**Google**

**Strategic Management**

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1. I was appointed by Google’s senior management to provide a current assessment of the search engine industry and, in particular, Google’s competitive position within that industry. A brief review of my methodology to the analysis of the search engine industry, conclusions developed based on that analysis, identification of the significant issues facing the company’s current strategic approach, and, the recommendations that had been developed around these conclusions. Conclusions are focused on these strategic issues and can be found in the following Executive Summary. The tools and actual outcomes of the analysis can be found in the appendices at the end of the report.

The overall dominant economic factors include worldwide Internet capabilities. Search engines demand good Internet. Internet worldwide can be very unreliable and can hurt the search engine industry. Economic duress would not influence Internet subscriptions within the U.S. but the worldwide ramifications could cause Internet subscribers to drop their internet as it is seen as a luxury.

Porter’s Five forces show us that the power in the industry is held by Google the most dominant power in the information systems market. They have the most bargaining power of any industry player and because of this they have been able to set the prices for their product and no outside source can change it. Adwords were designed to let the market set the price and by allowing competition from the outside it again gives Google all of the power. For the industry, seller power is moderate. For Google specifically, seller power is moderately high to high.

Overall attractiveness of the industry is moderate. The industry would be much attractive if there was not a super power currently centralized in this market. With Google being the overwhelming market shareholder it can be very hard to compete with them. This is great for Google but can diminish other companies’ impact within the market. Other companies could find a way to develop a product that could be successful within a niche market.

Forces of change include and ever changing technology market. The newest technology can make or break a company’s strategy. Being known as an innovative company means that Google needs to stay on the forefront of technology. They have recently invested large amount of money into Google Glass. This technology itself is not relevant to consumers as of now but as the technology improves Google Glass will soon transform into a product that is useful and able to improve consumer’s daily lives.

Another change that could possibly change the future is the businesses expanding to include vertical integration. Google has done this a small amount already by creating the Google Chromebook and by offering and operating system to phone companies free of any licensing fees. I see this as a start of vertical integration.

As always good products evolve to accommodate the needs of their ever evolving consumers. Google should be no exception.

Rivals will most likely mimic the decisions Google makes. The other players in the market hold very small market shares and because of this they cannot make large decisions without taking on even larger amount of risk. I expect rivals to make small moves with the chance of one company making a huge play, a high risk-high reward strategy that will eventually fail after counteractions taken by Google.

The strategic group map makes the rest of the industry look like Google’s backyard. It shows just how large of a market share Google has established and the competitive advantage that it has created over its competitors.

Key success factors include being able to continue obtaining the largest amount of data and traffic to the Google search engine. Functions that attract traffic will include having the best speed, most relevant search algorithms that pull the most pertinent data. Correct data is the largest key success factor however if the value chain is well managed and expenses can continuously be lessened while still providing a high quality product the company can continue to allocate that revenue elsewhere and drastically improve the company as a whole.

1. **Strategic Issues**

Being a leader in any industry means that innovation expenses primarily fall upon Google. As a leader new products and ideas are developed within the company and as other companies learn from strategies of companies who are successful those same strategies trickle down. One area that I find that Google could possibly hurt their company is to over incentivize the innovative minds in the research and development department. In some cases too much revenue can be sent on finding the next best product and companies have run themselves into the ground. I will use Google Glass again as an example. Glass is not ready yet for large scale consumer use yet millions of dollars have already been spent on the technology even though sales are very small. Long term Google would like to see the technology advance to become something every consumer can purchase. That day is not today and the future is hard to predict. Hopefully Glass will become a great product, we will see what the future holds.

Another issue is that there have been multiple issues regarding search results within given regions. The U.S. has restrictions within its borders that do not allow the sale of certain drugs at lower prices. Google search allowed for companies in Canada to sell pharmaceutical drugs to the American public. This was quickly resolved and Google apologized and paid its fine. Knowing the nature of the Internet I know that there will continuously be more of these scenarios in the future. The next step for Google is to find a way to predict or nullify the chances of this to happen again.

1. **Recommendations** -

Google cannot become complacent with their current standings within the industry. It has such a hold on the market that diversifying into other related or non-related industries could be a decision that the company makes in the very near future. Vertical integration could be the first step in doing so. Hardware production could be the next step for Google as they try and diversify into new industries. A market that could be very appealing to Google stockholders as well as employees could be a green initiative or smart housing industry. This could include anything from creating green household electronics to building housing apartments that run environmentally friendly and potentially manufacture large amounts of their power from naturally occurring renewable sources.

**II. Part Two – Analysis**

1. **An analysis of the industry in which** Google’s **operates:**
2. What is the industry in which Google competes?
   1. Information technology systems/search engine
3. What are the industry's Economic Dominant Factors?
   1. Cost of internet worldwide
   2. Relatively stable

3. What does a Porter's Five-Force analysis tell you about this industry?

* 1. Porter’s Five forces
     1. Buyers

Buyers and users are separate in this case. Buyers would include those who actually purchase the search engine for intranet use and Adword or Adware technology. These people have little to no influence on the purchase and pay the price that Google sets depending on the service provided.

Users in this category have a high amount of power and can choose any search engine they want. Outstanding performance and positioning is what keeps traffic to the search engine site continuous.

* + 1. Sellers

Google provides a service, marketing and a search engine. The largest need for Google is technology. Luckily in the world we live in technology has almost become a commodity. There are many technology producers and each is looking for a larger market share. Google is a large player in the market and because of that has a large amount of bargaining power. Power of the seller is moderately low.

