

The Google logo is displayed in white on a black background. It consists of a blue rounded square containing a white lowercase 'g', followed by two circular icons with red, yellow, and green segments, and the word 'GLE'S' in a white, sans-serif font.

GOOGLE'S STRATEGY

BUS 583: Business Strategy
March 2014

AGENDA



Company Overview



Business Model & Strategy



Industry at a Glance



Value Chain



Competitive Spectrum



Performance Issues



SWOT Analysis



Google in 2014



Porter's Five Forces



Recommendations



Google Search

I'm Feeling Lucky

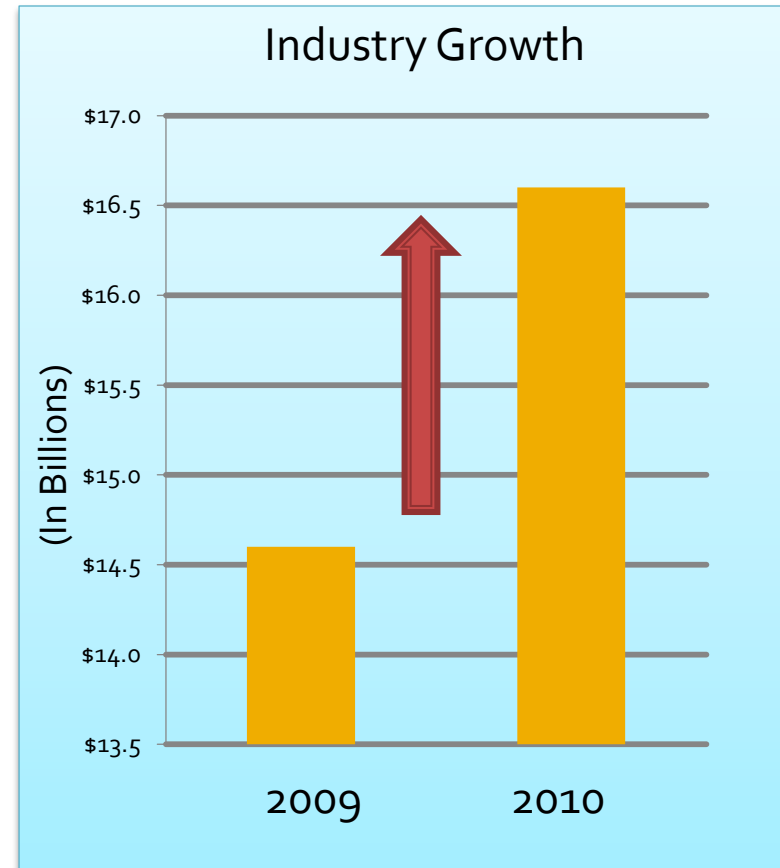
COMPANY OVERVIEW

- **MISSION:**
 - To organize the world's information in such a way that it is universally accessible and useful.
- **OBJECTIVES:**
 - Provisions to improve search (and apply to new products)
 - Acquisitions and partnerships
 - Improve user and employee experience
 - Anticipate needs not yet articulated (continuous growth)
 - Maintain long-term focus to maximize stockholder value
- **BUSINESS UNITS:**
 - Search Engines, Cloud Computing, Advertising, Operating Systems and Platforms, Enterprise and Hardware
- **PRIMARY REVENUE SOURCE:**
 - Online Advertising
- **OUTREACH:**
 - Products and services in more than 100 languages and 50 countries, regions, and territories



INDUSTRY AT A GLANCE

- **INDUSTRY:**
 - Internet Information Provider
 - Sector: Technology
- **DIRECT COMPETITION:**
 - Yahoo
 - Microsoft
 - Apple
- **GROWTH:**
 - Search Engine Marketing Industry growth: 14%
 - \$14.6 billion in 2009 to \$16.6 billion by the end of 2010
- **TRENDS:**
 - 90% of companies engaging in SEO
 - In-house search marketing picking up slightly
 - 97% of companies advertising on Google
 - 71% paying to advertise on the Google search network
 - 56% distributing ads via the Google content network



COMPETITIVE SPECTRUM

COMPETITIVE SPECTRUM: 2010-2012

BUSINESS UNIT	Google	Microsoft	YAHOO!	Apple
Internet Advertising	X	X	X	X
Internet Search	X	X	X	
Cloud Computing	X	X	X	X
Operating Systems	X	X		X
Web-Based Apps	X	X	X	X
TV/Streaming Video	X	X	X	X
Browser	X	X		X
Mobile Devices	X	X		X
Mobile Search	X	X	X	
Social Network	X	X		

“Google is more like us than anyone else we have ever competed with”.

