

Microsoft's Focus on Big Customers Propels Cloud S

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Microsoft Corp. 's bet on delivering business software over the internet is paying off, thanks to the tech giant's ability to understand the needs of its corporate customers and help them adjust to a rapidly changing market.

The company's record fourth-quarter revenue, announced last week, was boosted by its cloud-computing business, where sales were up 39% from a year earlier. Revenue from its Azure cloud service alone rose 64%, the company said.

The success rests on its technology, combined with an understanding of complex enterprises' software needs. The company over a period of decades has developed the ability to understand large corporations. This has enabled Microsoft to develop a range of technologies that allows customers to consolidate their purchases with a familiar source. At the same time, it has stayed technologically competitive.

"Microsoft isn't just a cloud company," said Sue Bergamo, chief information officer at digital commerce and marketing company Episerver, a Microsoft client. "They are a partner who works with customers to understand business problems," she said.

One of Microsoft's key advantages in the cloud market is an appreciation of the unique tech needs of large organizations, said Tim Crawford, founder and chief information officer of AVOA LLC, a strategic advisory firm.

"One of the things about the enterprise that very few people understand is the complexity of enterprise IT," he said, adding that Microsoft speaks to CIOs and other corporate IT managers "in language they can understand."

The Redmond, Wash., company's focus on big enterprise customers is helping it keep pace with the cloud-market leader, Amazon.com Inc. 's cloud unit Amazon Web Services. Amazon holds roughly a third of the world-wide cloud market, with Microsoft in second place at 16%, far ahead of the rest of the pack, according to research firm Canalys.

Despite Azure's rapid growth, its market position relative to AWS has changed little in recent years, as gains from the cloud market accrue to the two front-runners.

Steve Stine, senior vice president of business transformation at AT&T Co mmunications, said Microsoft's grasp of corporate customers' computing needs was a key reason behind a move announced last week to shift most of the internal business applications in AT&T Inc.'s communications unit to Azure, Microsoft's main cloud platform.

"We'll work with Microsoft because they have experience with doing this and helping large enterprises," Mr. Stine told CIO Journal.

Deals with AT&T and other large organizations are propelling sales in Microsoft's cloud unit and lifting overall revenue.

A Microsoft spokesman credited the company's cloud success with being able to meet customer needs.

The company's gains are expected to grow as more companies ratchet up spending on cloud services,

which provide on-demand software, computing power and storage.

Global spending on the public cloud, where companies pay tech firms for computing and storage, is expected to more than double over the next five years to roughly \$500 billion in 2023 from \$229 billion this year, according to International Data Corp. More than half of total spending will come from businesses with 1,000 employees or more, IDC said.

Amazon's AWS counts Dole Food Co., Hess Corp. , McDonald's Corp. and other large firms as customers. It has also proved popular with startups, small businesses and companies that model their technology infrastructure on consumer internet firms, many of which seek individual software tools to develop unique services, rather than fully formed platforms, said AVOA's Mr. Crawford.

Amazon declined to comment.

For Microsoft, it helps that the company has long had a foot in the door with enterprise customers through its suite of business applications, which many businesses have traditionally run on in-house servers and data centers—easing the transition to the cloud.

Taking its cue from CIOs and other corporate IT managers, Microsoft has invested heavily in capabilities like artificial intelligence, at a time when more businesses are experimenting with advanced digital tools, said Dave Bartoletti, vice president and principal analyst at Forrester Research.

"Clouds are the best place to experiment," Mr. Bartoletti said.

Microsoft this week announced plans to invest \$1 billion in artificial-intelligence startup OpenAI LP, a move aimed at developing supercomputing technologies for Azure, the company said.

"One of the things Microsoft is really good at is that it can provide solutions all the way to the edge and to the cloud and everything in between," said Mr. Crawford of AVOA. "No other companies really can do that at the software level," he said.

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