



Amazon 1Q22 Results: Strong Demand for AWS Continues. Telco Industry a Key Growth Driver for Amazon's Cloud Business

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Financial Announcement Highlights

On April 28, 2022, Amazon announced its [financial results](#) for 1Q22. Its cloud computing unit Amazon Web Services (AWS) continues its growth momentum, reporting a 37% year-on-year increase in net sales totaling \$18.44 billion for the first quarter. Amazon CEO Andy Jassy stressed that the pandemic and conflict in Ukraine brought about "unusual growth and challenges," and described AWS as being "integral in helping companies weather the pandemic and move more of their workloads into the cloud." AWS generated 57% year-on-year growth in operating income to \$6.52 billion, while total operating income for Amazon had considerably shrunk, falling to \$3.7 billion from \$8.9 billion in 1Q21. Amazon highlighted that AWS growth was driven by a strong demand for its cloud computing products and new commitments from customers across industries, including telecommunications. This document looks at these results from the perspective of the European telecoms market etc.

IDC's Point of View

The telecommunications industry's 5G rollout is driving a pivot in network building towards embracing the power of cloud. To execute on this grand shift, we are entering the era of strategic partnerships between cloud providers and telcos. Telcos are at different stages along their journey toward becoming cloud native, however. A select few are adopting a more aggressive public cloud strategy, like AWS customers Dish and Swisscom. Yet, the vast majority are taking tentative steps toward defining and reshaping their underlying infrastructure to host cloud-native applications. Depending on CSPs' strategies, they will mix bare metal, Kubernetes containers, and IaaS solutions, which are likely to vary by country or operating company (OpCo). These strategies also depend on what they deem as best in class to deliver on their expectations. The relationships between CSPs and their cloud provider partners is complicated and still evolving, with CSPs deciding between using their own private network cloud solutions to host network workloads and working with public cloud providers.

Highlighted in Amazon's 1Q22 financial report are some of the key telco industry deals secured in the quarter by AWS, with many of the wins in Europe:

- T-Systems selected AWS to launch a managed service in the cloud, providing encryption and delivering transparent residency controls for customers' data in the EU.
- Verizon migrated Verizon Connect (its fleet management software platform) to AWS, helping its business customers improve the way they manage their commercial transportation needs.
- Telefónica expanded its strategic collaboration with AWS, bringing innovation to customers by leveraging the cloud to launch value-added solutions such as edge computing and built-for-the-cloud private 5G networks running on AWS Outposts.

- Etisalat UAE is collaborating with AWS to use 5G private networks and mobile edge computing, building prepackaged solutions for industrial use cases including energy, manufacturing, and logistics.
- Amdocs, a provider of software and services to communications and media companies, used AWS to implement a program enabling 12 billion secure, real-time online and offline business transactions per day in the cloud.
- Tech Mahindra, a provider of digital transformation, consulting, and business reengineering solutions, selected AWS to power an automation platform designed to accelerate the adoption and deployment of 5G networks by telecommunications carriers.

IDC expects telcos of every size to realize business benefits by leveraging cloud services, including a lower cost of operations with a more agile, scalable, and resilient platform. IDC believes that there is no longer a question of whether CSPs are moving to the cloud, but how fast they can move with data security, domain controls, and network visibility. The key telco deals outlined in Amazon's financial report compounds the strategic role cloud providers will play in the critical reinvention of telcos, with a targeted focus on supporting commercial services for telco customers. Combined with the [announcement](#) on May 4 that BT's Digital unit has signed a five-year agreement with AWS as its preferred cloud provider for internal applications, these partnerships show AWS continues to have momentum with European operator groups.

AWS updates on Amdocs and Tech Mahindra highlight the increasing role cloud providers play in telcos' core operations as more BSS/OSS and network solutions are hosted in public clouds. These partnerships also act as an additional lever that AWS can use to generate new Telco deals or deepen existing relationships. By building a strong partnership with Amdocs and other BSS/OSS vendors and empowering them to run optimized applications on AWS infrastructure, these partners can be used to advocate for moving workloads to the AWS cloud to new and existing customers. In Europe, such customers could include Vodafone, Three UK, and Magyar Telekom, with which Amdocs has announced deals in the past 12 months.

AWS is also helping its customers accelerate sustainability commitments by offering carbon-focused cloud tools to track and quantify carbon usage across AWS products. This should be a welcome tool for telcos adopting AWS infrastructure across their IT and network domains. IDC's Europe Sustainability and IT End User Survey 2022 shows that half (51%) of European infrastructure companies, including telcos, already analyze their carbon footprint, and 45% have set a clear target to achieve carbon neutrality. As critical infrastructure providers to many governments and businesses, IDC believe operators should also consider developing or repackaging similar toolsets for their customers.

Amazon has also launched a new retail brand — Amazon Aware — comprising of household products certified as carbon neutral, and which feature certifications that ensure they adhere to Amazon's Climate Pledge Friendly program. Telcos could consider developing similar retail ranges, which would be a natural progression from current device recycling schemes operated by the likes of Deutsche Telekom and Orange.

Amazon itself is cautious about its own carbon emissions across operations and supply chains, with the aggressive rollout of global AWS datacenters a key contributor. Therefore, in the same financial report Amazon announced 37 new renewable global energy projects (taking the total to 310 across 19 countries) as part of a wider corporate sustainability program that is expected to make significant strides

toward powering 100% of its company operations with renewable energy by 2025, five years ahead of its original target of 2030.

IDC believes AWS' continued momentum in engaging the European telecoms market shows little sign of abating. The continued evolution of cloud providers' engagement with the European telecoms market is therefore a key research focus for the IDC European Telecommunications insights program. Even as other parts of the Amazon empire face significant headwinds from inflation and regulation, its investments in Telecoms are paying off in Europe. Furthermore, in adjacent areas such as sustainability, AWS and Amazon are both developing capabilities which European telecoms operators should consider mimicking or leveraging themselves in a region of increasingly green-conscious markets.

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