

F R O S T & S U L L I V A N

BEST PRACTICES

AWARDS

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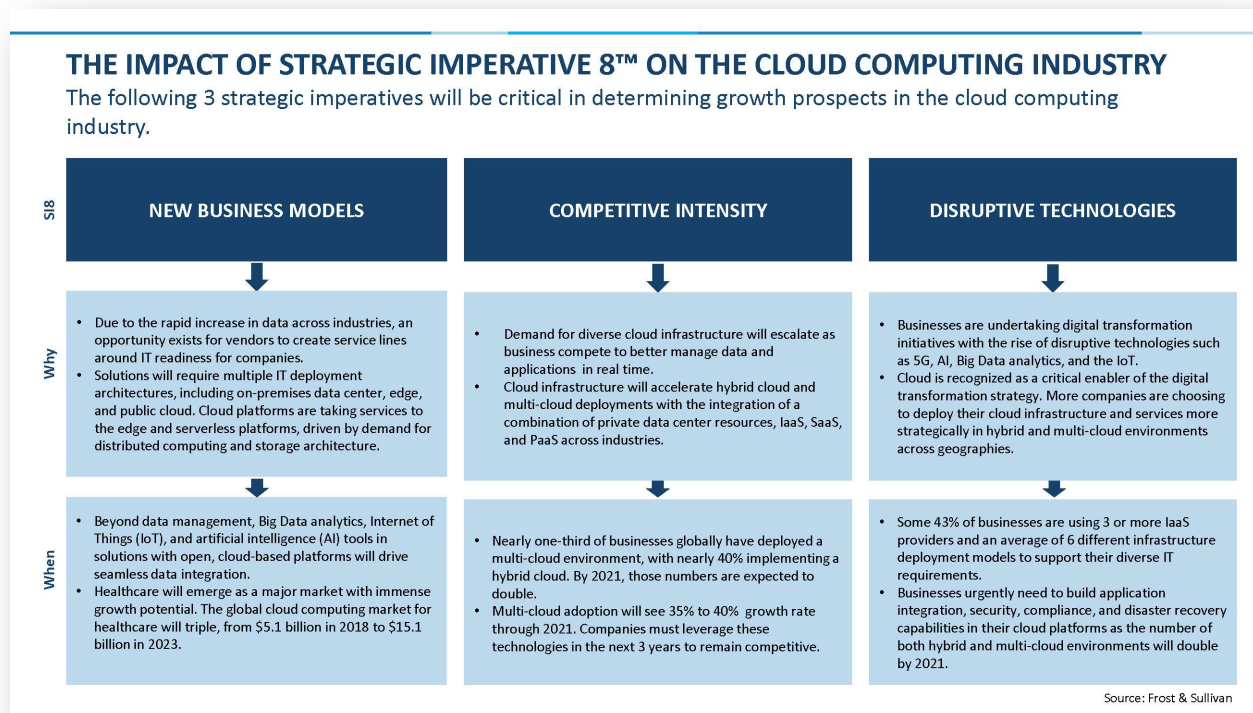
2020 BEST
PRACTICES
AWARD



**2020 GLOBAL CLOUD
COMPETITIVE STRATEGY LEADERSHIP AWARD**

Strategic Imperatives

Frost & Sullivan identifies three key strategic imperatives that impact the cloud computing industry: new business models, competitive intensity, and disruptive technologies. Every company that is competing in the cloud computing space is obligated to address these imperatives proactively; failing to do so will almost certainly lead to stagnation or decline. Successful companies overcome the challenges posed by these imperatives and leverage them to drive innovation and growth. Frost & Sullivan's recognition of Tencent Cloud is a reflection of how well it is performing against the backdrop of these imperatives.



Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated companies. Tencent Cloud excels in many of the criteria in the Global Cloud space.

