technology programs and methodologies extend to customers and partners to assist in the successful adoption, use and optimization of cloud workloads. Many of its best practices are shared with customers and partners to drive consistency and success for those using AWS. Some examples of AWS programs that facilitate the successful adoption and use of AWS cloud services include:

- AWS Migration Acceleration Program (MAP) — To facilitate migration to AWS cloud services

- AWS Security Hub — Security best-practice checks, alert aggregation and automated remediation

- AWS Cost Explorer — Cloud financial management capabilities for monitoring, reporting, budgeting, forecasting and optimizing cloud costs

Amazon One and Amazon "Just Walk Out" are additional examples of Amazon technology innovations originally designed to improve the shopping experience through the use of AI technologies and to support Amazon's businesses (such as Amazon Go and Whole Foods Market). AWS has taken these applications and made them available to a wider array of customers across travel, stadiums and universities in addition to large and midsize retailers.

See Market Guide for 'Go-Style' Smart Check-Out POS Solutions for Retail.

Developer Programs

AWS is popular with professional developers due to the richness of the platform and the targeted development programs and outreach. AWS offers a wide range of SDKs and integrated development environment (IDE) toolkits to support developers in more than a dozen languages. Usability is enhanced through tools like AWS CloudFormation and the AWS Cloud Development Kit, which provide infrastructure-as-code tools to help developers provision AWS infrastructure programmatically. AWS Cloud9 is a cloud-based integrated development environment to assist developers in writing, running and debugging code. In 2Q23, AWS announced the general availability of its ML-coding assistant called Amazon CodeWhisperer — a coding companion that generates whole-line and full-function code suggestions within the IDE.

Although AWS offers rich and complete cloud development components, the AWS offering is less cohesive than some other competitive offerings, which provide not just the elements of a value stream delivery platform (VSDP) but also a value stream management platform (VSMP). In other words, AWS offers the DevOps toolchain capabilities of a VSDP, but not the dynamic end-to-end visualization of development value streams expected from a VSMP. AWS's component-based approach also leads to pricing complexity, as each component may have associated usage charges. In 2023, the vendor announced the general availability of Amazon CodeCatalyst, an integrated software development and delivery service for developers to build, test and deploy applications on AWS.

Additionally, AWS provides support for professional development operations through AWS CodeBuild, AWS Cloud9, AWS CodeStar and AWS X-Ray. AWS was an early pioneer of serverless approaches through AWS Lambda, which is complemented by AWS Fargate and AWS Proton, a fully managed application deployment service to facilitate the definition and deployment of well-architected, containerized and serverless applications.

See Innovation Insight for ML-Powered Coding Assistants, Market Guide for Value Stream Delivery Platforms and Market Guide for Value Stream Management Platforms.

Strategy: Positive

	Weak	Caution	Variable	Positive	Strong
Strategy					

Amazon remains rated Positive for strategy. This rating reflects its approach of listening to customers and building long-term relationships with them but sometimes not being viewed as the leader or first to market in emerging innovations, such as multicloud, generative AI or low-code development.

These macroeconomic issues also have created a much more difficult IT spending environment, and buyers are mandated to operate with compressed budgets and elongated approval cycles to get funding for IT projects. The cloud buyer profile is expanding from technology-savvy buyers, where AWS has historically been strong, to business value buyers. AWS is beginning to embrace this market shift to extend its value proposition to a buyer group that may not have an appreciation for its strong technology capabilities.

However, the biggest strategic challenge for AWS, going forward, is its internal fragmentation. Amazon's vaunted "two pizza teams" [1] [2] — small self-contained service teams that run like miniature businesses — have been superb for rapidly building a diverse and extensive portfolio of individual AWS services. Each service can concentrate on the needs of its particular set of customers — but this leads to a mindset in which a customer is a customer of *that service* rather than an *AWS* customer. These teams have limited incentive to integrate — and integrations are often built by spawning a new service team to create a solution. Service teams compete internally for resources, as if they were individual companies within an incubator. There does not seem to be a top-down vision of AWS *as a whole* — that is, as a continuous set of integrated solutions that holistically serve the needs of a customer. As customers increasingly turn to cloud providers for an integrated vision of future technology, this fragmentation places AWS at a competitive disadvantage.

AWS strategy has improved in these areas:

- **Buyer personas**: AWS understands that it needs to more effectively engage the business and executive personas. The vendor has revamped its account engagement and seller enablement approach to reflect this change. However, this change doesn't mean that AWS has pivoted from IT to business personas; it reflects the engagement of both IT and business, which often both are involved in purchase decision making.

