

A strategic plan and analysis of google



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This strategic plan will start off examining Google's external environmental influences. Next, in-depth assessment on the industry's competitive five forces which affect Google's profitability will be done. Lastly, Google's internal strength and weaknesses will be analyzed to generate its competitive implication. From these analyses, we discovered that Google will face legal and performance issues due to its offensive strategy in the long run. We have developed three strategic alternatives (Strategic Alliances, Defensive Strategies and Broadening Diversification Base) which Google can adopt to enhance its competitive position. The plan will be concluded with a recommended strategic alternative and its pitfalls.

EXTERNAL ANALYSIS

PEST Analysis

After conducting PEST and Porter Analysis for Google, we have derived at the following:

Political: The expansion of Google was obstructed by the government such as US and Chinese authority. They viewed Google as a monopoly and request authority to monitor its activities (Google, 2009). However, this barrier does not affect Google's operations as Google responded immediately to the customers by addressing its policies in regard to political/legal aspects. Example: Google China announced that it is still providing filtered search results on its website to comply with censor search results' regulations (China Daily, 2010).

Economic: Google focuses on highly targeted, measurable advertising, thus making it more successful than other competitors. The crucial need to stay

up to date and continuously connected keeps its core services vibrant despite the parched surroundings due to economic recession (Google, 2010).

Social-Cultural: Individuals are getting more educated and competent.

Therefore lifestyle and demand of individuals are changing rapidly. Google has to take note of such changes in order to compete with its competitors by providing addition services such as email. Individual are also increasingly becoming more connected due to the increased means of communication available through the internet such as MSN, face book and mobile phone with internet capability. Google has responded by building their mobile devices and released its own Android Mobile Phone Platform and Operating System. By tapping on these, Google shall have great advantage with increased number of search queries and better competitive standing.

Technological: The widespread diffusion of information and communication technology allows board geographic dispersion and integration of business activists. Innovative web applications set trends in search, internet direct advertising and portable applications thus causing a more rapid and disruptive change in technology. Google has to take detailed measures to stay ahead by keeping pace with technology advancement and maintains low cost (Refer to Exhibit A for Overview of PEST analysis).

Porter 5 Forces Analysis

Buyers: The bargaining power is high. The lifestyle of users on using the search tool is becoming more sophisticated and demanding. Substitutes are easily available at lower cost or even free. Example: Google online photo storage priced at \$5 per year for 20GB, but face book provided it for free.

Google are required to satisfy both client groups equally. Example: organization's customers would prefer their advertisement broadcasting in big banner on the webpage; however, individual customers will feel very disturbing as they just want the search results.

Substitute: The bargaining power is high as buyer's switching cost is low. There are plenty of replacements such as advertisement on television, radio, magazine, poster and search hotline.

Suppliers: The bargaining power is low. Google is regionally not globally dominant and hardware purchases are one-time off. Google search is heavily depending on its competitors Microsoft and Apple software. If there are any new software releases from them, Google search may not perform well if no timely update is done.

Potential entrants: The bargaining power is low. Yahoo and Microsoft have improved their search engines and can on pass their search tool through their products. There is no specific requirement for search engine, thus a better search engine invented by another will critically affect Google. Also, the monitoring of authority from its political environment could affect Google's current technology and philosophy.

Competitors: The bargaining power is high. There is no patent on search engine so the environment can be easily exploited or manipulated. The switching cost is low. Example: Microsoft and Apple have embedded their search tool into their Explorer browser. Also, rival search tools have their own unique strength (Such as Yahoo attracts audience by its nice appearance). (Refer to Exhibit B for Overview of Porter 5 forces analysis)

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INTERNAL ANALYSIS (VIRO Analysis)

We have observed that Google's net revenue keeps growing from 2001-2008. Since the 2004 IPO, the stock price has soared from less than \$100 to above \$700. The number of Internet users keeps increasing around the world, especially Asia. As the number one Internet search giant, Google attracts majority of the new Internet users to be its customers. Google understands customer demand and monitors how individual lifestyle is changing rapidly each day. This understanding allows Google's business strategy to outshine among its competitors. Overall, we think that Google's business strategy works excellent at present but better strategic alternatives need to be in place.

After conducting Google internal analysis, we have concluded the following:

Value: Google owns the Page-Rank technology, which allows them to provide the most accurate search results. The dominant market share and huge loyalty from customers gives Google competitive advantages.

Rarity: The services provided by Google are not rare. Many other companies also offer alternative services such as search, email, blog, video sharing, online office application and cloud computing.

Imitability: All Google's services can be imitated. For example: the Microsoft Bing Search engine has incorporated several elements of the Google search: The Simple UI, sponsor link, and page ranking.

Organization: Google has strong financial power, research and development capabilities. The company is ready to delivery new products to stay competitive, or acquire potential competitors to eliminate threats.

