

Case study on google in china



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This case briefly discusses about search engine market in China, Google's share in Chinese market, Government rules and regulations related to the internet search.

The main issues discussed in this case study are:

Google's launch in the China and how it made its presence felt over there as well as the key issues faced by the Google such as gaining the market share, although Google did a fair amount of research before entering China but still wasn't able to beat the local competitor Baidu which is the biggest in terms of search engine in China and accounts for nearly 60% of the market share.

(Appendix 4)

Chinese Government rules and regulations related to the censorship in China which was against the Google's Mission of providing the information.

Cyber attack on Google China which mainly target the gmail accounts of the users who were Human Right activists which forced Google on considering its exit from China.

A brief analysis of the internet search market in China by discussing the market share of various players such as Google, Baidu, Microsoft, Yahoo and other local Players.

Possible strategy which Google could use in order to grow and sustain its market share(Ivey Case B)

Introduction:

This case study tries to find out the Google's performance in China by taking into account current state of industry, doing the portfolio analysis, critically analyzing its strategy.

Google started its operations in China in 2005 earlier to that it provided search engine to Chinese users through its servers based in US but in a very short span of time Chinese Government developed its own firewall in order to provide the censored information to the Chinese people by providing the cache copy of Google search results which resulted in slowing down of its web pages, this resulted in slowing down its search results upto 7 times as compared to its competitor Baidu. As a result of this, Google decided to open its operations in China in order to resolve these issues as Google considered that it's better to provide the information rather than providing no information at all. So, it provided the censored information to Chinese population but still it found difficult to extend its presence in the Chinese market in terms of developing products in the Chinese language and localizing them whereas Baidu's pay 4 performance model was much better which was based on the performance rather than the flat charges in the beginning itself which other search engines used.(Ivey Case B)

Google faced cyber attacks in January 2010 which forced it to consider its exit from the China and named it as Aurora attack, moreover this decision from Google was considered diplomatic one by internet security experts as this decision would make Chinese Government to reconsider its decision on the censorship which could help Google attain the same level of leadership in the Chinese market as it enjoys the world over (Worthen, Ben, 2010)

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Summary of Environmental Audit:

Google was not able to enjoy the same monopoly in the Chinese search engine market as it enjoys world over that could be a possible reason it raised the issue of cyber attacks as it was planning to exit from Chinese market and needed a reason to do the same. Also another possible reason could be that it wanted to negotiate with the Chinese Government over the censorship issue so it thought that the threat to exit from the Chinese market could force the Government to renegotiate the terms and conditions for the censorship which eventually didn't happen. As a result of all these [www. google. cn](http://www.google.cn) (its Chinese version) was routed to [www. google. com. hk](http://www.google.com.hk) as most of the services were blocked in partial or full manner in the Chinese territory. But this sort of complete isolation could have resulted in a protest from local population also Google didn't want to lose such a huge market which was nearly double the size of US so it didn't automatically redirect to [www. google. com. hk](http://www.google.com.hk) but provided an option on site by doing so it abided with anti censorship laws and regulations. ([http://googleblog. blogspot. com](http://googleblog.blogspot.com))

Another important analysis which we can draw is that Google was not able to localize its products so well in the Chinese language and it lacked in terms of paid search. Although Google was gaining the market share as well as the revenues as it is clear from Appendix 4 & 5 but it didn't enjoy same kind of monopoly in China as it enjoyed world over (Ivey Case B)

Evaluating Current Strategy:

Current state of Industry-

As per a report published by iresearch overall search engine market in china accounted for nearly 470 million \$. Overall internet users in China in 2009 <https://assignbuster.com/case-study-on-google-in-china/>

reached to 384 Million much higher than anywhere in the world and this made it a very lucrative market for players in the internet search engine market. (Ministry of Culture) Baidu which was local player dominated the market with over 60% market share followed by Google, Yahoo which took over Alibaba and Microsoft enjoy 5% market share each and other players such as Sohu and Sina accounted for the remaining market share. Appendix 1 shows the overall market share of all the players in the market. China's online advertising market grew at a rate of 20 to 30% per year(Appendix 3) and overall market size was nearly 3 Billion \$ as in 2009(Max Magni) Shown in Appendix 2 Overall with such a huge population China's search Engine market would surely increase in future at a very fast pace.

