How telecoms can ride the hyperscaler wave

New partnership models could be a game changer

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She advises leading telecom and ICT players in shaping corporate strategy, redesigning operating models, and driving large-scale transformations, while also supporting on M&A and board-level priorities. Her work has enabled clients to launch and scale next-generation offerings in cloud, cybersecurity, IoT, artificial intelligence (AI), and outsourcing services.

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EXECUTIVE SUMMARY

Hyperscalers such as Amazon Web Services (AWS), Google, and Microsoft are at the forefront of digital innovation. They are also making massive investments in the region: Commitments of more than US$20 billion in the Gulf Cooperation Council (GCC)[1] over the next few years have been disclosed.

The accelerating pace of technological change offers telecoms an opportunity to shift their role in the digital ecosystem from facilitators of digital transformation to leaders in their own right. That's where collaboration with hyperscalers is critical.

Effective partnerships between telecoms and hyperscalers should seek to harness their complementary strengths across portfolio offerings, sales channels, customer reach, and technical expertise. In our observation, these arrangements typically fall into one of four models—client–provider relationship, go-to-market collaboration, integrated value proposition, and joint innovation—each reflecting the particular value both parties bring to the table.

Telecoms can develop an effective strategy for robust collaboration with hyperscalers by following a three-step approach.

First, they should select a technology domain for collaboration. To begin, telecoms should assess technology areas according to their market size and growth potential.

Second, telecoms should select an optimal collaboration model for the partnership. The best structures are formed when both they and hyperscalers possess strong capabilities, ensuring mutual benefit.

Third, telecoms will need to identify the right partner or partners. To determine the most suitable partner, telecoms should meticulously assess the hyperscaler's capabilities in specific engagement models and technologies.

Telecoms and hyperscalers in the Middle East have a transformational opportunity to redefine their roles within a changing digital ecosystem. Partnerships that draw on each party's strengths can create solutions that meet the evolving demands of businesses and consumers alike.

RIDING THE HYPERSCALER WAVE

As enterprises around the globe seek to modernize their IT environments, hyperscalers such as Amazon Web Services (AWS), Google, and Microsoft are at the forefront of digital innovation thanks to their unparalleled scale, massive infrastructure, and rich portfolio. On the other side, telecom companies form the backbone of modern connectivity, enabling people, businesses, and governments to communicate, collaborate, and share information seamlessly across vast distances.

Traditionally, telecoms have provided fixed-line and mobile services, and their infrastructure investments have focused on building and maintaining networks that support voice, data, and video communication. However, the accelerating pace of technological change—fueled by the growing demand for high-speed internet, cloud services, and emerging technologies (such as 5G, the internet of things [IoT], and artificial intelligence [AI])—offers telecoms an opportunity to shift their role in the digital ecosystem from facilitators of digital transformation to leaders in their own right. Attaining this goal will require telecoms to harness the latest innovations in computing, data analytics, and cloud technologies. And that's where partnerships with hyperscalers come into play.

The good news is that hyperscalers already view telecoms as a vital partner in digital transformation. Between 2018 and 2024, hyperscalers announced more than 230 strategic partnerships with telecom providers worldwide; Microsoft, Google, and AWS accounted for approximately 80 percent of these announcements.[2] These partnerships are increasingly focused on B2B customer segments (nearly 85 percent of total partnerships), due to the complexity of enterprise digital transformation and the growing demand for both integrated cloud network solutions and codeveloped, industry-specific offerings.[3]

Whereas hyperscalers excel in infrastructure, platforms, and services within the information and communications technology (ICT) value chain, telecoms have a unique strength in offering advisory, integration, and managed services in addition to core connectivity. This complementary positioning offers significant partnership opportunities for telecoms and hyperscalers. The two can act as allies in the evolving digital ecosystem. Because most markets in the Middle East are still in their early stages of development, telecoms that move with urgency can pursue a broad range of opportunities.

