

# Google Cloud's Next Act: Scaling Sales Without Losing Its Edge

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Publication date: Wednesday, 22 May 2019



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# GOOGLE CLOUD'S NEXT ACT: SCALING SALES WITHOUT LOSING ITS EDGE

By Blair Hanley Frank

## SUMMARY & KEY INSIGHT

Google Cloud is massively scaling up its sales, marketing and customer success functions under the leadership of new CEO Thomas Kurian, with a focus on landing large enterprise accounts in verticals in which Google has a better chance of beating its competition. Kurian also brings with him a renewed focus on meeting the needs of enterprises outside the technical realm and a deep understanding of the complexities of enterprise procurement processes.

When working with Google Cloud, enterprises should expect an organization increasingly in touch with its customers' needs and hungry for big deals with major customers. Google Cloud has spent the last three years shoring up its platform with critical enterprise functionality and projects confidence to the market about its capabilities to succeed in a competitive RFP scenario with traditional enterprises.

However, Kurian's move to scale up go-to-market operations may frustrate Google Cloud employees by shifting the organization's focus farther away from engineering. If he isn't careful, it may also harm how enterprise technology teams view Google Cloud, and make them less likely to use the company's services.

## PERSPECTIVE & BRIEFING NOTES

Thomas Kurian has been on the job at Google Cloud for almost six months now, and he has made several key changes to make its offerings more appealing to enterprise customers that he highlighted during a presentation to analysts at Google Cloud Next in April. In particular, he has implemented new contract terms, conditions and pricing models that are meant to be friendlier to enterprise customers that want to consume cloud services. Google also has an updated framework that clarifies ownership of intellectual property for both the cloud vendor and its customers.

In the coming year, Google Cloud expects to target its sales efforts at 16 countries in six key industries: financial services, healthcare, retail, manufacturing, public sector, communications, media and entertainment. Sales teams will segment Google customers



and prospects into four buckets: named accounts (for the top businesses on its client rolls), enterprise accounts, corporate accounts and small/medium businesses.

The Google Cloud sales force has been empowered with standard discounting terms, and Kurian has shown his expertise landing deals with big enterprise clients in the past. During his time at Oracle, Kurian frequently served as the executive sponsor for key enterprise accounts, showing up to close deals and have a personal hand in the ongoing experience of top enterprise customers. That level of enterprise service hasn't always existed at Google Cloud — discounts used to require approval from executives, and product development teams expected that customers would want to avoid interaction with salespeople and prioritize technical excellence.

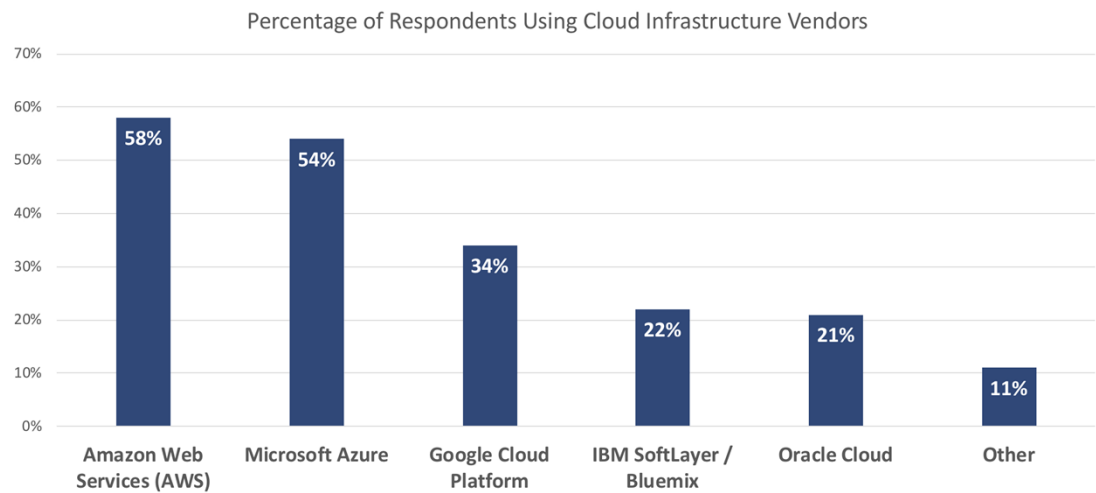
This go-to-market transformation builds on the foundation laid by VMware cofounder Diane Greene, who was CEO of Google Cloud from 2015 until earlier this year. She prioritized higher-touch engagements with enterprise customers and developing features that met enterprise security and compliance needs, like robust security controls, direct network interconnections and identity management features. Under her leadership, Google Cloud launched more than a dozen new regions, expanding its global infrastructure footprint to meet customers' data residency and latency needs.

### **Market Opportunity**

ISG research shows that 34 percent of enterprise IT professionals say their company uses Google Cloud infrastructure-as-a-service offerings, putting the provider at a distant third behind Amazon Web Services (AWS) and Microsoft Azure. This means Google has a lot of ground to make up in terms of enterprise mindshare and revenue share, but it has a significant opportunity: enterprises are embracing a hybrid, multi-cloud strategy and seeking vendors that will provide them the best technology and service while minimizing lock-in.