- **Cost optimization**: AWS is taking a multipronged approach to helping customers optimize their spend and workloads using the cloud platform. Initiatives include:

  - Proactively engaging customers to help them optimize their spend using the platform

  - Providing cost-optimization-related insights to help customers better understand where the spend is occurring

  - Using AWS's ARM-based Graviton2 processor to power AWS's PaaS offerings, allowing it to avoid raising prices

- **Data sovereignty:** [11] AWS offers a range of data protection features, accreditations and contractual commitments that give customers control over where they locate their data, who can access it, and how it is used. Based on its published sovereignty pledge, AWS promises to invest in areas like data residency, granular access restriction, encryption and resilience: control over the location of data, verifiable control over data access, the ability to encrypt everything everywhere, and resilience of the cloud to address some of the sovereignty requirements of customers.

Areas where AWS strategy has gaps include:

- **Applications.** The AWS strategy is primarily based on offering applications where the vendor has developed technology internally or has expertise to build new applications. While AWS has introduced some business applications (i.e., Connect, Supply Chain) along with productivity applications (i.e., CodeWhisper, DataZone), its application strategy appears to be disjointed, and the vendor hasn't communicated a product roadmap. In addition, its application-related initiatives and teams (AWS Applications, AWS Solutions, AWS Industries, AWS Marketplace) have no apparent coordination or shared strategy.

- **Generative AI.** Although AWS has built and embedded generative AI capabilities for some Amazon products like CodeWhisper and will soon offer its Bedrock managed service, the vendor has not communicated a strategy for building and offering generative AI services or generative AI-enabled products to its customers.

- **Fusion teams.** AWS needs to increase investments in low-code tooling to support fusion teams consisting of expert developers working alongside business technologists. Fusion teams blend technology or analytics and business domain expertise and share accountability for business and technology outcomes. Amazon SageMaker Canvas is an example of how AWS is supporting data science fusion teams, but the vendor needs to expand to other domains, such as application development.

Amazon's strategy is guided by four key principles: customer obsession, passion for invention, commitment to operational excellence and long-term thinking. [2] This means primarily listening to the needs of customers rather than reacting to market dynamics or competitive pressures. Innovations are often deployed first within Amazon's business before being made commercially to customers. This provides Amazon the opportunity to understand and learn how to best use the innovation. This approach means that Amazon may not always be first to market with an innovation or respond to hype in the market. Also, Amazon typically doesn't effectively communicate its strategies for its product and service roadmaps. This reflects the culture of not overpromising to customers. And, as an engineering-driven organization, it does a less effective job of marketing its products and services compared to other public cloud providers.

Market changes challenge all incumbents to evolve their strategy, particularly as market shifts align with their competitors' strengths. AWS is equipped to meet these growing trends, but it must adapt its strategy using its customer obsession to embrace new buyer personas and align its value proposition with the wants and needs of a changing customer population. AWS's response to these trends must be reflected in its service offerings as well as its go-to-market and customer engagement programs, including sales, support and partnerships.

Corporate Viability: Positive

	Weak	Caution	Variable	Positive	Strong
Corporate Viability					
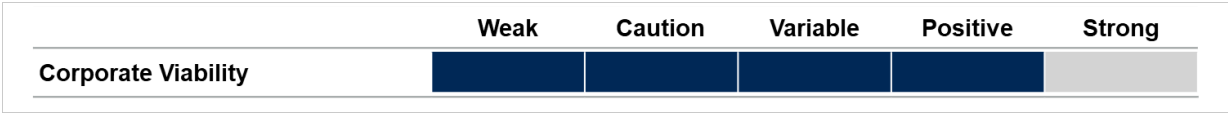
Gartner rates Amazon's corporate viability as Positive (down from a Strong rating in 2022) as a result of softer financial performance that impacted its Financial Statement Scorecard.

The uncertain economic environment and ongoing inflationary pressures are driving cautious spending across consumers and enterprises. The company's business model continues to favor continued customer engagement and loyalty above driving pure profit motives. This customer orientation is built into Amazon's culture and how they think about their customer relationships and business over the long term. Resulting revenue growth is consistently reinvested back into the business, increasing solution breadth and entrance into new markets, which, in turn, creates new opportunities to apply its model and take share of these new markets.

The past year has seen Amazon focus on cost streamlining across the company. The Amazon leadership team evaluated each business initiative's long-term potential to drive enough revenue, operating income, free cash flow and return on invested capital. As a result, the vendor made several moves in recent months to cut its operating costs, most notably by laying off thousands of workers from its e-commerce unit and closing down some business units, such as Amazon Fabric and Amazon Care. The number of employees at the company has shrunk by 10% since its peak in early 2022, or by 150,000 workers. At the end of 2022, Amazon confirmed 27,000 layoffs in divisions including human resources, retail and cloud computing.

