Recommendations on sustainable competitive advantage marketing essay

Googles principal stages in its value chain differ slightly from a traditional model in which raw materials are converted into finished goods ready to be sale to a customer, adding value in each step of the process. Although main component of any company's business model remains its value proposition, Google doesn't produce any physical products. Hence its value chain is more complicated and nuanced. Following its mission statement, " To organize the world's information and make it universally accessible and useful", Google groups together all the web users (i. e. raw materials) by inciting them to use its search engine providing relevant results promptly. This primary intangible asset was originally a mathematical algorithm created by one of the founders. Thanks to its perpetual license under the protected patent, this particular product enabled Google Inc. to emerge as the world's dominant search engine. Then, through miscellaneous text advertisements or also called " signs" (AdSense and AdWords) this feature regulates web traffic so as to reach its advertising partners transforming mainstream users' flows into online sales (finished goods). Hence, the real customers of Google's products are not the web users but advertisers, specifically users of Google's AdWords service.

Google's value system is twofold: it provides access to data that is free (since end users do not pay directly for the service) while it directs pre-qualified visitors, using search history and keyword association, to advertising sites. In this manner, Google's business model generates revenue through targeted advertising established by the purchase of keywords. Besides, Figure 1 effectively schematizes the twofold process. Google's primary activities depend heavily on the support activities of human resources and administration (Figure 2). Indeed, the company of known for hiring the lost qualified and competent individuals to ensure an effective performance at the research and development of its technological systems. For example, Google recruitment’s process includes aptitude challenges and test so as to narrow the specific selection of potential candidates. In addition to eh employees, an important percentage of the value structure resides in the infrastructure and systems. Internal software and servers conduct operations, sales, distribution, and service. Each activity enriches the value system by incrementing the profit of the enterprise. Thanks to worldwide infrastructures, Google is able to localize distribution, service and marketing which in turn ensure an optimal profit globally. Therefore, earnings are maximized by the firm’s cultural consciousness and social competence to target products to the local needs of its users.

Eventually, advanced analytics allow Google to measure the efficiency of its supply chain. The data generated regarding users search history is crucial since it later helps improve the search engine as well as the advertising interface. Relying on an exclusive license to key patents to power its business model, Google leverages its brand equity to persuade customer to place advertising or to use its search portal.

Resource analysis

Corporate resource

Valuable

Rare

Inimitable

Organized

Technology Infrastructure

Yes

Yes

Yes

Yes

Market Share

Yes

Yes

No

Yes

Innovative services

Yes

Yes

Yes

Yes

Technology infrastructure

Google possesses an incredibly powerful infrastructure that is not likely replicated or replicable in the short term. Although Google refused to disclose the numbers of data centers or servers it operates, Royal Pingdom (a tech company) has complied information to locate at least 36 centers as of 2008. Besides, those data centers cost approximately between $300 to 600 million to build and supply (Google). Hence, it is easy to evaluate the great value of each data center. According to an article from Data Center Knowledge, the firm used around 900, 000 servers in 2011[1]. Despite the company's massive operations in terms of electricity (0. 01% of the entire world's electricity), Google's data centers remain amazingly efficient as their power consumption abide at less than 1% of the power used by other centers all over the world. Consequently, Google services would not be that efficient and well organized without its infrastructures which prevent competitors from copying or even rivaling with them.

Innovative services

The next corporate resources that Google boasts gather all of its innovative services. According to many experts, Google services encompass more than 100 different features including the renowned Gmail, Google Docs, Google finance, Google Search, Google Chrome, AdSense and Google Apps. Although the majority of its services were implemented in-house, the firm has greatly extended its services over acquisitions, such as YouTube (video hosting service) or Android (mobile software), just to mention a few. Therefore, it is difficult to measure separately the value of each Google service even though such a combination of innovative devices linked together is extremely rare and valuable. According to the publicly available records from the US Patent and Trademark Office, Google was awarded 63 patents from 1st January 2000 to 31st December 2007[2]. The intellectual property strategy indicates that brand equity is significant to Google’s value proposition. Besides, the fact that Google can provide nearly all of their services at no cost to web users adds an incredible value to the whole system. Thanks to its business model, the multinational can provide an attractive advertising scope and earn billions of dollars each year. Whereas similar services might be used by the competition, Google allows users to enjoy a “ one-stop-shop”[3]for all their needs. Thereby, it represents a solid advantage to overcome for the competitors.

Market Share

Google’s last major corporate resource is market share. According to a recent report by Comscore’s on March 2012, Google Search owns a global market share close to 66% in internet searching. Likewise its closest competitor, Microsoft, only holds 15. 3%. Google has held this dominant position on the search market share for quite a long time. Moreover, the search history is not the only service where the company predominates in term of market share. Indeed, another Comscore report on February revealed that Goggle holds 50. 1% of the US mobile subscriber market share, approximately 20 points above another multinational Apple with 30. 2% of the market[4]. Although Google Search has historically dominated the market, Google only owned 7. 1% of the market share in mobile phones just two years ago whereas Research in Motion (RIM) was leading the industry with a market share of 43% (comscore 2010). Hence, Google develop the ability to preserve its market share in one industry while gaining a huge market in a distinct market.