THE HYPERSCALER BOOM: REGIONAL GROWTH AND KEY TRENDS

The Middle East is experiencing rapid digital transformation, and hyperscalers are playing a pivotal role in shaping it. They are establishing local data centers, offering cloud services, and supporting the growing demand for scalable computing, storage, and networking solutions. Government initiatives, the adoption of cloud strategies, data center expansion, and the integration of 5G and edge computing, combined with the growing need for industry-specific solutions, are setting the stage for a dynamic and innovative digital landscape in the region (*see Exhibit 1*).

EXHIBIT 1
Five drivers are shaping digital transformation in the Middle East

KEY DRIVERS		
Cloud-first government initiatives	>	Middle East governments, led by the United Arab Emirates (UAE), Saudi Arabia, Kuwait, and Qatar, are pushing cloud-first agendas—driving public-sector cloud adoption and opening new opportunities for hyperscalers
Adoption of multi-cloud strategies	>	Enterprises are adopting hybrid and multi-cloud setups to boost flexibility and avoid dependence on a single vendor—expanding opportunities for hyperscalers with diverse offerings
Expansion of regional data centers	>	Data residency rules are driving hyperscalers to invest in local data centers—ensuring compliance while meeting demand for secure, scalable cloud services
Integration of 5G and edge computing	>	5G rollout is fueling demand for edge computing and real-time apps—pushing hyperscalers to partner with telecoms for low-latency, high-bandwidth cloud solutions
Rising demand for industry-specific solutions	>	Hyperscalers are customizing cloud solutions for key industries such as oil and gas, finance, healthcare, and retail—driving targeted, scalable transformation

Source: Strategy&

Driven by these growth trends, the hyperscaler boom has generated strong momentum for partnerships with telecoms across the region (*see Exhibit 2*). Leading players have significantly expanded their presence in just the past several years; commitments of more than US$20 billion in the Gulf Cooperation Council (GCC) over the next few years have been disclosed.

Telecom–hyperscaler partnerships have proliferated across the region over the past several years

SAUDI ARABIA

- In 2024, **stc** partnered with **Oracle** to launch and offer sovereign cloud services in Saudi Arabia
- In 2023, **Zain** partnered with **Google** to develop cutting-edge AI capabilities (e.g., an Arabic bot for a contact center)
- In 2022, **ZainTech** partnered with **AWS** to boost cloud adoption and enterprise digital transformation
- In 2022, **stc** partnered with **Alibaba** to establish a JV–SCCC, to expand its public cloud services offerings

OMAN

- In 2024, **Omantel** partnered with **AWS** to set up a Cloud Center of Excellence (CCoE) to help companies migrate to the cloud
- In 2024, **Omantel** partnered with **Google** to launch Distributed Cloud Edge solution, enhancing infra and reducing latency
- In 2022, **Omantel** and **Microsoft** signed an MoU to accelerate innovation and explore new infrastructure solutions

UNITED ARAB EMIRATES

- In 2025, **du** partnered with **Microsoft** to enhance call center operations through advanced AI technologies
- In 2025, **du** partnered with **Oracle** to offer hyperscale cloud and sovereign AI services for government and the public sector
- In 2024, **E&** signed a US$1 billion partnership with **AWS** to boost cloud innovation and digital transformation
- In 2022, **ZainTech** partnered with **AWS** to boost cloud adoption and digital transformation in the MENA region

KUWAIT

- In 2021, **stc** partnered with **Google** to offer digital solutions and productivity tools for businesses
- In 2021, **Ooredoo** partnered with **Microsoft** to drive cloud adoption and provide Azure ExpressRoute connect
- In 2017, **Zain** joined the **AWS** partner network to offer resilient cloud solutions to organizations

BAHRAIN

- **stc Bahrain** partnered with **AWS** to offer cloud migration and modernization services via AWS marketplace

EGYPT

- In 2019, **Telecom Egypt** partnered with **Microsoft** to expand its cloud network reach and improve service delivery

