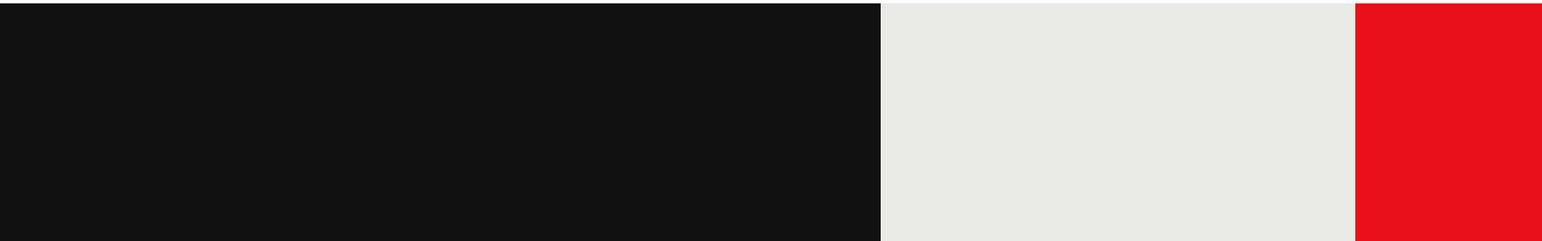


Google Cloud yields \$3.1B loss for Alphabet

Article



The news: Google Cloud, which also includes Google Workplace (formerly G Suite), is losing money for Alphabet, the company announced during its Q4 2021 earnings call. It noted an \$890 million loss for Q4 and a \$3.1 billion loss for the year.

Why it's worth watching: The highly competitive cloud service business has seen massive adoption and tremendous growth during the pandemic as organizations pivoted to the cloud, [per](#) TechRadar.

- Global cloud adoption **grew 25% in 2021** as nearly **70%** of organizations now host more than half of their workloads in the cloud.
- Spending in cloud services is at a record high, with a **35%** increase in Q3 YoY to **\$49.4 billion**, Canals estimated. AWS, Microsoft, and Google accounted for **61%** of the entire cloud services market.
- Google Cloud has tried to reduce losses by extending the life of its server hardware by a year or two. Alphabet also made commitments to spend some of its revenue to augment its cloud business.

How can they improve? Google Cloud is having a difficult time competing with **Amazon AWS** and **Microsoft Azure**, which could be a reflection of longer-term problems.

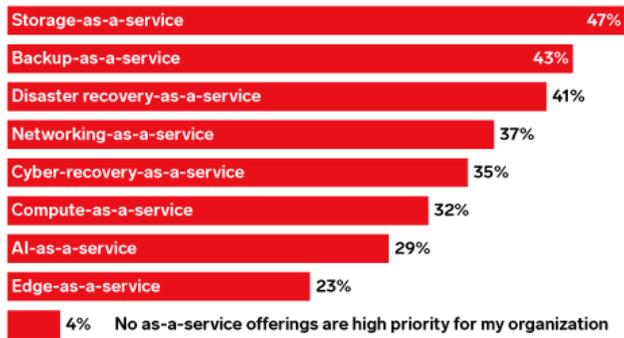
- AWS and Azure were designed to be commercial clouds from the onset and offer a wider range of services and easier interoperability aligned to traditional data centers, making them more attractive to more customers.
- Google Cloud was initially designed for the company's internal needs and then offered to customers. It also has fewer **global data centers** and comes in third in the number of services offered, especially for enterprise customers.

The takeaway: Alphabet, which owns Google Cloud, may be overdiversified—which makes it challenging to focus and manage business units in highly competitive markets.

- The search and advertising giant owns 232 companies in a wide range of industries, such as **YouTube, Nest, Waze, Fitbit, Waymo, Google Fiber, and Google Fi**, with Google Cloud services as a necessary adjunct, **per** Forex.
- AWS is Amazon's largest source of operating **profit**, while Microsoft sees itself as a **cloud-first** company with **Office 365** and Azure as its key services.
- Google Cloud would need to become more competitive in capability and availability and focus more on enterprise customers—a challenge considering it's coming from behind in these areas.

Data Cloud Services Prioritized by Organizations According to IT Decision-Makers Worldwide, April 2021

% of respondents



Source: Dell, "2021 Global Data Protection Index," Sep 9, 2021

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