III. Competitive strategy

Michael Porter's generic competitive strategies

Cost advantage

Google has based its competitive advantages on a specific low cost strategy. Indeed, the company has really low operating costs since it maintains moderate overheads for operations and promotion. For example, the search engine is promotion in itself through its accessibility and ease of use. Google's mission statement is to " organize the world's information and make it universally accessible and useful". Thanks to its innovative process and products (Google Docs, Google finance, Google Chrome), Google remains the leader in the industry. Besides, web users find the convenience of information a key factor compared to other search engines such as Bing/Yahoo! (Microsoft), or Baidu. The same technology is used for all aspects of the business, implying a strong standardization of operating procedures. Although, competitors have imitated the firm's value chain over time, the firm is constantly redesigning its value system. Indeed, outsourcing activities which performed at a lower cost by subcontractors is part of the Google's strategy to take advantage of diversity from a human resource perspective in order to lower its salaries. Therefore, the company has recently begun to outsource a part of its copywriting to firms in India.

Differentiation Advantages

As Google was originally the first worldwide search engine, it could beneficiate from the first move advantage during a long time. Its unique formula has rapidly seduced its user scope. Google did very well at adhering to the hedgehog concept and followed three determining factors: passion, freelance ability and positive thinking. Firstly, the company hire employees who strive for innovation in R&D and enjoy creating new globally accepted, innovating ideas. In term of organizational characteristics, Google's flat structure enhances incentives for innovation. Secondly, Google's executives allow free time for their employees to work on their own projects that they are currently passionate about. This help results in the greatest effort towards new products ideas and is the reason some of the most innovative ideas are formulated. In addition, the company is internationally known for its high customer utility and strong brand value. Indeed, the convenience of information through the search engine remains one of the main positive beliefs that customers have about Google. Likewise, Google Chrome succeeded to reach a global scope thanks to its insect value and simplicity of use. The value growth of the global market (i. e. internet) has forced/helped Google to expand and diversify. According to recent studies, advertising expenditures for this industry have risen, 11% in 2008 and 12% in 2010 for US internet companies (1/3 came from American companies). The firm has implemented 3 complementary strategies:

Strategic alliances (HTC – mobile phone manufacturer)

Acquisition (YouTube, Motorola & Android)

Outsourcing its value chain

In conclusion, Google delivers a high quality service composed of various functionalities to web users. The company's main features include its design and speed (time-based competition) and distribution channel. It targets the mass market looking for quality service, and reaches its customers directly through its portal.

Recommendations on sustainable competitive advantage

Google's competitive advantages rely on the fact the company has built its own servers' infrastructure, storage systems and hardware that provide the fastest search on the internet. Its competitive strategy has been built with a billions dollars investment, alienating other general search engines such as Bing (previously MSN search) which recently merged with Yahoo! (Microsoft). Besides, its diversity of tools and services (Google toolbar, Google Maps, Google Earth and Google News) simplify user's navigation as well as provide support to the search engine. One major acquisition that deliberately changed Google's business strategy is the expansion into mobile phone industry with the Android operating system. Nowadays, the Android system has reached the 52% of US smartphone share while Apple and its IOS remains hardly at 33% (Comscore Sept. 2012)[5]. Moreover, Google Android operating system (OS) rises to 90% of the smartphone market in China (EnfoDesk Analysis International). According to Eric Schmidt (Executive Chairman of Google), 1. 3 million android devices are activated per day (TechCrunch)[6]. Yet, only 70 thousands of these Google devices are tablets, which is something that Schmidt acknowledged the company was late to adopt. Thereby, as the company continues to incorporate its services into this industry, Google will soon achieve a complete sustainable competitive advantage with the large scale of devices supporting its Android OS. However, Google must continue to innovate in order to make this advantage sustainable. While many experts believe that this particular system already has a better value-to-cost differential than competitors and is likely to be extended over a certain period of time, Google is currently facing serious externalities that could probably damage its progression margin. The company has clearly stated it disappointment for the actual patent landscape in the U. S; blaming Microsoft, Apple and Oracle of intending to slow down Android with patent litigation. As a defensive measure to protect its stellar operating system, Google acquired Motorola Mobility for approximately US$13 billion which held more than 17, 000 patents[7]. Google ability to go forward resides in its diversification through mobile services and more recently computing devices (Chromebook and Chromebook Pixel). Although Google has firstly decided to implement its new laptop series with several manufacturers (Samsung, HP and Acer), its brand new Chromebook Pixel is completely from Google own manufacturing process. Likewise, its current mobile manufacturer HTC which built the Nexus 4 (mobile) and the Nexus 7 (tablet) could rapidly be replaced in order to avoid any externalities relative to partnership