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Microsoft Corp is introducing new tools for its campaign to outflank cloud-computing rival Amazon.com Inc. by targeting big businesses that have balked at shifting their data to the cloud.

The tools Microsoft unveiled Monday are aimed at what is perhaps the hottest part of the multibillion-dollar cloud market, the so-called hybrid cloud. Such systems let companies move some computing to cloud services while keeping control of data they need to hold closely. Cloud computing, whereby customers rent computing horsepower rather than investing in their own, has become a profit driver for Microsoft and Amazon. Microsoft's commercial cloud revenue roughly doubled over two years to $11.6 billion in the latest quarter. The success of Azure, Microsoft's cloud offering, has helped build the Redmond, Wash., software giant into a $1.1 trillion company.

The cloud market overall reached $175.8 billion in sales in 2018, according to Gartner Research Inc. Initial cloud growth was driven largely by businesses that hadn't spent much on in-house IT departments. Startups easily moved to the cloud, helping Amazon's cloud unit, known as AWS, achieve early success. But many of the companies with the biggest IT budgets, such as those in highly regulated industries like finance, have stood back, in part because of regulatory requirements that make it difficult for them to store data on servers belonging to other companies.

Other companies have been slow to invest in the cloud because of specific business challenges. Cargo ships and remote oil-and-gas extraction sites, for example, can be difficult to connect to the cloud. To win business from such customers, cloud-services providers such as Microsoft are expanding into what

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Philadelphia Inquirer
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Today is Election Day in Pennsylvania. Polls will remain open until 8:00 pm. More information at votespa.com.

they call "hybrid cloud," which mixes cloud IT systems with customer-owned data centers that store and process especially sensitive information.

Microsoft views its hybrid offerings as key to its efforts to catch up with Amazon, which was a pioneer in the cloud business. "It's really been a differentiator for us," said Scott Guthrie, Microsoft's executive vice president running the cloud and artificial intelligence group. Microsoft said on Monday that it would expand its Azure offerings to target customers interested in hybrid cloud systems.

Microsoft has been offering its Windows operating system to run on customers' servers for decades. But two years ago it began allowing customers to run part of its Azure cloud on in-house equipment that is built to Microsoft specifications, enabling those servers to work seamlessly with Azure data centers. Now Microsoft is adding new versions of those certified servers, which it calls Azure Stack. Among them is a "ruggedized" version, more robustly constructed to withstand tougher environments to appeal to military users. Microsoft just won a contract valued up to $10 billion to provide cloud infrastructure to the Pentagon, which is expected to have hybrid cloud features because some military information is too sensitive to put into the cloud.

The company is also introducing a system called Azure Arc to let more of its cloud-based database applications run within customers' data centers. Microsoft isn't alone in its hybrid cloud bet. International Business Machines Corp. spent around $34 billion to buy open-systems software company Red Hat Inc. to bolster its credentials in the segment. "I view this as a defining moment in IBM's cloud journey," Chief Executive Ginni Rometty **said in July when the deal closed**.

IBM, which trails Amazon, Microsoft and others in the cloud market overall, has said it wants to dominate the hybrid cloud era. IBM has said only 20% of businesses have embraced cloud services. Arvind Krishna, IBM's senior vice president for the cloud, has said hybrid cloud services represent a $1.2 trillion business opportunity between hardware and software products. Oracle Corp., another company doing extensive business with corporate IT departments, has labeled hybrid cloud a priority and said **in October it was increasing** its cloud-computing staff. Julia White, corporate vice president of Azure, said Microsoft designed its cloud from the outset with the hybrid model in mind. "It's been our belief from the beginning that systems would be distributed," she said in an interview.

Amazon and Alphabet Inc.'s Google, another competitor, have their own hybrid cloud aspirations, including letting their cloud technology run on data centers that customers already have. Late last year, Amazon announced AWS Outposts, a product similar to Microsoft's Azure Stack servers. Amazon's move is pushing Microsoft into further investment, said Erik Vogel, a global vice president of customer experience for Hewlett Packard Enterprise Co.'s GreenLake service, which works with clients to manage their hybrid cloud, and partners with big public cloud vendors such as Microsoft. "We're seeing a renewed investment and push for the Azure Stack solution," he said. – ***Wall Street Journal***

When Apple Inc's video streaming service made its debut on Friday, it came with $2 billion worth of original programming - a feature widely considered to be the most powerful magnet for new subscribers. But for Apple TV+ and its rivals, whose monthly subscriptions are cheaper than traditional cable packages, keeping viewers is a huge challenge. Streaming providers like Netflix Inc, Apple TV+, Walt Disney Co's Disney+ and AT&T's HBO Max tout flexibility: sign up to watch a new show, cancel when you want.

Besides spending millions of dollars on library content, media companies are using programming, promotions and other strategies to avoid cancellations, or “churn” in industry parlance, and retain subscribers who are costly to acquire and easy to lose. “Churning off of a service once meant finding the phone number of your cable operator, navigating an automated menu and waiting on hold,” said Rich Greenfield, an analyst at LightShed Partners. “We now live in a world where with a couple of clicks of your finger on your phone, all of the friction from cancellation is gone.”

Disney is the only streaming provider that has used a multi-year promotion to lock in subscribers. In August, the company offered new and existing members of its D23 fan club an annual rate of $47 for a three-year commitment to Disney+ - 33% off the standard price. Disney has the advantage of making content for children, who watch the same movies and TV shows again and again. Netflix, HBO Max and Apple TV+ have invested in kids’ content to keep subscribers from canceling while they wait for the next original, adult-focused show.

In May Netflix made a rare acquisition, of the children’s media brand StoryBots, for an undisclosed sum. In July it announced seven new series targeting preschoolers. Apple TV+ programming includes two series from Sesame Workshop, the nonprofit that makes “Sesame Street.” HBO Max is airing new “Sesame Street” episodes and most of the show’s library. Streamers are also being strategic about the number and timing of new releases. “There has to be a cadence to the release slate so there’s something you want to watch coming out throughout the year,” said Fitch analyst Patrice Cucinello.

HBO Max will air one new episode of its original series per week. For most Apple TV+ drama series, including "The Morning Show" and "See," Apple will release three episodes at a time, followed by one per week. Disney+ will unveil one episode per week for new series such as "Loki." Hulu for years has been releasing weekly episodes of its original series such as “The Handmaid’s Tale” and “Castle Rock.” CBS Corp’s CBS All Access, another streaming pioneer, releases most original shows weekly.

CBS All Access and its sibling Showtime engage in campaigns to win back subscribers who cancel, according to Marc DeBevoise, chief executive of CBS Interactive. The services contact viewers when a show they used to watch is back on the air, and often offer a promotional rate. Showtime is in active talks with Amazon Inc, Apple and Roku Inc about creating bundles of two or three services, said a source familiar with the premium cable and satellite TV network. The combined services, with a diverse menu, could replace the cable bundle as a one-stop shop for programming. HBO Max and Netflix are also investing heavily in broad swaths of content. Netflix paid roughly $15 billion cash for content in 2019, and AT&T will spend $4 billion over the next three years building HBO Max. – ***Reuters***