

Google Cloud a bright spot amid lackluster Q3 earnings

Article

The news: Google's parent company **Alphabet** fell short of investor's expectations in its Q3 earnings.

- Alphabet's [growth has decelerated](#) for five consecutive quarters, with revenues coming in at **\$57.5 billion**, short of the anticipated **\$58.3 billion**.

- The company's **shares have fallen 28%** this year compared with the **S&P 500's 23% drop**.
- Combined with **Microsoft's** earnings report, showing the **slowest growth in five years**, the tech giants' performance pulled the stock market down.
- As of Wednesday morning, the **Nasdaq Composite** was down **1.6%**, with Microsoft, Alphabet, **Texas Instruments**, and **Meta** all incurring losses, per **The New York Times**.

A mixed bag: The main culprit in Google's underwhelming performance is a **sluggish online ad market**, caused by advertisers spending less in response to economic conditions.

- Alphabet executives said they're seeing **less ad spending on insurance, loans, mortgages, and crypto**.
- Persistent high inflation and a strong US dollar are also contributing to tech companies' revenue shortcomings.

Analyst Take: "When Google stumbles, it's a bad omen for digital advertising at large," said Insider Intelligence principal analyst **Evelyn Mitchell**. "Not only did Google miss analyst expectations for topline revenue, **YouTube ad revenues shrank for the first time since Google started reporting YouTube earnings separately in Q4 2019**, due in large part to persistent competition in streaming and short video."

A silver lining in the cloud: Google Cloud earned **\$6.9 billion** in revenue, topping analysts' **\$6.7 billion** prediction, per NYT.

- Google's performance indicates that **it's on the right track with its aggressive global expansion strategy**.
- The company's **focus on AI**, also bodes well for further growth if it continues to **roll out tools** to help customers run large ML models in the cloud.
- **Liz Rutgersson**, chief media officer for CXM Americas at **Merkle**, told us Google has **cloud growth potential as marketers seek to gather and use data in a more intelligent way** but warned that heightened data privacy efforts could pose challenges.

What's next? Expect that Q3's results will intensify Google's workforce reorganization efforts, funneling even more talent and resources to AI innovation and cloud computing.

- We'll also likely see **less hiring overall, expense cuts, and more calls for employee efficiency**.

- While belt tightening is essential for any company facing economic headwinds, curtailing employees' historical latitude to pursue creative projects could have far-reaching implications.
- The shakeup of the tech industry workforce has already prompted talent to [seek opportunities](#) in other sectors and launch their own startups.
- If Big Tech companies like Google lose their appealing workplace cultures, they could face a tougher time attracting the smart creatives they need in the future.

Mitigating Factors Their Business May Put in Place to Cope With a Recession According to Business Decision-Makers Worldwide*, June 2022

% of respondents

Ramping up sales and marketing activities

32%

Restructuring but keeping the same staff numbers

32%

Cancelling nonessential business contracts

27%

Reducing business travel

26%

Working from home when previously we didn't have provision

21%

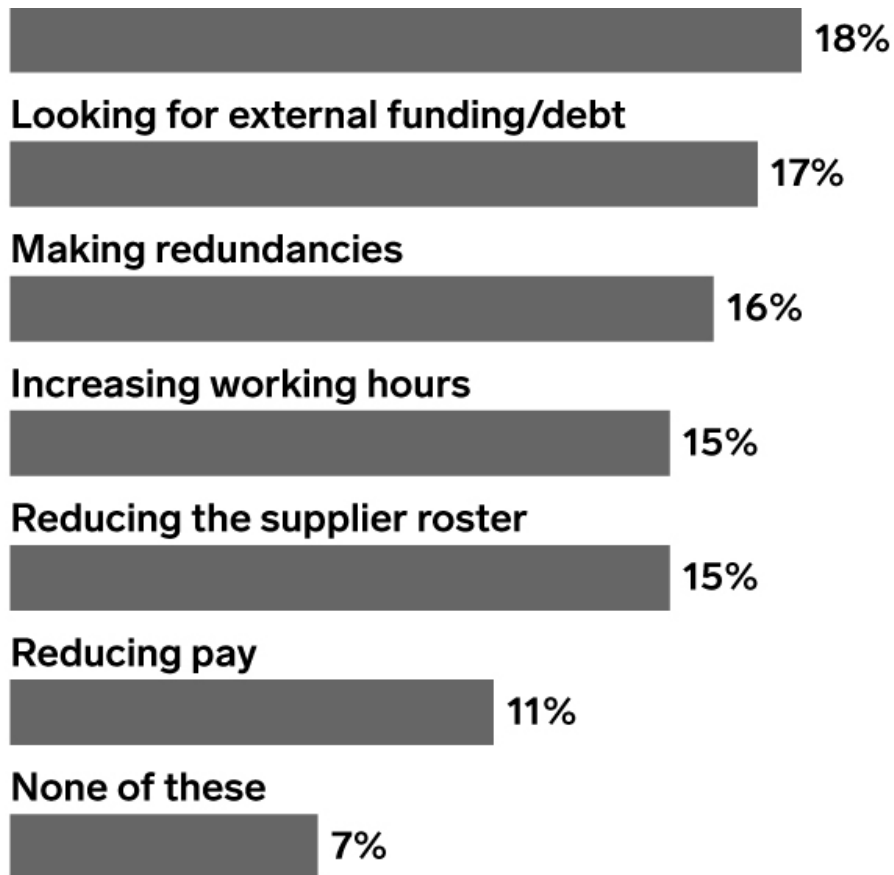
Increasing the supplier roster

20%

Reducing working hours

19%

Encourage staff to come into the office more often



*Note: in the next six months; *UK, Germany, Japan, and the US*

Source: Sapio Research, "International Business Barometer, Wave 6: Preparing for a Recession?" July 6, 2022

276894

eMarketer | [InsiderIntelligence.com](https://www.insiderintelligence.com)

This article originally appeared in Insider Intelligence's Connectivity & Tech Briefing—a daily recap of top stories reshaping the technology industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.

- *Are you a client? [Click here to subscribe.](#)*
- *Want to learn more about how you can benefit from our expert analysis? [Click here.](#)*