AWARD CRITERIA

<i>Strategy Innovation</i>	<i>Customer Impact</i>
Strategy Effectiveness	Price/Performance Value
Strategy Execution	Customer Purchase Experience
Competitive Differentiation	Customer Ownership Experience
Executive Team Alignment	Customer Service Experience
Stakeholder Integration	Brand Equity

Competitive Differentiation

Tencent Holdings Ltd is a Chinese multinational technology conglomerate founded in 1998. Its

“With innovative solutions, infrastructure and expansion investments, Tencent Cloud has the potential to really shake up competition in the Chinese and global cloud markets.”

- Maiara Munhoz, Senior Industry Analyst

subsidiaries include technology companies in the areas of gaming, social networking, mobile payments, and cloud computing. Tencent’s cloud subsidiary, Tencent Cloud, was founded in 2013. However, it has been more aggressively focusing on its cloud offering since 2018. Since then, the subsidiary has been closely competing with Alibaba Cloud in China, and has been increasingly investing in international expansion as well.

Compared to its rivals, Tencent Cloud’s strengths

include:

- comprehensive and accessible security inspection and protection services (unique among providers, the company’s cloud security service for virtual machines is free and available with a one-click activation)
- its software-based business (yielding reduced employee overhead and greater agility)
- open-source platforms that support most of its services
- the ecosystem of its subsidiaries in the gaming, social network, mobile payment and over-the-top video services industries (e.g. with Tencent Meeting and Tencent VooV Meeting; Weixin and WeChat, Weixin Pay and WeChat Pay).

On a global level, Tencent Cloud has the additional differentiator of interconnecting its China regions with others around the world, which other providers can only do through a third party. Consequently, its performance and support in the region are far superior to that of non-Chinese cloud providers.

Strategy Execution

In the 2020 Frost & Sullivan Global Cloud User Survey, top strategic business goals included: improve business process efficiency and quality (cited by 79% of respondents); improve customer experience (78%); and improve employee productivity (76%). Tencent Cloud has engaged in multiple initiatives to support companies in the achievement of these goals:

- On September 2020, Tencent Cloud announced it will build 300 edge computing centers by the end of 2020. The first one was announced on October 2020 in Binhai, China. Tencent Games, the group's gaming subsidiary, had already announced a partnership with Qualcomm in 2019 to offer high performance games and a gaming phone. By bringing computing power closer to where the data is being generated, Tencent Cloud will help improve businesses' customer experience (e.g. gaming, smart manufacturing, and smart cars) as well as operations' efficiency and quality.
- As of March 2020 **Tencent VooV Meeting**, Tencent's cloud-based video and audio conferencing offering became available in over 100 countries outside of mainland China. The company also made the application available at no cost for up to 300 participants. It includes AI voice enhancement and audio processing algorithms to minimize outside noise.

The Tencent Cloud **Global Office Access (GOA)** became commercially available on November 2020, to facilitate remote learning during the COVID-19 pandemic. Through terminal access authentication and control, GOA enabled students from across the globe to safely and efficiently access e-learning tools from anywhere and at any time. With over 2,100 global nodes; presence in over 50 countries and 30 provinces/autonomous regions in China; and over 120 Tbps reserved bandwidth, Tencent Cloud enables universities and students around the world to access high-quality, stable and secure online learning.

As a result, Tencent Cloud was able to help businesses with their key goals in responding to the pandemic, while helping them maintain profitability and keep their customers and employees engaged.

Strategy Effectiveness

A strong player in the consumer space with its gaming and social media subsidiaries, Tencent Cloud has announced new investments and initiatives to compete more strongly in the enterprise space. These include, but are not limited to:

- On October 2019, Tencent Cloud announced an approximate \$70 Billion investment in technology infrastructure (cloud computing, AI, cybersecurity, among others) over the next five years.
- The company launched WeMake in 2019, a cloud-based enterprise solution focused in the end-to-end industrial process. During its Tencent Global Digital Ecosystem Summit in September 2020, Tencent Cloud also announced its plans to collaborate with 100 businesses in creating 1,000 industrial solutions.

- Tencent Cloud Distributed SQL solution, TDSQL, was for the first time deployed overseas for Bank Neo Commerce (BNC) in Indonesia on November 2020. The distributed database service is available for both the public and private cloud in sectors that include banking, insurance, billing, third-party payment, IoT, and government.

