Big Tech's Global Strategy in the Cloud

Amazon, Microsoft, Google and Alibaba are fighting tooth and nail in the cloud market, using strategies heavily influenced by their respective histories.

A lot has been said about how Big Tech has been eating the lunch of traditional companies. While it's true that incumbents must quicken the pace of their digital journey if they are to catch up, the lesser-known story is that many of the Big Tech firms – specifically, Amazon, Google, Microsoft and Alibaba – are waging a vicious battle over the cloud market that powers most of that digital transformation.

The cloud, or the virtual delivery of computing services from servers and storage to analytics and intelligence, is behind many of the digital innovations we now take for granted. Just think of Netflix or Spotify. For that matter, consider that almost every application on your smartphone leverages the cloud. It's just the tip of the proverbial iceberg. If you're working for a large company, odds are that its IT operations are running on the cloud, too.

Recently, Epic Games, the maker of the popular online game Fortnite, brought everyone's attention to the fact that iTunes and Google Play take a **30 percent cut** from in-app sales. But what many people don't know is that in the larger world of cloud computing, it is actually Amazon and Microsoft that have captured most of the value thus far.

Already growing at a compound annual rate of 12.6 percent, the global public cloud market is forecast to reach **US$331 billion** in 2022. Of course, all major players are racing to maximise their share of this market, but as I show in **"Cloud Wars Go Global"**, a recent case study co-written with INSEAD Research Associate Anne Yang, their organisational history shapes their playbook – what they're able to do or what they end up doing.

Comparative strategies

With the launch of Amazon Web Services (AWS) in 2006, Amazon was the first to gain a solid foothold in the cloud market. With the most complete and technically advanced system, AWS expanded aggressively. Leading in infrastructure-as-a-service, it soon provided every cloud service possible, such as memory processing, Internet of Things and artificial intelligence.

AWS's strength from the beginning was that it could offer what it had to develop for itself anyway. For instance, as the top e-commerce entity, Amazon needed servers and computing power everywhere in the United States. This meant that it could sell the same service to organisations no matter their location. Amazon also needed innovation. It was scaling fast. It offered the same capability to everyone else.

Microsoft Azure was the first major challenger to

AWS's dominance in the cloud market. From 2010, it surged with the introduction of tools for the "hybrid cloud" – systems that allow companies to move some computing to the cloud while retaining control of highly confidential data. In the same vein, Microsoft Azure targeted retailers that worried about a potential conflict of interest with Amazon. But perhaps its key strength was that its cloud unit could actively forge synergies to drive corporate sales of its services along with popular enterprise products, from Office 365 all the way to LinkedIn services.

Google launched its Google Cloud Platform in 2013. Similar to Amazon, it was able to leverage its ubiquitous data centres – which it needed itself – to offer scalability to clients. However, having neither Amazon's retail muscle nor Microsoft's enterprise sales pedigree, Google has faced more hurdles than its rivals. One of its biggest strengths is its machine learning combined with AI capabilities, which gained traction among financial institutions. A partnership with SAP tied these capabilities to SAP's pervasive system. Analysts predicted that Google would gain market share over time, thanks to its lower pricing and higher computing speeds. It is definitely putting up a good fight.

Alibaba Cloud was established as a subsidiary of the Alibaba Group in 2009. Like AWS, it grew out of an e-commerce ecosystem to provide cloud computer services to other online businesses. After conquering the Chinese market, its next geographic strategy became to penetrate anywhere that Chinese e-commerce goes, starting with places with a large Chinese diaspora like Southeast Asia. Eyeing a global footprint, it found the US market to be extremely competitive, notwithstanding the towering political hurdles that could arise at any time, as Huawei and ByteDance are experiencing. Nevertheless, it has made headway with multinationals, especially in Europe and Asia.

Cloud Service Provider	Full Year 2019 (in billions)	Full Year 2019 Market Share (%)	Annual Growth (%)
Amazon Web Services	35	32	36
Microsoft Azure	18	17	64
Google Cloud	6	6	88
Alibaba Cloud	5	5	64
Others	43	40	23

Source: Canalys (company infrastructure spending)

As of 2019, AWS was the largest cloud service provider, with revenues of US$35 billion. Microsoft Azure follows, with about half the sales. Google

Cloud is number three in the race. However, last year, it managed to grow its business by 88 percent, faster than any other provider. Alibaba Cloud is obviously no slouch, competing neck and neck with Google Cloud. It also benefits from a strong presence in Southeast Asia, a region slated for massive growth.

The cloud as an enabler

As it allowed any online business to scale fast without the need to invest in costly IT systems (and related highly skilled personnel), cloud computing has been a major revolution. A building block of the digital economy, it has played an important role in levelling the playing field, allowing organisations of all sizes to embrace digital transformation. In developing countries, it has even enabled companies to leapfrog over earlier technologies.

Whether a particular cloud player will manage to capture the whole market remains to be seen. Only one fifth of enterprise applications run on the cloud, a result of legacy IT systems and slow corporate buy-in. Clearly, there is still plenty of room for cloud providers to grow. Cloud computing is a lucrative, high-margin market and everyone wants a piece – even ByteDance is said to have **plans to enter the Chinese market**. Oracle, an up-and-comer, is pursuing a strategy of going after prominent new platform customers, such as Zoom and potentially TikTok if the **proposed deal** goes through. But as the competition intensifies, it continues to broaden the ecosystem of entrepreneurship and spur on innovation – through ever better services and functionalities, at lower costs. In this war, consumers might just be the biggest winners.

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