-Bill Gates: Microsoft



SWOT ANALYSIS

Strengths

- Dominant market share: 60+ percent of search engine market
- Strong brand value
- Large cash flow
- Android mobile marketing system
- Continuous product innovation
- Loyal and satisfied employees
- Multi disciplined
- Technical infrastructure

Weaknesses

- Public perception of practices
- Relatively unsuccessful products: Orkut, Chrome OS Netbook
- Costly acquisitions: YouTube revenues were minimal
- Over-dependence on search marketing

Opportunities

- Secure consumers' personal info
- Revive relationship with Chinese market
- Penetrate into developing economies
- Develop tangible technology
- Strategic partnerships: NASA, AOL

Threats

- Advertising space is growing more competitive
- Privacy issues with content ownership
- Insistence by foreign governments
- Possible Yahoo/Microsoft partnership
- Active measures to challenge Google

PORTER'S FIVE FORCES



Threat of
New
Entrants



Bargaining
Power of
Buyers



Bargaining
Power of
Suppliers



Competitive
Rivalry



Threat of
Substitutes



THREAT OF NEW ENTRANTS

LOW TO MODERATE

- Barriers to entry are relatively high
 - Advanced technical expertise
 - Significant starting capital
 - Patents and proprietary knowledge
- Well-branded industry
 - Established reputations
 - Household name
 - Solid relationships
- Strong distribution networks are required



BARGAINING POWER OF BUYERS

MODERATE

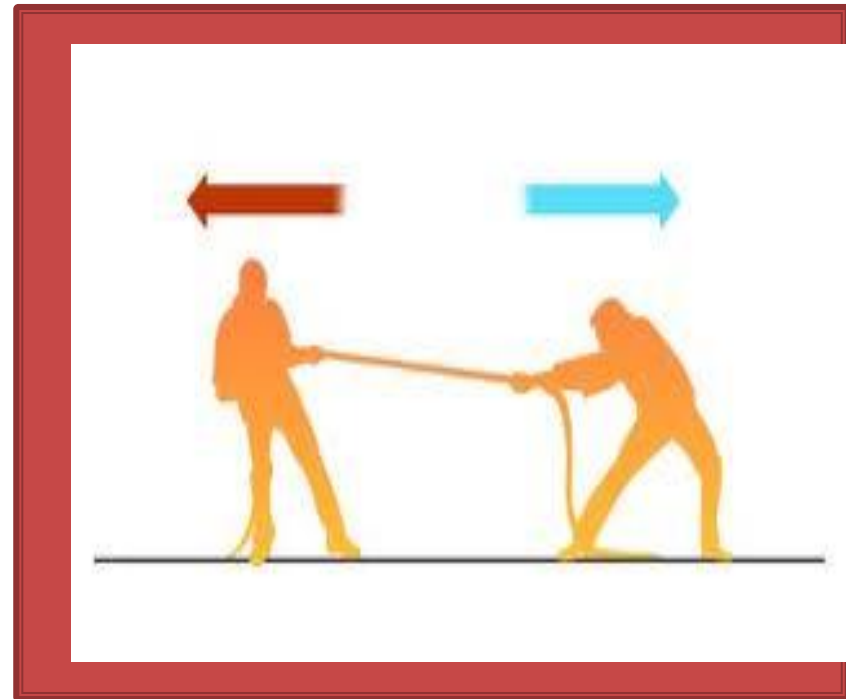
- Product is important to customers
 - Willing to pay more for select products
- Large number of customers
 - Limited bargaining leverage
- Buyers of advertising will want increased power and expect more ad representation
 - Demand more value in future
- Significant number of product choices
 - Interface and internet access
 - Prices and profits pushed down
- Privacy Issues