With innovative solutions, infrastructure and expansion investments, Tencent Cloud has the potential to change the competitive landscape in the Chinese and global cloud markets.

Customer Purchase Experience

Cloud security remains a top concern to businesses. Sixty-five percent of respondents to the Frost & Sullivan survey said challenges related to security of cloud data and apps led them to delay or even halt cloud initiatives. Furthermore, 46% of businesses who repatriated workloads from the public cloud did so because they experienced security incidents (e.g., unauthorized access to data).

On the path to compete more strongly on a global scale, Tencent Cloud has been successfully achieving the necessary global security standards in different regions. On February 2020 the company achieved Tier 3 of the Multi-Tier Cloud Security Standard (MTCS SS), an important international security standard launched in Singapore. The BNC deal recently closed in Singapore is an example of the reliability of Tencent Cloud in the highly regulated financial sector.

On September 2020, Tencent Cloud also achieved the German C5:2020 cloud security standard, an important milestone to enable partnerships with the German public sector, as well as to comply with the German Federal Data Protection Act (BDSG) and the GDPR.

Customer Service Experience

Within China, Tencent Cloud was the second most selected primary public cloud provider in 2020. Users of Tencent Cloud who responded to the Frost & Sullivan survey cited a range of reasons for choosing Tencent Cloud over competitive offerings. The top reasons for selecting Tencent Cloud, each of which was cited by 39% of respondents, included its easy-to-use developer tools and platform, availability of dedicated cloud options, and high levels of desk support at low or no charge.

With a strong presence in the gaming industry; the most popular social network app in China, WeChat; and the mobile payment solution WeChat Pay – which is integrated in the WeChat app—Tencent has the potential to offer a comprehensive experience to existing and potential customers in and outside of China.

Brand Equity

Although a later entrant to the cloud market, Tencent Cloud has been growing fast. The company reported 86% year-over-year revenue growth for its cloud services in CY2019. The company currently has data centers in 27 regions, as well as 58 availability zones across the globe.

With strong brand awareness in the internet consumer market, Tencent Cloud's focus in the enterprise market since 2018 has been delivering results through important partnerships, market expansion and revenue growth.

Conclusion

A leading player in the Chinese cloud market, Tencent Cloud has been quickly penetrating the global cloud market. With the company's achievement of top-level security standards globally; its flexible software-based business; and its leadership in the gaming, social network, and mobile payment industries, Tencent Cloud is poised to change the competitive landscape in the IaaS and PaaS sectors of the global cloud market.

With its strong overall performance, Tencent Cloud has earned Frost & Sullivan's 2020 Competitive Strategy Leadership Award.

What You Need to Know about the Competitive Strategy Leadership Recognition

Frost & Sullivan's Competitive Strategy Leadership Award recognizes the company with a stand-out approach to achieving top-line growth and a superior customer experience.

Best Practices Award Analysis

For the Competitive Strategy Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Strategy Innovation

Strategy Effectiveness: Effective strategy balances short-term performance needs with long-term aspirations and overall company vision

Strategy Execution: Company strategy utilizes Best Practices to support consistent and efficient processes

Competitive Differentiation: Solutions or products articulate and display unique competitive advantages

Executive Team Alignment: Executive team focuses on staying ahead of key competitors via a unified execution of its organization's mission, vision, and strategy

Stakeholder Integration: Company strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at <http://www.frost.com>.

The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create on-going growth opportunities and strategies for our clients is fuelled by the Innovation Generator™. [Learn more.](#)

Key Impacts:

- **Growth Pipeline:** Continuous flow of Growth opportunities
- **Growth Strategies:** Proven Best Practices
- **Innovation Culture:** Optimized Customer Experience
- **ROI & Margin:** Implementation Excellence
- **Transformational Growth:** Industry Leadership



The Innovation Generator™

Our six analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

- Mega Trend (MT)
- Business Model (BM)
- Technology (TE)
- Industries (IN)
- Customer (CU)
- Geographies (GE)

