

AWS, Google Cloud and Microsoft Cloud Competitive Analysis, Q3 2022

Author: Shubhangi Pathak

Executive summary

The cloud wars among the top three cloud providers, AWS, Microsoft and Google, continue as they consolidate and grow their positions as cloud market-share leaders. Together, they account for an estimated 65 percent of the total market, with US\$53.0 billion in cloud revenues in Q3 2022 compared to US\$51.0 billion in Q2 2022.

Three key highlights:

- Worldwide enterprise spending on cloud infrastructure services (for these three hyperscalers) represented an increase of over US\$11.3 billion from Q3 '21 - a growth of 27% YoY.
- Google Cloud has surpassed analysts' prediction for this quarter by showing the highest annual growth rate.
- Revenue growth has slowed down in this quarter. The growth rates trend for the past 5 quarters (Q3 2021- Q3 2022) is shown below:
 - **Google Cloud:** 45%, 45%, 44%, 36%, 38%
 - **Microsoft:** 36%, 32%, 32%, 28%, 24%
 - **AWS:** 39%, 40%, 37%, 33%, 27%

Financial highlights

Exhibit 1
Revenue of the cloud companies (in billion USD)

Company	Q3 22	Q2 22	Q3 21	Growth Rate YoY%	Growth Rate QoQ%	Operating Income (Loss)
Google Cloud	\$6.8	\$6.2	\$4.9	37%	11%	(\$699) million
Amazon Web Services	\$20.5	\$19.7	\$16.1	27%	4%	\$5.4
Microsoft Cloud	\$25.7	\$25.1	\$20.7	24%	2%	N/A

Source: Vendor financials, twimbit analysis

Financial results for this quarter reflect healthy fundamental growth, despite being affected by macro-economic elements, such as currency fluctuation and inflation.

Google Cloud

- Contributes to 10% of Alphabet's total revenue
- Highest YoY growth of 37%
- Operating loss of US\$ 699 million

Although it has achieved the highest YoY growth among the three vendors, its huge operating loss forces Google to be more aware and cautious when investing in new opportunities.

AWS

- Contributes to 16.2% of Amazon's total revenue
- Recorded YoY growth of 27%
- Charted US\$ 20.5 billion in revenue for Q3 2022

With its commendable YoY growth, Amazon looks to invest over half of its capital on technology infrastructure for AWS.

Microsoft Cloud

- Charted US\$ 25.7 billion in revenue for Q3 2022
- Lowest YoY growth of 24%

Representing more than half of the total revenue of the three cloud vendors, the outlook appears bright for the top three. Analysts predict the total cloud revenue to exceed the US\$ 100 billion mark by year-end!

It is interesting to note:

- The revenue growth rate for Microsoft and AWS fell sequentially 4% and 6% respectively from Q2 to Q3 2022. On the other hand, Google Cloud managed to boost their growth rate by 2% (36% to 38%).
- Although AWS and Microsoft cloud respective businesses are around 3X and 4X bigger than Google, respectively, both Microsoft and Google grew by \$600 million, while AWS soared by \$800 million from Q2 to Q3 2022.

Google Cloud

“The long-term trends that drive cloud adoption continues to play a stronger role during uncertain macroeconomic times. Customers partner with Google Cloud because of our single platform that can analyse data across any cloud.”

Sundar Pichai
CEO, Alphabet and Google

Product announcements

- First Cloud Region in Sweden to drive sustainable business transformation
- First Cloud Region in Malaysia to advance the country's next phase of economic development
- Google Cloud empowers call centre studio to set up one of the first cloud-based call centre platforms in Turkey
- Bell Canada deploys first production implementation of Google Distributed Cloud Edge for Core Network Functions

Contracts and partnerships

Exhibit 2
Telecom partnerships/contracts of Google

Deutsche Telekom	 Google Cloud
Swisscom	
T-Mobile	
Ooredoo Group	

Google Cloud plans to invest heavily and build partnerships in the upcoming two to three years. The areas of investment will cover partner incentives for initiatives including migration, co-marketing, training and enablement, and co-innovation funds.

- Partnership with Deutsche Telekom to focus on network transformation and bring the power of cloud to mobile and connected devices.
- T-Mobile teams up with Google Cloud to Transform Customer Experiences
- Google Cloud and Ooredoo Group sign MoU at Mobile World Congress 2022 to advance Ooredoo's digital offerings

Amazon Web Services

“The ongoing macroeconomic uncertainties have seen a rise in AWS customers be more focused on cost control. We are proactively working to help our customers cost optimize, just as we have done throughout our history especially in periods of economic uncertainty,”

Brian Olsavsky
CFO, Amazon

Product announcements

- Amazon Neptune Serverless – A fully managed graph database
 - Automatic scaling according to the changes in your queries and workloads.
 - Capacity adjustments in precise increments to provide the correct number of resources that your application needs.

Contracts and partnerships

Exhibit 3
Telecom partnerships/contracts of AWS

Globe	
Vodafone	
Ericsson	
Nokia	
SK Telecom	

AWS strengthened its partner network of 100,000+ systems, integrators and independent software vendors from around the world that adapt their technology to run on or integrate with AWS.

- Partnered with Globe to create a Filipino digital lifestyle platform that is powered by AWS
- AWS and SK Telecom collaborate to co-develop Computer Vision AI Services

Microsoft Cloud

“We continue to see a healthy demand across our commercial businesses, including another quarter of solid bookings as we continue to deliver compelling value for our customers.”

Amy Hood
Executive VP and CFO, Microsoft

Product announcements

Microsoft Cloud recently announced the next-generation capabilities of hybrid cloud platform for operators, known as Azure Operator Distributed Services. It combines the enhanced version of the acquired AT&T technology with the best of Azure, including their industry-leading security, monitoring, analytics, AI, and machine learning. Microsoft Cloud aims to meet the needs of operators, addressing security, resilience, observation, manageability and performance with the utmost detail to achieve meaningful results.

Contracts and partnerships

Exhibit 4

Telecom partnerships/contracts of Microsoft

Telstra	
Singtel	
AT&T	
HKNB	
Telephonica	

- Microsoft leverages technologies from its 2021 acquisition of the AT&T Network Cloud software and combines it with Azure services for its new Azure Operator Distributed Services. The Azure Operator Distributed Services was initially introduced to support AT&T mobile core network.
- Microsoft and HKBN partner to enable enterprise work transformation in Hong Kong.
- Telefonica expanded its global strategic relationship with Microsoft to accelerate the creation of joint initiatives in the consumer market.

Summary

It's clear that all the top three cloud providers shined brightly this quarter. With Google and its strong marketing led solutions narrowing the gap against AWS and Microsoft, customers must think harder than ever when choosing one hyperscaler over the other. AWS also looks to continue its domination on the global market, especially among its digital native businesses. On the other end, Microsoft looks to be the dark horse, beating expectations despite its slowdown in the cloud industry. This is because of its ability to make headway with large enterprise customers, showcasing its ability to bundle Office 365 and Teams, further elevating the competition.