After close analysis we find that Google is presently in Growth phase as it is expanding its operations and innovating continuously

Product Portfolio Analysis-

As per Johnson & Scholes Product Analysis can be done with the help of BCSG Matrix which includes

Stars- Products with high growth rate as well as high market share.

Cash Cows-Products with high market share and low growth rate.

Dogs-Products with low market share and low growth rate.

Question Marks-Products with low market share and high growth rate.

BCG Matrix helps the Company to decide which products it should focus on and from which products it should exit. It is a very valuable tool in terms of

defining the strategy of the company. (Cooper, R. G., Edgett, S. J., & Kleinschmidt, E. J. , 2006). On the basis of product analysis of Google we have developed a BCG matrix for Google.

BCG Matrix

Ansoff Matrix

On the basis of Ansoff matrix Google has good market penetration as it has existing products in existing markets, Google continuously innovates and launches new products in existing markets so it has nice product development, Google always launches existing products in new markets so its market development is also good but its diversification is less as it is not very good in launching new products in new markets.

Critical Strategic Direction-

In view of all these happenings Google decided to route its China's Online Traffic to Hong Kong but it would result into non renewal of its ISP Licence which would result in its permanent exit from China and Google would never desire to loose such a lucrative market also Chinese Government would not like to prohibit its people from accessing the world's largest search engine. So, Google agreed to abide by the Chinese censorship laws by providing filtered results to the Chinese Population with footnote about the censorship. This critical strategic step would help Google to increase its presence in the Chinese market and take over its Chinese counterpart. (Cohn, William A)

Discussion:

Critical Analysis/Assessment-

If we analyze the strategy being implemented by Google it's a win win situation for both Chinese Government as well as Google as it agreed to provide the filtered information to Chinese population though it is against the Google policy on information flow but in order to stay competitive and present in such a huge market it needs to abide by the local rules and regulations and this is not the first time Google has done this, it has done the same in France and Germany where it agreed to remove some of the content which was considered as offensive by their Government. Had Google not agreed to rules and regulations it would have resulted in the complete exit of Google from China so considering the China's role in the emerging world order and taking into account its internet population and overall market size Google took a significant step by agreeing to The China's Censorship laws and regulations. (Bridis, Ted , June 6, 2006)

Conclusion:

Assessment of Current Strategy-

As discussed above the current strategy followed by Google is quite sustainable if it wants to stay competitive in the Chinese market, also when the Google diverted its Chinese Online Traffic to Hong Kong most of the services were banned by Government of China which drastically reduced the overall revenues of Google so in order to regain its position in the China's market it had to come out with a sustainable strategy which it did by falling in line with the guidelines of the Chinese Government. (Johnny Ryan and Stefan Halper, 2010)

Recommendation:

New strategic Direction/Development and methods-

Now with the censorship issues had been sorted out Google can adopt other strategies in order to gain its presence in the China's market. Few of the strategies have been discussed below:

Google can look for Mergers & Acquisitions in the local market by acquisition of players such as Sohu & Sina in order to increase its presence in China as Sian has got huge internet traffic but its search engine is not good so Google can capitalize on this ground.

It can acquire 51 job which is No. 2 player in China's job search market such a move can help Google to provide an added range of service as well as increasing its customer base.

Another strategy which Google can focus on is acquiring online gaming firms as most of the internet population is young so this strategy would give it an edge over other players and for this possible acquisition could be of the company named as Netease.

Developing more and more Google products in the local language so that people can access them. (<http://seekingalpha.com>)

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