QATAR

- In 2024, **Vodafone** partnered with **Microsoft** to improve CEX via GenAI, enable cloud transformation, and scale its IoT platform
- In 2023, **Ooredoo** partnered with **Microsoft** to offer cloud services to B2B customers—stand-alone or bundled with connectivity
- In 2023, **Ooredoo** partnered with **Google's** API management platform Apigee to modernize its IT ops and enhance customer experience

Note: AWS = Amazon Web Services, JV = joint venture, SCCC = Saudi Cloud Computing Company, MoU = memorandum of understanding.
Source: Official press releases from Oracle, Zain, ZainTech, Microsoft, Omantel, stc, AWS, Vodafone, Ooredoo, du, and e&; news articles from the Saudi Press Agency, World Economic Magazine, and Intelligent CIO Middle East

FOUR MODELS FOR HYPERSCALER–TELECOM PARTNERSHIPS

Partnerships between hyperscalers and telecoms should seek to harness their complementary strengths across portfolio offerings, sales channels, customer reach, and technical expertise. In our observation, these partnerships typically fall into one of four models—client–provider relationship, go-to-market collaboration, integrated value proposition, and joint innovation— each reflecting the particular value both parties bring to the table (*see Exhibit 3*). The models vary depending on the depth of strategic and operational collaboration between the two parties, ranging from transactional engagements to full-scale co-innovation.

1. Client–provider relationship

In this model, engagement is minimal and largely transactional, with one party consuming services from the other. It has two variations that reflect the different needs of each party.

