

Google's competitive strategy: analysis



a) Cost Leadership Strategy-Any organization achieves competitive advantages by able to produce goods or services at a low cost. It lowers the operating costs in order to achieve this strategy. Cost advantage is the main objective of this strategy. Costs are tried to be marginalised in every step of the production of goods or services. But low cost of production of goods or services does not mean that pricing would be low as there can be a high promotional cost for the goods or services. Products can be priced competitively so as to achieve bigger margin than the competitors.

b) Differentiation Strategy-Organization adopting this strategy attains competitive advantage through satisfying customer needs. This results in competitive pricing of the differentiated product or services and higher margins for the organization.

The organization adapting to the differentiated strategy will incur more cost than before for creating the competitive advantage of the product or service. This cost can be compensated by increase in sales of that particular product or services.

c) Focus Differentiation/ Cost Leadership Strategy- Focus strategy is focusing differential or cost leadership strategy on a particular segment of the market.

The source of Google's competitive advantage comes from the infrastructure of database Google has created over the years, relevance of search results, cost of executing the search speed of the search, product offering from AD words to social networking site to mobile application platform.

Distinctive competency of an organization can be defined as how the company differentiate its product and services from the competitors, how to segment the market, price their products and what is the range of the products available with the company.

Google scores over its competitors over relevance of search results, cost of executing the search and the speed of the search. This is the differentiation advantage Google is having over their competitors. Google's competitive advantage comes from the infrastructure they have built over the years. Continuous innovations, ease of use, relevancy in results are some Google's distinctive competencies. Google's ability to connect with the internet users, advertisers, website owners differentiates it from the competitors. Google has technological advantage over its competitors as they use high performance system which can take workload more than the general systems. Because of this capability they have a cost advantage over their competitors.

2) What value does Google create for customers and advertisers?

Google's customers are advertisers ranging from a SME to large scale enterprises to the end users like the common man. The sites are ranked according to the key words and the key words have got some price tags. The advertisers put their advertisements of products and services in Google and they pay to the company when someone clicks the advertisements. Google's Ad word is the latest addition to this foray. Google also pay the other companies to display Google's advertisements. Google is continuously reinventing itself to be miles ahead of other companies. So with the addition

of millions of internet users every year worldwide internet has become the latest buzzword. Whichever organization wants to be ahead of the competition they have to be present in the cyber space and who else than the search engine giant “ Google” to show the way. The relevance of search results cost of executing the search and the speed of the search and continuous innovations makes Google the ultimate destination for advertisers as well as the end users. Let us take an example of Google Ad words. The benefits advertisers can get are

1. The customer can easily set up the Google Ad word within 30 minutes. Advertisements will be displayed at the right hand side of the website.
2. Customer does not need a website. They can be an affiliate marketer to promote their products.
3. Customer can market any type of product using Ad words.
4. Customer can sell their own products like eBooks, music etc.
5. Customer can test market their product before the original launch.
6. They can specify the budget they want to spend on each day.
7. Advertisements can be country specific, city or town specific.
8. Customer can split test their Advertisements to see which is working and then can put their best Advertisements.

Google cannot afford to lose the customer’s attention and trust. Some years ago average search time was 3 seconds and they have brought it down to . 2 seconds and now they are working towards reducing the time further. Also the relevancy of search result has to be maintained to retain the customers if it means losing in revenue for the company. So we can have an idea about

the value Google wants to create for the advertisers and the customers.

These are the intangible values Google is creating towards their customers.

3) Apply the four building blocks of competitive advantage to Google. Analyse each factor by providing detailed examples from the case.

Ans- For any organization efficiency, quality, innovation and customer responsiveness are the four building blocks of competitive advantages for their products and services.

a) Efficiency- In order to achieve efficiency a company needs to have economics of scale, learning, experience, good marketing, Research and development, optimum use of Human resources and infrastructure. (Jones, 2007)

From a mere 10000 search in a day to 75% of search made using it has come a long way. The revolution in hardware technology coupled with innovation it has considerably reduced its unit cost. Google's optimal use of Human resources can be seen as only 650 employees are there in Google worldwide. They claim that their employees are 50 to 100 percent more productive than their competitors.

b) Quality-Quality of goods or services can differentiate one organization from the other. Maintaining quality will lower the defects and operating cost increasing the profitability of any organization. (Jones, 2007) Google has maintained the relevancy of search result to retain the customers if it means losing revenue for the company.

c) Innovation-Google believes in continuously reinventing itself by innovative products. At the start Google found a way to generate revenue from the corporate by keywords bidding and advertisements. Some years ago average search time was 3 seconds and they have brought it down to . 2 seconds and now they are working towards reducing the time further. So Google is continuously trying to innovate and upgrade its technology as well as strategy to be ahead of the competition.

d) Customer Responsiveness-Customer responsiveness can be defined as giving products or services to customer at their price what, when, where they want. Google has worked in the same way. It has given its advertisers and end users the ease of search, speed, reliability and deliverability at a cheaper price. As their business is customer centric they do not hesitate to test market a product or services before the actual launch and seeks feedback from the user to improve it. The R&D division of Google invites its users to their lab and includes them in the development process of the new products as well as enhancement of the existing one so by seeking their feedback.

4) What business-level strategy is Google pursuing? (Identify the strategy and justify your answer)

Ans -According to the Google CEO they never made any strategy but what they have made is what the customer wants. In my opinion they are pursuing cost leadership strategy as well as differentiation strategy. Google has technological advantage over its competitors as they use high performance system which can take workload more than the general

systems. Because of this capability they have a cost advantage over their competitors. Google scores over other competitors on the technology advancement. It scores over its competitors over relevance of search results, cost of executing the search and the speed of the search. The value it has already created in the mind of consumer if the product or service is differentiated customer will not be price sensitive.

5) What corporate-level strategy and international strategy has Google implemented? (Identify the relevant strategies and justify your answer).

Ans-Corporate level strategy decides which business and which market the organization should look to enter. An organization needs corporate-level strategy to a) penetrate the existing market, b) Wants to enter new market with existing product, c) develops new product for existing market, d)develops new product for the new market. The business options are whether to work in the same business or diversify, whether to cater the home or national market or to go international. Google saw China as a fast growing competitive market. They entered in to an agreement in 2006 and Google is known as google. cn. This was a market development strategy followed by Google. From the year 1999 Google has presence in China but due to censorship issues Google was losing its market to Chinese origin search engine Baidu. From the year 2002 to 2007 Baidu's market share went up from 3% to 58%. This promoted the search engine giant to enter in to an agreement with China and to operate its office from China abiding the laws of censorships. In 2006 there were over 105 millions of online users only in china and that was only 8% of the Chinese populations. So Google sensed the opportunity in that market and entered in to an agreement with them.

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In the year 2003 Google took over Pyra Labs, a blog company to strengthen the speed and relevance of articles searching in its search engine. In the years Google has acquired YouTube (Video Streaming Company), JotSpot, Gap minder's Trendalyzer, Adscape Media, Peak Stream Technologies. Google has enter new market with the existing product, new market with new product as well as tried to penetrate the existing market with new product. It has also diversified form their main business of internet advertisement and has gone to acquire a radio advertising company dMarc.