Amazon's e-commerce business was flat year over year. The slower year-over-year growth in 2022 was driven by difficult comparable periods as Amazon came off pandemic levels of demand, coupled with cautious consumer spending driven by the ongoing economic uncertainty and the continued inflationary pressures seen worldwide throughout the year. In 2022, the vendor reviewed each business and rightly questioned each business' long-term potential to drive enough revenue growth, operating income, free cash flow and return on invested capital. [10] As the result of this review, Amazon announced an 18,000-person layoff in 2022, the largest in the company's history. This was followed by 9,000 more employees in early 2023, bringing the total to 27,000 job cuts. Additionally, in April 2023 it announced it had also started laying off employees in AWS operations amid slowing sales growth in its most profitable division.

Increasing scrutiny from stakeholders is leading many end-user organizations and technology companies to investigate the sustainability practices of their technology and service providers. Amazon, including AWS, has a broad and comprehensive approach to sustainability with noted strengths in environmental sustainability as demonstrated by its multiyear sustainability reporting and progress tracking. Amazon has set specific goals to achieve sustainability outcomes, including achieving net-zero carbon across Amazon operations by 2040, being water-positive by 2030, transitioning to 100% renewable energy by 2025, reducing food waste, and more. Achieving sustainability goals is far more difficult for Amazon's large retail footprint compared to the AWS side of the business.
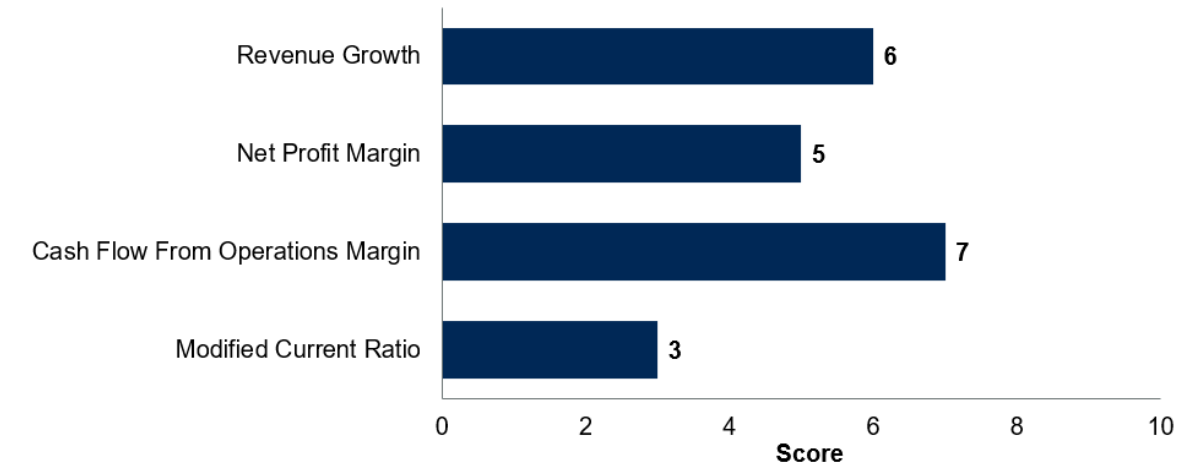
While Amazon is seeing increasing pressure from competitors in both the e-commerce market (Walmart) and cloud infrastructure platform market (Google and Microsoft), it still garners the benefits of creating a scale at which few others still can compete. As Amazon continues to apply its scale and solution breadth to the markets it competes in, it reaps the benefits of diversification across customer types, solution types and geographies. Ultimately, Amazon's brand, scale, diversification, visibility and sustainability have created a business that can more than weather the economic uncertainties and remain viable for the foreseeable future.

Financial: Variable

Amazon's financial rating, based on Amazon's aggregate business, is rated as Variable as of 31 March 2023. This rating is based on Gartner's Financial Statement Scorecard methodology, which measures growth, financial strength, liquidity and profitability (see Note 1 and Figure 3).

Figure 3: Financial Statement Scorecard: Amazon

Financial Statement Scorecard: Amazon

Category	Score
Revenue Growth	6
Net Profit Margin	5
Cash Flow From Operations Margin	7
Modified Current Ratio	3

Source: Gartner (June 2023)
ID: 773178

Revenue growth at Amazon was 9.9% for the trailing 12-month period ending 31 March 2023, down from 14.0% in the same period a year earlier. Operating cash flow as a percentage of revenue of 10.4% was up this period from 8.2% last year. We are starting to see that supply chain problems, inflation, COVID-19 spending and currency headwinds have a smaller impact on the company's results compared to last year. This is evident in the company's free cash flow. While free cash flow was negative $3.319 billion for the trailing 12-month period, this is a significant improvement over the last three periods. And while clearly there are negative factors impacting the company's cash generation, the investments made to fuel increased supply and innovation are necessary to sustain the strong growth and end-market penetration that we believe Amazon continues to experience.

The AWS business continues to grow as a percentage of total Amazon revenue, now 17% versus 14% a year ago. This result is positive from a profitability standpoint, as AWS is significantly more profitable than the corporate average.