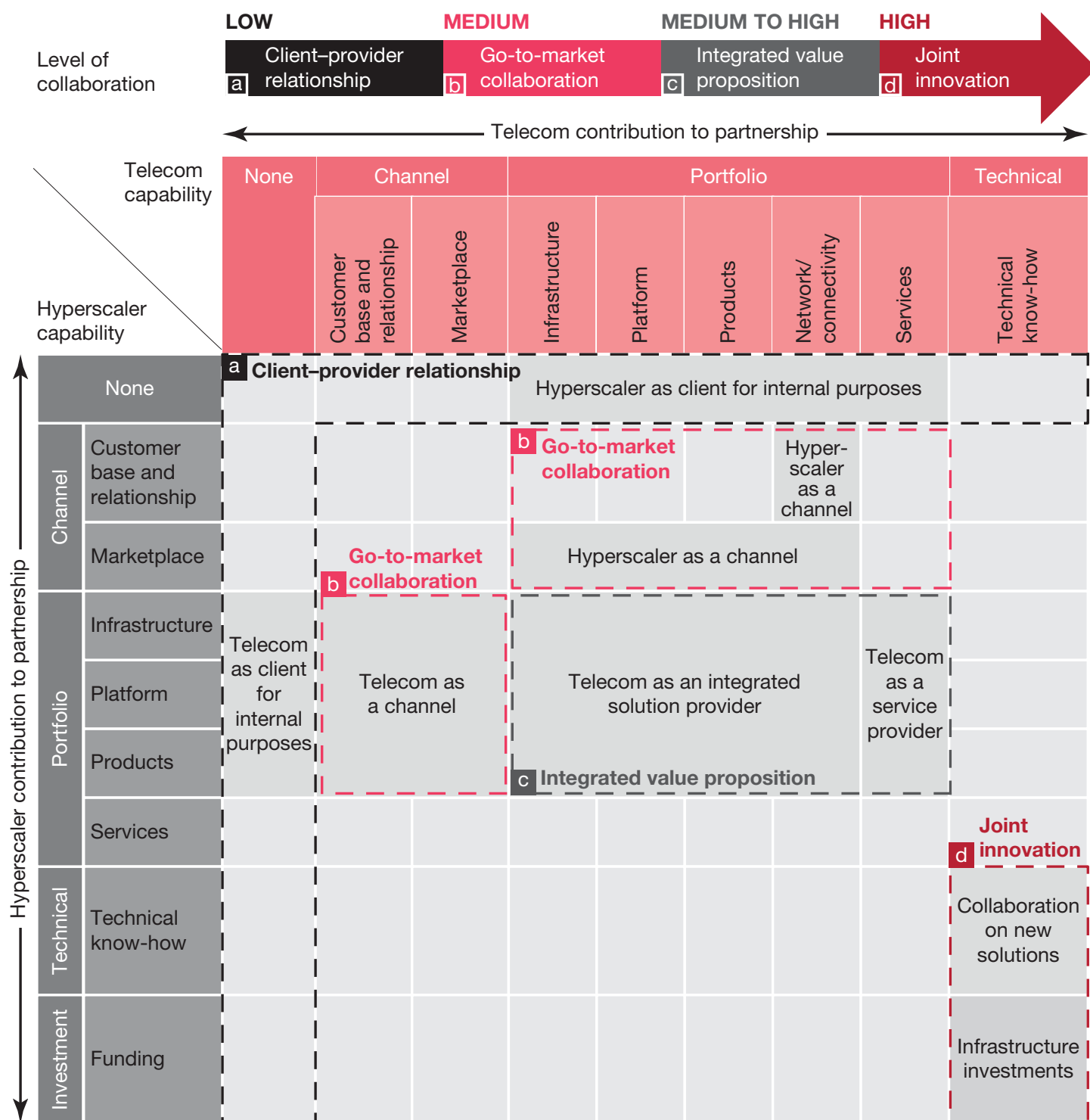### Hyperscalers as a client of telecoms

Hyperscalers often rely on telecoms for essential infrastructure services. For instance, co-location allows hyperscalers to house their data center equipment in secure, reliable facilities, and fiber networks provide high-capacity, low-latency connectivity that supports data transfer between global locations. Recent examples in the region include center3, the data center and wholesale arm of Saudi Telecom (stc), partnering with Oracle in 2023.[4] In that deal, stc provided co-location space, power, and data services for Oracle's new cloud region[5] in Riyadh and the expansion of its existing region in Jeddah.

In addition, subsea cables enable fast and secure international data transmission, helping hyperscalers maintain optimal performance for their cloud platforms and global services. Google entered into an agreement in 2021 with Telecom Egypt to use its new mesh fiber route across Egypt and capacity on TE North, its Mediterranean subsea cable.[6] This arrangement increased the reliability and robustness of Google's international transit traffic.

Four partnership models for hyperscalers and telecoms

Level of collaboration

LOW	MEDIUM	MEDIUM TO HIGH	HIGH
[a] Client–provider relationship	[b] Go-to-market collaboration	[c] Integrated value proposition	[d] Joint innovation

← Telecom contribution to partnership →

Telecom capability

None	Channel		Portfolio					Technical
	Customer base and relationship	Marketplace	Infrastructure	Platform	Products	Network/ connectivity	Services	Technical know-how

Hyperscaler capability / Hyperscaler contribution to partnership ↑↓

		None	Customer base and relationship	Marketplace	Infrastructure	Platform	Products	Network/connectivity	Services	Technical know-how
	None	[a] **Client–provider relationship**	Hyperscaler as client for internal purposes							
Channel	Customer base and relationship			[b] **Go-to-market collaboration**			Hyperscaler as a channel		
	Marketplace	Telecom as client for internal purposes	[b] **Go-to-market collaboration**	Telecom as a channel	Hyperscaler as a channel				
Portfolio	Infrastructure				Telecom as an integrated solution provider			Telecom as a service provider	
	Platform								
	Products			[c] **Integrated value proposition**				
	Services								[d] **Joint innovation**
Technical	Technical know-how								Collaboration on new solutions
Investment	Funding								Infrastructure investments