BARGAINING POWER OF SUPPLIERS

LOW TO MODERATE

- Large number of substitute inputs
 - Less bargaining leverage over producers
 - High competition
- Internal suppliers of labor
 - Come from within the company
 - Employee solidarity
 - Computer programmers, electronics
- Strong supplier relationships
 - Market dominance
 - Android phone system success



COMPETITIVE RIVALRY

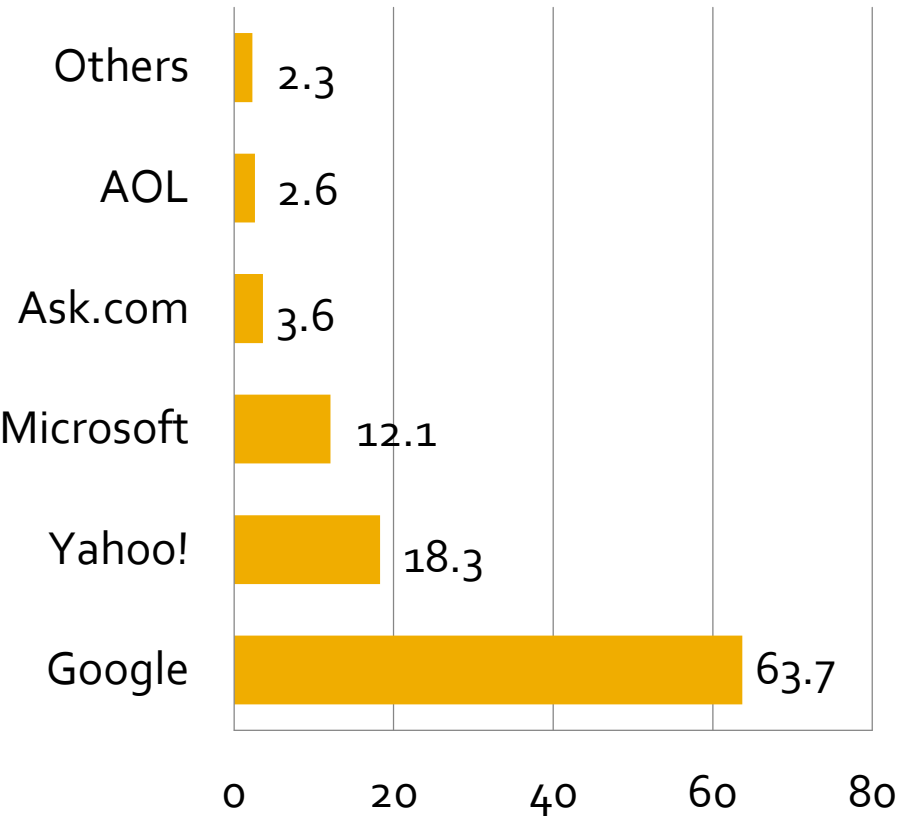
MODERATE TO HIGH



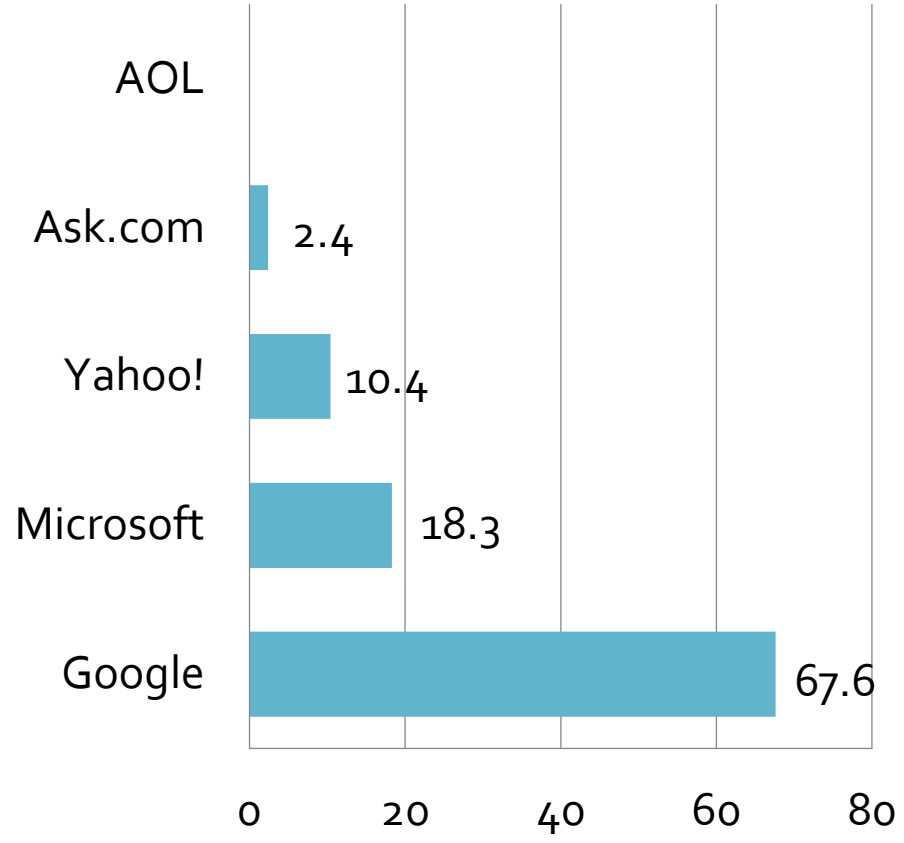
- Sustainable competitive advantage through innovation
- Level of advertising expense
- Ability to offer tailored packages
 - Bundling phone is common
- Large industry size
 - Can still prosper without stealing market share
- High barriers to entry