* + 1. Entry

Entry in the search engine industry is not difficult. Any company with a server can become a search engine business. The difficult part about the information systems market is the amount of data a company can collect. Big data is what drives this industry and without the access or permission to collect the data a company cannot maintain a competitive edge.

* + 1. Substitutes

Substitutes would include other avenues of finding knowledge. Off line they could include encyclopedias or newspapers. Online substitutes could include websites like BBC.com and other news sites. To be able to find the information one would have to individually visit web pages where information could be found, read through it, and then move onto the next page. Both paths could potentially be very time consuming and potentially unfruitful.

* + 1. Level of Rivalry

There are only a few major players in the search engine industry and surprisingly enough the level of rivalry is not what is typically expected. An industry with a small number of players, each having prominent market share would entail a high level of rivalry. Google has so much market share right now that the level of rivalry has diminished. Other players in the industry are very competitive between each other to scrap between themselves for market share.

1. What three or four forces will likely drive change in this particular industry over the next five to ten years?
   1. Market research
   2. Mediums of how searches are done (voice command improvements)
   3. Expansion of new electronic platforms
   4. Pace of technological change
   5. Vertical integration
   6. Product innovation
   7. Degree of product differentiation
2. What moves would you expect rivals to make over the next couple of years?
   1. I expect that they will try and mimic moves done by Google, if the resources are available to them. I don’t see any other company driving the market with new improvements to current products that would shock the market. I feel that Google will drive this market and then other moves would be other company’s reactions.
3. What does a strategic group map look like for this industry?

Low Market Share High

High

Innovation

Low

Google

Microsoft

Yahoo

  7. What are the Key Success Factors for this industry; what six or seven things does a player in this industry have to do better than its competitors to be successful?

* 1. Large data pool
  2. Ease of use
  3. Multiple platform access
  4. Keyword relevance algorithm
  5. Value chain management
  6. Mobile market expansion

  8. What is your general assessment of this industry?

This is not an attractive industry for anyone but Google. Google has become a wolf in a sheep’s pen. It has so much market share that others in the industry cannot remain in the industry at a competitive level. There is money to be had in this industry, as everyone needs information as it drives decisions. As long as Google remains such an industry leader there will be nothing but table scraps left over for other companies.

1. **Competitive Analysis (analysis of this company and it's major competitors):**
2. Google’s current competitive strategy?
   1. Google uses a best cost strategy, after reading of the strategies used while setting the prices for adwords and YouTube videos it is clear that Google does not use a low cost strategy. The market sets the price for much of the advertising done.
   2. Winning strategy
      1. Market set advertising prices-demand sets the price
      2. Work environment
      3. Large data collection
      4. Pursuit of speed
      5. Big companies don’t have to be evil
3. What are Google’s competitively important resources and capabilities?
   1. Both internet and intranet possibilities-versatility
4. Complete a SWOT analysis of Google.
   1. Strengths
      1. Popularity
      2. Speed of results
      3. Keyword relativity to results
      4. Research and Development
   2. Weakness
      1. Potential over-diversification
      2. Over spending Research and Development
   3. Opportunities
      1. Purchase the competition
   4. Threats
      1. Social media site search boxes
5. Is the company addressing its costs and prices? Where can Google be more *effective* and *efficient*? (value chain analysis) How would you benchmark them (compare) against the rest of the industry?
   1. If the company is continuing to implement cost strategy that originated with the company than Google’s financials should be very tight when it comes to unnecessary spending. As a market leader more money will be spent on research and development than any of its competitors. The larger market share returns more revenue and should cover the additional spending and counteracts these expenses.
   2. Google boasts one of the best office environments in business. The fun atmosphere allows creativity to prosper and barriers to mundane day-to-day activities. This type of work environment is appealing to work for and is very creative. Their efficiency does take a hit as the bright minds of Google can take time away from their work to let the mind rest as they play table tennis or any of the other amenities available to their employees. This boosts employee moral but at what cost. I realize that for creativity does not flow out of a cookie cutter mentality but when too much time is spent away from work productivity falls. This does not concern Google as of now but if another company emerges it could spell trouble. The lost efficiency could be fatal if a competitive firm with less time spent on creativity overtakes market share. This situation is very unlikely, but possible.
   3. Google is so far above the competition that I do not even consider the other players factors when it comes to market competitiveness. Google is the benchmark, and all other companies have fallen well behind.
6. Yahoo’s current competitive strategy?
   1. Yahoo is different than Google in that its site is much more interactive and brings news and attention to current events. Google’s homepage is very plain and doesn’t show any breaking news or weather. Yahoo made sure that its visitors knew current events
   2. Losing strategy
      1. Search engine that outsources its search engine
      2. Google fallout-arguably nothing they could do
      3. Was already established in other industries and entered because they thought they could compete with Google
7. What are Yahoos’s competitively important resources and capabilities?
   1. They had the upper hand in that they already had a diversified internet portfolio. The quantity of Yahoo owned pages that the search engine could direct people to was impressive.
8. Complete a SWOT analysis of Yahoo.
   1. Strengths
      1. diversity
   2. Weakness
      1. No ownership of a search engine
      2. Partnership failures
      3. Lack of market share
      4. Brand confusion
   3. Opportunities
      1. Use the search engine to route traffic to Yahoo owned web pages
      2. Related diversification
   4. Threats
      1. Minimal chance of gaining market share