Source: Strategy& analysis

Telecoms as a client of hyperscalers
Conversely, telecoms can use hyperscaler offerings for internal operational improvements, such as IT migration, cloud modernization, and the deployment of advanced services like AI and 5G core networks—often as part of digital transformation initiatives. In 2025, Telefónica announced a strategic alliance with Microsoft to transition its Kernel platform (a robust, AI-driven engine) to Azure, aiming to enhance network efficiency, achieve network programmability, and accelerate digital transformation.[7]

Telecoms are also integrating tools such as generative AI (GenAI) and collaboration suites to enhance efficiency and scalability within their own operations. In 2023, e& took this route, announcing the incorporation of Azure OpenAI GPT into its internal operations.[8] Its goals were to optimize internal operations such as HR, enhance the customer experience, boost overall performance, and enable faster decision-making.

2. Go-to-market (GTM) collaboration

The GTM collaboration model reflects a moderate level of alignment, in which telecoms and hyperscalers gain access to each other's channels and customer relationships.

Hyperscaler as a channel
Telecoms can list offerings compatible with the hyperscaler's cloud services on its marketplace, thereby gaining access to a broad, global customer base. This strategy can boost visibility and simplify customer acquisition by targeting entities that are already using the hyperscaler's solutions. In addition, established marketplaces often provide integrated billing and sales processes, making it easier for telecoms to manage subscriptions and payments. In 2019, for example, AT&T launched internet of things (IoT) data plans on the AWS Marketplace to offer business a streamlined way to purchase IoT connectivity and deploy IoT solutions. To broaden its customer reach and scale, stc Bahrain joined the AWS Marketplace, making available offerings such as cloud professional services and email security-as-a-service.[9]

Telecom as a channel
The converse strategy—with hyperscalers listing their services on a telecom marketplace—has also proved effective. With this approach, they tap into the telecom's established customer base, local presence, market knowledge, and e-commerce features. Companies often subscribe to Microsoft 365 and other productivity tools (for example, Word, Excel, Teams, and Outlook) available on telecom marketplaces such as stc; these have the additional benefit of local support, billing, and value-added services.

3. Integrated value proposition

Telecoms can partner with hyperscalers through an integrated value proposition model, which involves a higher level of coordination, because the parties offer bundled or integrated offerings.

Telecoms as integrated solutions provider
Telecoms have an opportunity to combine their strengths in connectivity, edge infrastructure, and customer reach with hyperscalers' cloud platforms, AI, and data capabilities. This approach has taken root over the past few years and moves beyond the simple reselling of services to offer seamless, end-to-end solutions that combine advanced IT and cloud capabilities with robust network integration. In 2022, Vodafone Qatar struck a deal with Microsoft to host, develop, and deliver its own IoT solutions on Microsoft Azure.[10] That same year, e& formed a strategic alliance with AWS to create a catalog of prepackaged 5G digital solutions, a combination of AWS-based services and Etisalat UAE's connectivity and integration capabilities.[11]

Telecoms as service provider
Telecoms are increasingly providing managed, professional, and integration services on hyperscaler infrastructure, platforms, or products. Because hyperscalers typically focus on technology and economies of scale, they may not always be adept at offering customer-facing, hands-on services. Telecoms, with their established expertise in customer relationships and service delivery, can fill this gap through tailored, localized solutions and ongoing support. In 2020, for example, e& joined the AWS service delivery partner program to support customers in their move to the AWS cloud by providing consulting, integration, and managed services.[12]

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Partnerships between telecoms and hyperscalers represent a transformational opportunity for both parties to redefine their roles within the digital ecosystem.

4. Joint innovation

Joint innovation is the most advanced form of partnership. In this model, both sides actively co-invest, co-create, and share technical know-how to deliver new cutting-edge solutions.