COMPETITIVE RIVALRY: Search Engines

2010

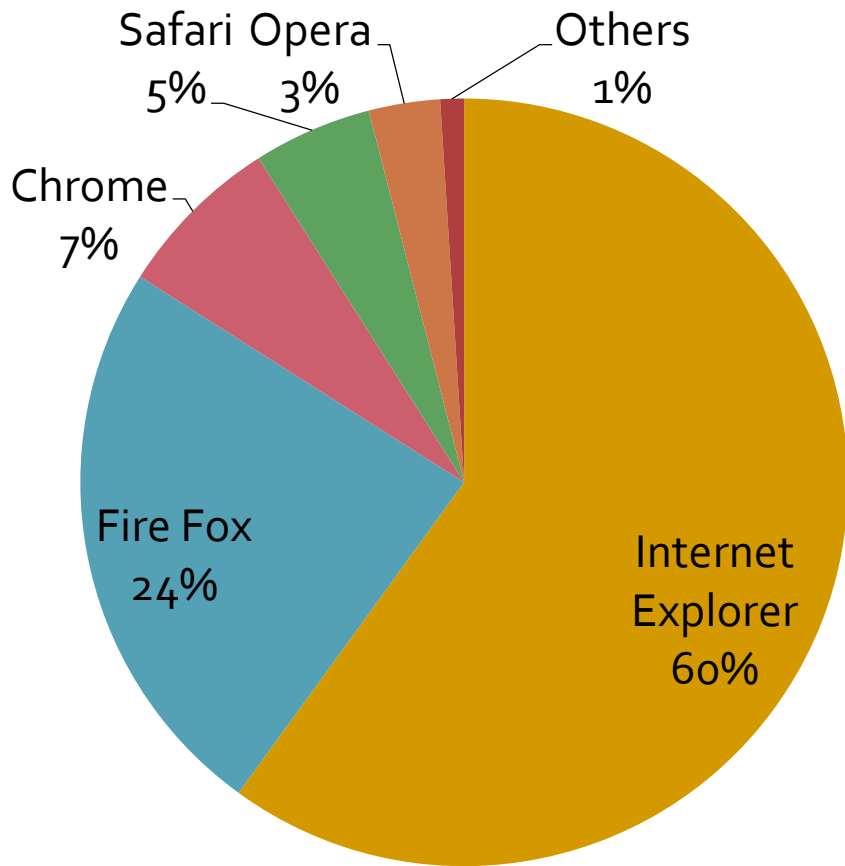


2014

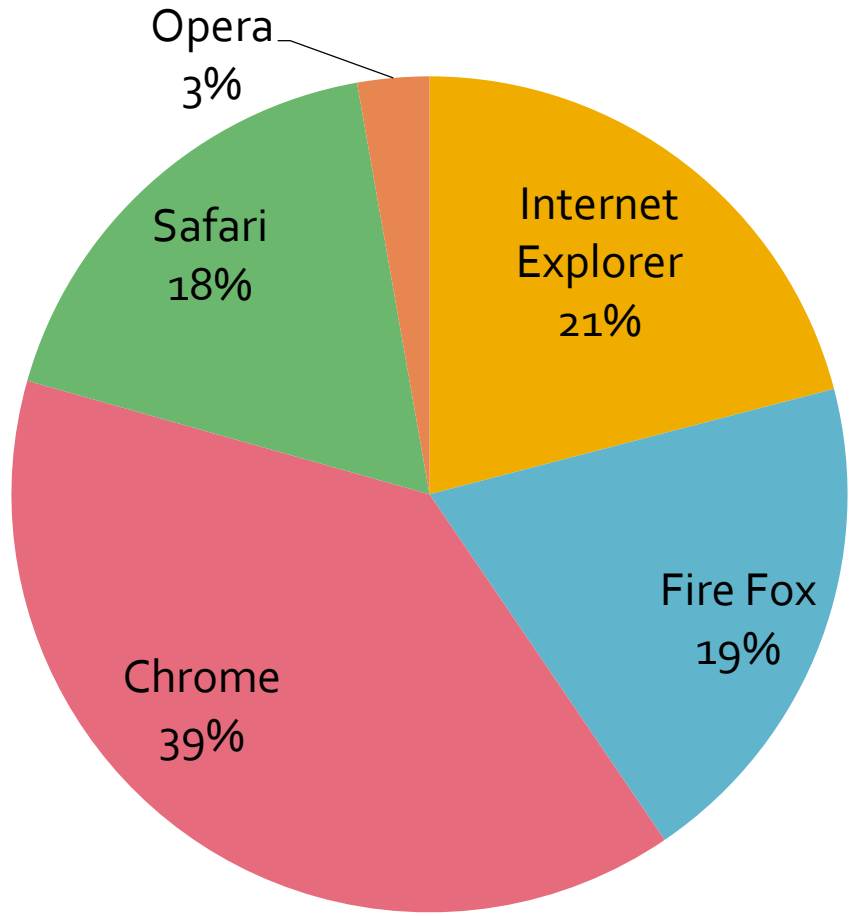


COMPETITIVE RIVALRY: Browsers

2010



2014



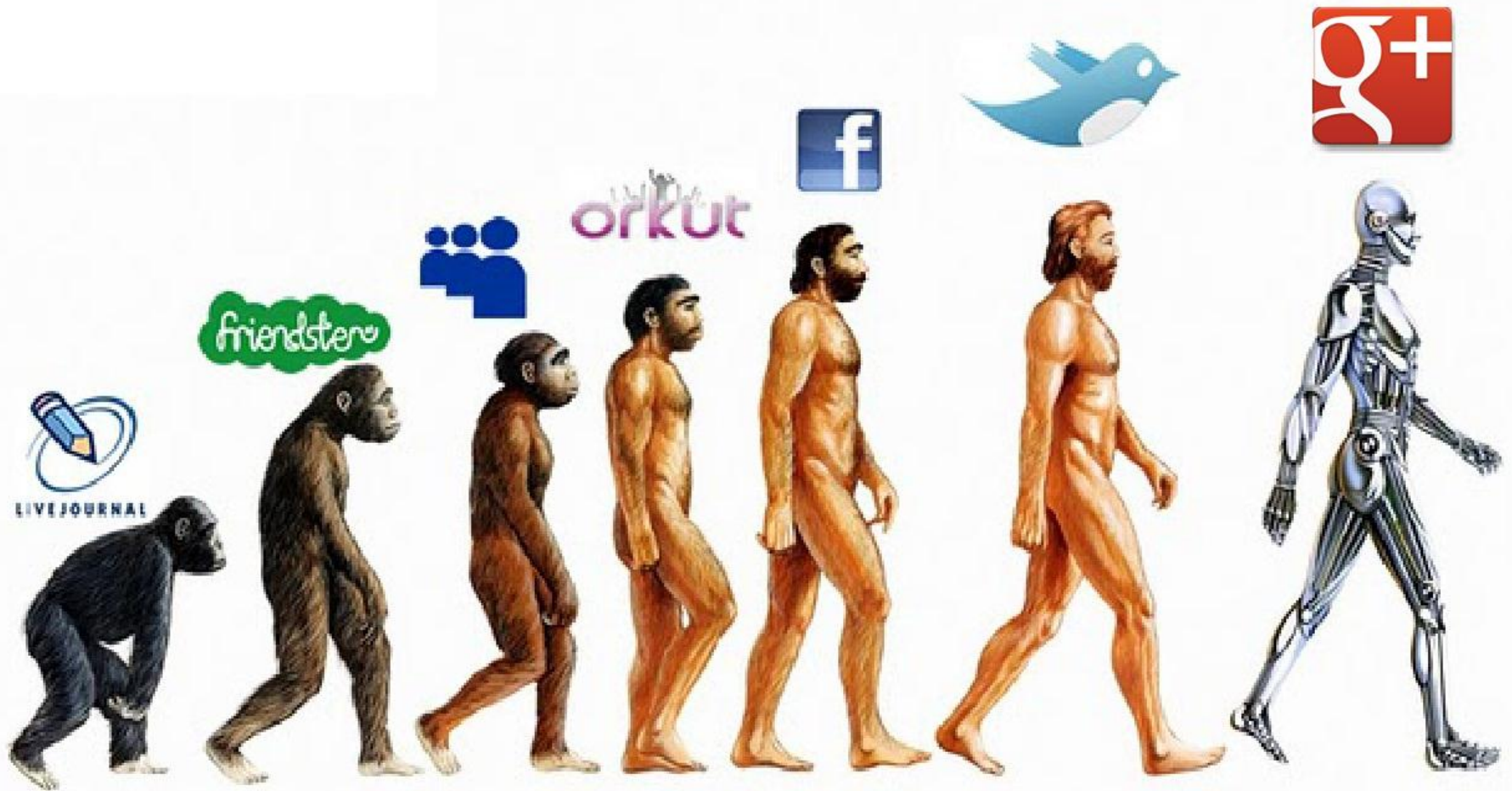
THREAT OF SUBSTITUTES

HIGH

- High substitute availability
 - Infinite number of internet companies
 - Online and offline factors
- Ease of substitution
 - Information-based products
 - Offerings are largely free



GOOGLE'S BUSINESS MODEL



GOOGLE'S BUSINESS MODEL

Integrated Approach



- **Accommodate advertising** (thereby enabling revenue generation) without subtracting from the search experience, and arguably enhancing it.
- Fulfilling their own software and hardware requirements to **keep control of their product/service offering**, ensuring its delivery and its quality.



CORE COMPETENCIES

Primary Activities



Research & Development

Computational Power

Human Resources

Secondary Activities

GOOGLE'S STRATEGY

- Dominance in Internet Advertising
 - Research and development
 - Mergers, acquisitions, and alliances
 - Social media
- Number One Search Engine
 - Not just in the US, but in the world
 - PageRank Algorithm
- Diversification of Product Offering
 - Google maps, local search, airline information, weather, book search, Gmail, and Blogger

Diversified strategy through business entrepreneurship, constant innovation and acquisitions/alliances.



