SWOT Assessment: Alibaba Cloud

Analyzing the strengths, weaknesses, opportunities, and threats

Summary

Catalyst

The cloud computing market has reached a maturity position where it is now considered the strategic choice for organizations. The next wave of cloud adoption is focused on moving core business-critical workloads to the cloud, which will require cloud providers to have established enterprise-grade support services and make the whole process of how organizations do business with them as frictionless as possible. One cloud services provider that aims to make the process as painless as possible is Alibaba, a Chinese multinational vendor specializing in e-commerce, retail, internet, and technology. Its cloud services are showing a rapid and impressive expansion from its core heartlands of southeast Asia.

Key messages

- Alibaba is a global cloud services provider that offers a range of services and a growing marketplace.
- Alibaba offers extensive features to enhance security, including API access points with HTTPS encryption enabled, industry-standard SSL/TLS protocol, and encryption at rest.
- Best value to customers is provided by providing personnel to help customers optimize the cloud deployment and provide help on matters such as upgrading and rebuilding to ensure optimum value is derived from any investment in Alibaba Cloud
- Alibaba is fully flexible in terms of optimization.

Omdia view

Omdia's *ICT Enterprise Insights 2018/19* survey showed that Alibaba has expanded significantly from its southeast Asian heartland to become a global player in the cloud business. However, Alibaba still has work to do in delivering a global cloud service, because not every service is available in every region. Alibaba is expanding and making itself more competitive in other regions as it grows its marketplace, and Alibaba's marketplace is already large with more than 2,500 ISVs delivering over 3,300 different solutions. Omdia believes that while there is a gap between Alibaba and the leading vendors in this area, Alibaba has the potential to rival the current leaders because it has the resources, ambition, and technical capability to become one of the top global cloud providers. However, to achieve this, it must expand its footprint in all geographies (except southeast Asia where it is already strong) and offer more of its services in all locations.

Recommendations for enterprises

Why consider Alibaba?

An advantage of Alibaba over some of its competitors is the time it takes to deploy a customer solution, which will appeal to enterprises. Alibaba can also do updates non-disruptively as well as

provide a full toolset for migration services. Omdia thinks this last point is significant because even though this is now an expected standard service level from a cloud provider, not all cloud services vendors provide this capability. In addition, Alibaba's marketplace offers solutions in a wide range of software categories, including developer and infrastructure, security, e-commerce, CMS, and business intelligence and analysis, which makes it a viable option for many enterprises.

SWOT analysis

Strengths

Alibaba provides extensive features to ensure data security

Alibaba Cloud services provide customers with API access points with HTTPS encryption enabled, allowing customers to use access keys to call the Alibaba Cloud Service API securely. Alibaba Cloud uses industry-standard SSL/TLS protocol with AES 256-bit key length to address the need for encrypted transmission of sensitive data. Alibaba also enables encryption at rest for a number of products in its storage and database domain, including Cloud Disk (block storage), OSS (object storage), and RDS (relational database). In addition, Alibaba Cloud offers a key management service (KMS), which supports both KMS-generated encryption keys, as well as customer-uploaded encryption keys (BYOK). Omdia believes that the ability to bring your own keys is an added security feature that is gaining in popularity with customers because this protects data from any authority requests to access data in any jurisdiction in which the cloud provider operates.

Alibaba focuses on delivering best value to customers

Alibaba is strong on pricing. Omdia particularly likes the approach Alibaba has taken to delivering best value to the customer. For enterprise customers, Alibaba provides a dedicated service manager and business development manager that focus on monitoring costs and dealing with billing enquiries. Alibaba also provides a technical account manager and a solutions architect. These roles are designed to help customers optimize the cloud deployment and provide help on matters such as upgrading and rebuilding to ensure optimum value is derived from any investment in Alibaba Cloud. For SME customers, an online billing center is provided to help with checking costs and bills. Omdia also likes the degree of proactive cost management that customer managers are given. Customer managers will contact the customer if the customer's use of Alibaba Cloud is greater than that initially envisaged and will offer discounts to encourage greater use and deliver better value.

Alibaba is fully flexible in terms of customization

Alibaba is strong on customization. Alibaba is fully flexible in this area with no specific rules or regulations dictating how customizations should be performed. However, it must be noted that Alibaba does state that customization is also a factor of specific business and application architecture.

Weaknesses

Onboarding and offboarding capabilities are areas that would benefit from improvement

Alibaba's onboarding capabilities typically requires additional costs to establish a leased line to speed up the migration, which is something that some competitors do not charge for. In addition, Alibaba does not provide its own offboarding facilities, instead relying on the replacement cloud provider to provide onboarding capabilities. Alibaba needs to make the onboarding and offboarding processes more seamless and cost-effective for its customers if it is to grow its market share in the US and Europe.

Opportunities

Alibaba can grow its market share outside of southeast Asia

Alibaba is well positioned to become a major global player and rival the leading cloud services vendors. However, in order to achieve this, it needs to ensure that it offers the same services in every geography in which it plays in order to expand its market share away from its base in southeast Asia.

Alibaba's can expand into other geographies by targeting emerging regions

Another opportunity is for Alibaba to continue its expansion into new markets away from southeast Asia. Latin America is one region the company should consider expanding into. A survey carried out by Omdia in 2018 on case management (a technology where enterprises have been slow to adopt the cloud) showed that 90% of respondents in Latin America (Brazil and Mexico) had already adopted or were considering adopting cloud models. Only 30% had deployed or were considering deploying on-premises solutions, which was considerably lower than other regions—Europe (Germany and UK), Asia Pacific (Australia, Japan, and the US).

Threats

As a China-headquartered company, Alibaba will encounter reluctance to engage from some enterprises

It is inevitable that as a global company headquartered in China, Alibaba will encounter some level of suspicion and a reluctance to take-up its services. This would be a mistake due to Alibaba's extensive security features that protect customers' data. Alibaba needs to work hard to put enterprises' minds at rest that their data is secure in its data centers. Continuing to expand outside of its southeast Asia base and becoming less associated with this region should help to achieve this.

Data sheet

Key facts about the solution

Table 1: Data sheet: Alibaba

Product name	Alibaba Cloud	**Product classification**	Public Cloud
Version number	n/a	**Release date**	n/a
Industries covered	All	**Geographies covered**	All
Relevant company sizes	All	**Platforms supported**	n/a
Languages supported	Chinese, English, Japanese	**Licensing options**	Variable
Deployment options	Cloud	**Routes to market**	Mixed
URL	https://www.alibabacloud.com	**Company headquarters**	Hangzhou, China

Source: Omdia

Appendix

Methodology

Omdia SWOT Assessments are independent reviews carried out using Omdia's evaluation model for the relevant technology area, supported by conversations with vendors, users, and service providers of the solution concerned, and in-depth secondary research.

Author

Roy Illsley, Chief Analyst, Enterprise IT

askananalyst@omdia.com

Citation Policy

Request external citation and usage of Omdia research and data via citations@omdia.com.

Omdia Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Omdia's consulting team may be able to help you. For more information about Omdia's consulting capabilities, please contact us directly at consulting@omdia.com.

Copyright notice and disclaimer