Codevelopment of new solutions

In this most advanced form of collaboration, telecoms and hyperscalers co-create new solutions and often make joint investments. Working together, they design and implement solutions that leverage the best of cloud infrastructure with robust, low-latency telecom networks. Innovations to date have concentrated on areas such as 5G, edge computing, network modernization, and AI-powered services. This partnership model allows the parties to develop highly specialized, scalable solutions that neither could efficiently build on their own.

In 2022, SK Telecom and AWS followed this path, entering into a partnership to codevelop a new set of computer vision services.[13] Their objective was to make it easier and more cost-effective for customers to build, use, and scale computer vision applications.[14] In 2024, Telefónica deepened its partnership with Google Cloud to explore innovation across a broad spectrum of next-generation technologies such as AI, GenAI, machine learning operations (MLOps), accelerated AI computing, decentralized systems (Web3 and blockchain), quantum computing, and edge computing.[15]

Collaboration on infrastructure investments

Hyperscalers, with their deep pockets, often partner with telecoms to invest in subsea cable networks. These cables provide benefits to both parties: Hyperscalers are able to expand their cloud footprint and deliver services more efficiently across regions, and telecoms gain enhanced network infrastructure and international reach.

Hyperscalers such as Google and Meta are core players in the submarine cable ecosystem, often collaborating with telecom operators and infrastructure companies through global consortia.[16] In 2020, Meta, in collaboration with leading telecom operators including stc, China Mobile International, MTN GlobalConnect (now Bayobab), Orange, Telecom Egypt, and Vodafone, launched the 2Africa subsea cable project—the longest in the world—designed to significantly expand internet access and capacity across Europe, the Middle East, and Africa.[17] Key parts of the subsea cable became operational in September 2025.[18] Similarly, Google has made substantial investments in subsea cable infrastructure, partnering with telecom companies on projects such as Unity, INDIGO, and Monet, as well as the upcoming Tabua, Blue, and Raman systems to enhance global connectivity and support its expanding cloud services.[19]

NAVIGATING POTENTIAL RISKS

As telecoms explore potential partnerships with hyperscalers, they should be mindful of several risks that could affect their business, reputation, and operations.

Dependency on hyperscaler technology
An overreliance on a hyperscaler's cloud infrastructure and technologies could lead to a loss of control over service quality, innovation, and customer experience. To cite one example, AT&T's move to outsource its 5G core network to Microsoft Azure exposes one of its critical assets to risk.[20] To avoid this issue, telecoms can steer clear of exclusivity agreements with just one hyperscaler and ensure mutual ownership of intellectual property.

Loss of customer ownership and increase in brand confusion
In certain collaborations, telecoms may unintentionally cede direct ownership of customer relationships, particularly when hyperscalers control key interfaces, such as cloud portals, that engage with end-users directly. This arrangement can blur brand identity, weaken customer trust, and obscure accountability. To maintain control over critical touch points, telecoms should clearly define roles in customer-facing activities and secure contractual rights to customer data. In codeveloped solutions, in which service responsibilities may be unclear, telecoms should ensure their branding is prominently featured; this will reinforce their presence and value.

Competing priorities or lack of strategic alignment
Hyperscalers and telecoms naturally have different business models, priorities, and goals. When they collaborate on building a joint road map, they risk misalignment in product development, marketing, or customer support. Telecoms can proactively work with hyperscalers to ensure strategic alignment through developing a shared vision and clear objectives while remaining flexible in order to adapt partnership terms as business priorities shift.

Data sovereignty and compliance risks
Given the importance of data privacy regulations (such as the European Union's General Data Protection Regulation [GDPR] and local data residency laws), hyperscalers that have a global presence could expose telecoms to data sovereignty and regulatory compliance risks, particularly in jurisdictions with strict data privacy laws. Telecoms should plan to conduct thorough regulatory due diligence on the hyperscaler's compliance with each market's data laws, ensure data localization using local infrastructure, and establish clear contractual agreements on data ownership and management.