BUSINESS UNIT VALUE CHAIN

Interface

Operating Systems

Browser

Web Apps

Ads

Ad Techs

Advertiser Relations



nexus one™



ANDROID

Google

Google Search

I'm Feeling Lucky



Google Docs

YouTube



Google AdWords

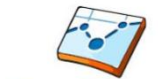
Google AdSense



Apprx. 97% of income is generated from advertising

doubleclick by Google

Google AdMob



Google Analytics

Google AdWords

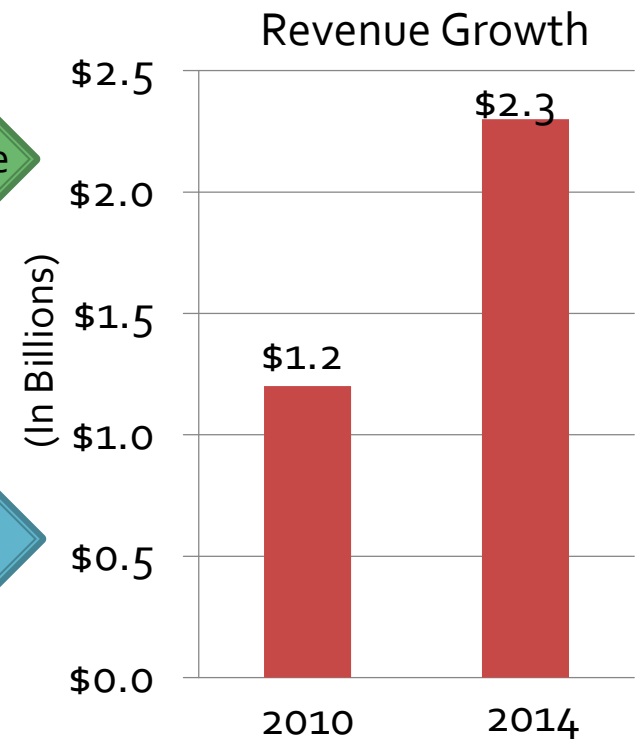
GROWTH THROUGH ADVERTISING



Allowed advertisers, either independently through Google's automated tools or with the assistance of Google's marketing teams, to create text-based ads that would appear alongside Google search results



Allowed Web publishers to share in the advertising revenues generated by Google's text ads



PERFORMANCE ISSUES

ADVERTISING REVENUE GROWTH RATE IS SLOWING

Exhibit 6 Google's Revenues by Source, 2003–2009 (\$ thousands)

	2009	2008	2007	2006	2005	2004	2003
Advertising revenues:							
Google websites	\$15,722,486	\$14,413,826	\$10,624,705	\$ 6,332,797	\$3,377,060	\$1,589,032	\$ 792,063
Google Network websites	7,166,318	6,714,688	5,787,938	4,159,831	2,687,942	1,554,256	628,600
Total	22,888,804	21,128,514	16,412,643	10,492,628	6,065,002	3,143,288	1,420,663

Growth Rate:

8.3%

28.7%

56.4%

73%

92.9%

121.2%

WHERE IS GOOGLE TODAY?



- Focusing on holozoic mission
- Tapping not just mobile internet and monetizing android
- Benefiting from mobile search queries
- Expanding the android ecosystem
- Capitalizing on the power punch of Chrome
- Understanding the rich media content consumption
- Introducing Google Glass
- Cross-selling on the Playstore
- Updating the search algorithm

OVERCOMING OBSTACLES

Full implementation of
publisher markup

More information and better
support for webmasters

Alternatives to local search for
internet only small businesses

Credit to original content
sources



IN 2014

RECOMMENDATIONS

A 3D illustration of several colorful human figures (yellow, red, blue, green) standing on interlocking puzzle pieces of various colors (blue, green, yellow, red).

Extend Google Network

- Acquisitions
- Key Partnerships
- Promote products

A 3D rendering of a white robotic hand holding a small globe of the Earth.

Focus on Tangible Technology

- Retail Stores
- Product Innovation
- Store Development

A black and white photograph of a hand holding a glowing lightbulb above a person's head.

Continuous Innovation

- Enhance Resources/Capabilities
- Rare, Hard to Imitate Products
- Retain internal employees

SOURCES

- <http://www.reuters.com/finance/stocks/companyProfile?symbol=GOOG.O>
- <http://searchengineland.com/the-state-of-search-engine-marketing-2010-38826>
- http://www.comscore.com/Insights/Press_Releases/2014/2/comScore_Releases_January_2014_US_Search_Engine_Rankings
- <http://www.w3counter.com/globalstats.php>
- <http://www.statista.com/chart/620/estimated-display-advertising-revenue-of-major-digital-ad-selling-companies-in-the-united-states/>
- <http://www.ibisworld.com/industry/default.aspx?indid=1982>
- http://www.econ.upf.edu/~lemenestrel/IMG/pdf/2_teece_on_bmi.pdf
- <http://www.techtimetea.com/google-pipeline-2014/>
- <http://www.business2community.com/seo/issues-google-needs-address-2014-0715481#!Bwo7K>