Figure 1: Percentage of respondents using cloud infrastructure providers



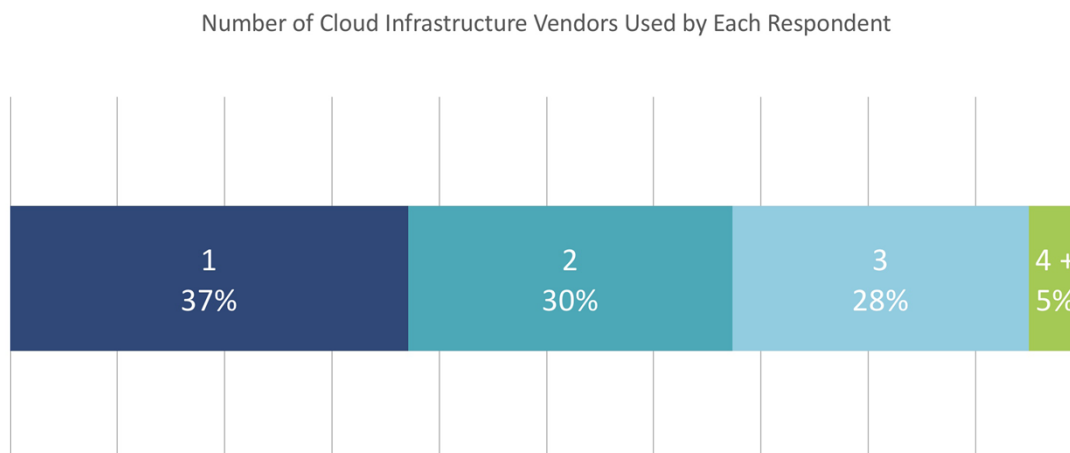
Notes: Respondents could select more than one provider. Chart is based on a survey of 300 respondents.

Source: ISG Research

Google Cloud has an opportunity to expand its market share among enterprises as those companies look for their second or third cloud vendor. These organizations have already done the heavy lifting of transforming their operating models and modernizing their technology to take advantage of the functionality that cloud providers can offer. That means it should be easier for those tech teams to adopt Google Cloud as their second or third provider.

The cloud vendor's marquee services are meant to aid with that particular need. Anthos (formerly named the Cloud Services Platform) was a highlight of the conference and is designed to provide a consistent, hybrid and multi-cloud environment for running applications. It's built on top of Kubernetes, an open source project that started at Google, and is expected to work across Google Cloud, AWS and customers' on-premises infrastructure. That portability and open source foundation may make it more appealing to enterprises that want to operate in a multi-cloud manner.

Figure 2: Number of cloud infrastructure providers



Notes: Chart is based on a survey of 300 respondents.

Source: ISG Research

On average, enterprises said they use two cloud infrastructure providers, with the overwhelming majority using between one and three. (Inclusion in the survey required that respondents use at least one provider, so those enterprises who haven't yet moved any of their workloads to the cloud were not included.) This shows the potential opportunity for Google to grow its business among enterprises that have already begun moving to the cloud.

## CULTURE CLASH AHEAD?

Kurian and the rest of his leadership team will have to be careful about how they proceed with changes to the vendor's approach to sales. While it isn't a leading cloud platform choice among enterprises, those businesses that choose Google Cloud frequently cite their tech teams' positive perception of Google's technical acumen as a key driver. In other words, Google Cloud has been able to land deals because it doesn't seem like yet another enterprise technology company. If the go-to-market changes implemented under Kurian make Google Cloud seem stodgierless cutting edge to people who would otherwise champion its use, that would be bad news.

In addition to customer perceptions, Kurian has to contend with potential cultural tensions within Google Cloud. Historically, Google's culture has prioritized technical and engineering achievement over business acumen. While the Google Cloud team began to transform under Greene's leadership to focus more on attracting and serving enterprise customers, it remains to be seen whether employees will keep the faith under the Kurian doctrine.



What's more, while Google Cloud has built out enterprise features like role-based access controls and compliance certifications, it still needs to level up its capabilities in a few key areas, most notably around internet of things (IoT) and blockchain applications. While AWS and Microsoft each have robust platforms for those types of applications, Google's capabilities in those spaces are best described as nascent. IoT applications in particular are well suited for cloud use, which means Google Cloud may find itself missing out on key customer workloads, especially in the manufacturing and public sector arenas.

## IMPACT AND GUIDANCE

As enterprises look to expand their cloud use and mature their cloud strategies, Google Cloud's emphasis on serving larger customers may make the provider a more appealing option. Organizations that want to invest heavily in technologies like TensorFlow and Kubernetes will likely find Google Cloud a more appealing platform, because Google places priority on adopting the newest and most innovative features in those open source projects in near real-time compared to their implementation in the upstream open source project. (Compare that to AWS, which is seemingly burdened by maintaining parity between its container offerings and upstream Kubernetes.) Enterprises overall will find the company's sales force better equipped to serve their needs.

However, Google's approach comes with risks: the company still needs to develop its platform further and do the necessary work to retain technical employees who are critical to the development of innovative products.