Technology compatibility issues
Integration challenges between telecom and hyperscaler infrastructure could lead to service disruptions or inefficiencies. Issues can arise, for example, if a telecom's legacy infrastructure hinders integration with the hyperscaler's new cloud-native technologies. Before diving into partnerships, telecoms should conduct thorough pre-integration testing, adopt an API (application programming interface)-first strategy for seamless communication, and collaborate with third-party experts to ensure effective cloud and network integration.

CRAFTING AN EFFECTIVE PARTNERSHIP

Telecoms can develop a robust strategy for collaborating with hyperscalers by following a three-step approach.

Step 1: Select a technology domain for collaboration

To begin, telecoms should assess technology areas according to their market size and growth potential. Next, they should evaluate their own strengths in relevant tech domains, considering factors such as market positioning, customer base, portfolio size, technical proficiency, compatibility with a given hyperscaler's offerings, integration skills, delivery capabilities, and strategic priorities and vision.

Today, hyperscalers predominantly collaborate with telecoms in cloud computing. But they are beginning to expand into areas such as edge computing, IoT, AI, cybersecurity, and some emerging technologies such as GenAI and blockchain. As technologies continue to advance, we expect to see deeper collaboration between hyperscalers and telecoms.

Step 2: Select an optimal collaboration model for the partnership

Telecoms should select models in which both they and hyperscalers possess strong capabilities, ensuring mutual benefit. It's also advisable to pursue models that are easy to implement and that deliver high impact and to determine the appropriate partner for each stage.

Exploring partnerships in stages is key for effective collaboration. Telecoms should begin with easy partnerships, utilizing hyperscaler offerings or selling telecom offerings to hyperscalers. Next, telecoms could move to leveraging hyperscaler platforms as GTM channels and vice versa. Subsequently, telecoms could develop solutions that combine their capabilities with those of hyperscalers or provide managed and professional services for hyperscaler offerings. Ultimately, they could explore codeveloping unique solutions with hyperscalers.

Step 3: Select the right partner or partners
To choose the most suitable partner, telecoms should meticulously assess the hyperscaler's capabilities in specific engagement models and technologies. In addition, telecom leaders must consider the maturity of existing relationships with the hyperscaler and evaluate the hyperscaler's reach in its local market.

Telecoms should aim to pursue partnerships with multiple hyperscalers simultaneously to gain a strategic advantage, prevent dependency on a single entity, and accelerate overall growth and expansion. However, telecoms should limit the number of concurrent partnerships in the initial phase to avoid being overwhelmed with too many conversations and commitments at once. By focusing on a manageable number of collaborations early on, telecoms can dedicate the necessary attention and resources to each, minimizing the risk of misalignment and enabling more effective execution. Lessons learned from these initial engagements can then be applied to refine and scale future partnerships. Over time, as capabilities mature, telecoms will be better equipped to manage multiple collaborations efficiently.

In addition, telecoms should avoid relying on a single partner for partnerships across all technologies and engagement models. Instead, they can initiate focused collaborations with different hyperscalers in selected domains where mutual strengths can be fully leveraged, and then gradually scale into other areas as the partnerships evolve. This approach of partnering with different hyperscalers based on domain expertise gives telecoms the agility to tap unique expertise and adapt to disruptions in specific technologies or change in hyperscaler agendas. That said, maintaining a balanced number of partnerships is crucial to preserving strategic coherence, avoiding fragmented messaging, and ensuring a consistent customer experience along the value chain.

CONCLUSION

Partnerships between telecoms and hyperscalers in the Middle East represent a transformational opportunity for both parties to redefine their roles within a changing digital ecosystem. By drawing on each party's strengths, these collaborations can create robust solutions that meet the evolving demands of businesses and consumers alike.

Adapting to this shift is no longer optional—it's an imperative for telecoms looking to unlock future growth and stay relevant in an increasingly complex market. The future of the telecom–hyperscaler relationship will hinge on collaboration and co-creation, as the two entities work together to unlock new business models and revenue streams.

ENDNOTES

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