Ultimately, while Amazon continues to improve operations and profit margins and grow its business at scale, this performance is offset by the margin profile and liquidity of the retail business, which drives a Financial Statement Scorecard rating of Variable using Gartner's methodology. The strength of Amazon's operating model, driven by cash conversion and reinvestment in the business to fuel repeatable growth and new addressable market opportunities, yields an overall Positive corporate viability rating.

Evidence

[1] Amazon.com, Inc. Form 10-K, For the Fiscal Year Ended December 31, 2022, U.S. Securities and Exchange Commission.

[2] Who We Are, Amazon.

[3] Leadership Principles, Amazon.

[4] Market Share: Enterprise Public Cloud Services, Worldwide, 2021

[5] Global Infrastructure, AWS.

[6] Elements of Amazon's Day 1 Culture, AWS Executive Insights.

[7] Top Announcements of AWS re:Invent 2022, AWS News Blog.

[8] AWS Well-Architected, AWS.

[9] Housing Equity, Amazon.

[10] CEO Andy Jassy's 2022 Letter to Shareholders, Amazon.

[11] AWS Digital Sovereignty Pledge: Control Without Compromise, AWS Security Blog.

[12] Powering Innovation and Speed With Amazon's Two-Pizza Teams, AWS Executive Insights.

Note 1: Gartner's Financial Statement Scorecard for Public Companies

Gartner's Vendor Financial Statement Scorecard methodology measures a combination of growth, profitability and liquidity based on a company's financial results from public financial statements according to generally accepted accounting principles (GAAP). Gartner uses a standard methodology to derive its vendor financial statement scorecard to provide a like-for-like view among a pool of more than 750 vendors using publicly available financial information. The four basic criteria are:

1. Revenue growth (trailing 12-month year-over-year revenue growth).

2. Profitability (trailing 12-month GAAP net profit margin) with net income as a percentage of revenue.

3. Balance sheet liquidity (current ratio) as current assets divided by modified current liabilities (which adjusts for the presence of deferred revenue).

4. Cash flow based on the trailing 12 months of cash flow from operations as a percentage of the trailing 12 months of revenue.

5. For companies with large amounts of net debt, a fifth criterion, net debt divided by trailing 12-month cash flow from operations, is incorporated.

Gartner's policy is to use financials based on GAAP in calculating the ratios needed for the Vendor Financial Statement Scorecard (see Understanding the Methodology Behind Gartner's Financial Statement Scorecard for Public Companies).

Company Overview

Amazon

Headquarters: Seattle, Washington, U.S.

www.amazon.com

Amazon is a multinational conglomerate with business interests in e-commerce, cloud computing, digital media and entertainment, content streaming, grocery, and retail. Amazon has an extensive network of fulfillment centers along with distribution and delivery capabilities. Amazon leverages technology, such as cloud computing and artificial intelligence, to innovate and disrupt existing markets, as evidenced by its cloud computing business, Amazon Web Services (AWS).

Overall Rating Definitions

Strong	Is viewed as a provider of strategic products, services or solutions: ■ Customers: Continue with planned investments. ■ Potential customers: Consider this vendor a strong choice for strategic investments.
Positive	Demonstrates strength in specific areas, but execution in one or more areas may still be developing or inconsistent with other areas of performance: ■ Customers: Continue planned investments. ■ Potential customers: Consider this vendor a viable choice for strategic or tactical investments, while planning for known limitations.
Variable	Shows potential in specific areas though still variable in more than one of the required categories: ■ Customers: Consider the short- and long-term impact of possible changes in status. ■ Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this vendor.
Caution	Faces challenges in multiple required categories and execution is inconsistent: ■ Customers: Understand challenges in relevant areas, and develop contingency plans based on risk tolerance and possible business impact. ■ Potential customers: Account for the vendor's challenges as part of due diligence.
Weak	Has difficulty responding to problems in multiple areas: ■ Customers: Execute risk mitigation plans and contingency options. ■ Potential customers: Consider this vendor only for tactical investment with short-term, rapid payback.

Document Revision History

Vendor Rating: Amazon - 17 May 2022

Vendor Rating: Amazon - 17 May 2021

Vendor Rating: Amazon - 7 July 2020

Vendor Rating: Amazon - 6 February 2019

Vendor Rating: Amazon - 30 January 2017

Vendor Rating: Amazon - 6 January 2016

Vendor Rating: Amazon - 31 December 2014

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5 Phases for Preparing to Negotiate Your AWS Private Pricing Contract

4 Best Practices to Reduce Costs in Your Cloud Infrastructure and Platform Services Contract

Managing Cloud Economics: A Cloud Architect's Guide to Productive Relationships With Sourcing Leaders

Analyzing Industry Cloud Offerings From CIPS Providers

Strong	Is viewed as a provider of strategic products, services or solutions:
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