PROBLEM STATEMENT

We have observed that the main problem with Google is that the offensive strategies to improve its market shares/performance will lead to severe problems in the future. Google faces increasingly intensive competition from experienced incumbents like Microsoft, Social networks and Baidu which had been gaining popularity within the Asia region. They will always be active in making fresh moves to increase or solidify their market position. With Google trying to dominate the cloud computing and search engine markets, this long-term strategy is backfiring with incumbents developing similar, if not, improved strategies to retain their market standing.

In the long run, Google's plan to become the dominant provider of cloud computing might also lead legal suits and privacy concerns. With increasing use of virtual server hosting, more enterprise networks, servers and data storages run virtually. Even when good security protection methods were employed, important data will still be vulnerable and can be monitored for unauthorized uses. This will lead to data security issues like information used for unintended purpose and data disruption/loss in the event of natural disasters.

CRITERIA FOR EVALUATING STRATEGIC ALTERNATIVE

Strategic alternatives must be able to create growth opportunities with high return of investment. Hambrick & Fredrickson (2001) have mentioned that strategies are an integrated; overarching concept of how business will achieve its objectives. Therefore we recommend that Google evaluate its strategic alternatives by looking at its vehicles (how Google wants to gets there, including alliances); staging (Google speed and sequence of actions); and economic logic (how profits and returns will be generated).

STRATEGIC ALTERNATIVES AND EVALUATION

Strategic Alliances with other enterprises

It is futile for Google to fight head with head against equally skilled competitors as its offensive strategic approaches will causes disruption its dominance in innovation in the long run. Hence, we recommend that Google alter their strategy and join forces with its competitors to add-value to its resources and capabilities (Refer to Exhibit C). With strategic alliance, Google can engage in a mutual formal relationship with two or more organizations and join forces strategically to achieve collaborative valuable strategic outcomes. It allows joint contribution of resources, capabilities, shared risk, shared control and mutual dependence. Aim of strategic alliance is for Google to achieve synergy where benefits from the alliance will be greater than those from individual efforts.

Google will be able to improve market access via global marketing alliance to have more breakthroughs in international markets such as China. The new partnerships will also bring about faster and better development of new

technologies/products to improve competitive position. With alliance, Google can overcome deficits in expertise and creates new competitive capabilities by bringing together unique personnel of each partner. Lastly, it will help Google to achieve economies of scale and achieve better efficiency (Gamble & Thompson, 2011).

Defensive Strategies to Protect Company Market Position

Another alternative that we recommend will be for Google to adopt defensive strategy (Refer to Exhibit D) to enrich its competitive position. The purpose of defensive strategies is to lower the risk of being attacked, weaken the impact of any attack that occurs and influence challengers to aim their efforts at other rivals. There are two forms Google can take if defensive strategies are used. The two forms are blocking the avenues open to challenges and signaling to potential challengers that retaliation is likely.

For example: if Google were to choose to block the avenues open to challenges it has to be more innovative and be more receptive in learning culture differences while embarking on businesses with the Chinese in China. China is a country that contains massive human resources with creative minds. Hence to block any new invention or products being produced, Google need to act fast by thinking differently and enhanced its research and development by being more unique and allowing creativity to flourish.

If Google were to choose in practicing the latter, its leaders need to be more vocal by publicly announcing management's commitment to maintain the firm's market share, publicly committing the firm to a policy of matching competitor's terms or prices or maintaining a war chest of cash and

marketable securities. However, Google must not be too vocal in a foreign land, especially China is highly inadvisable as Chinese do not enjoy firms that are too vocal and do not know the meaning of modesty. As a result, Google can end up losing its market share totally (Gamble and Thompson, 2011).

Broadening the Diversification Base

We think that it is important for Google to diversify into a new business with its existing products as it offers the potential to strengthen and build a better competitive advantage. Google is facing risk due to the increasing power of incumbent like social networks, which inevitably affect the search industry (For example: Facebook has search function in their website). Thus through diversification, Google can tap into the mobile world and reposition itself in the market by improving features offered by Android. We also recommend utilizing and incorporating Google's existing services such as Google Images and Google Maps to broaden the company's diversification base with new technologies in the market.

In our daily course of work as consultants, we came across a new technology known as the 'Bokodes'. This latest technology provides users with a more interactive approach to information at anywhere and anytime. It opens up a new range of applications in the areas of tagging, user interaction and near field communication. Google can also create an application using Bokode technology that reference to its current services such as Google Images or Google Maps (Refer to Exhibit E.) These can typically result in extensive co-marketing by giving Google many opportunities to widen its share of banner/video ads which in return builds more revenues as well as to be the

pioneer in offering an innovative approach to consumers (Gamble & Thompson, 2011).

RECOMMENDED ALTERNATIVES/ EVALUATION AND LIMITATION

Among the three suggested alternatives, we recommend that Google implements the defensive strategy. It is futile for Google to fight head with head against its competitors so defensive strategy will minimize the impact of rival's attack moves. This alternative will not cause much disruption and trade-off to Google's operation. As Google has already a large market base for its existing innovative products, it should focus its existing product categories in a specific market segment/geographic area. In addition, Google has innovative people and they have dynamic capabilities and core competencies to strive for continuous improvement and develop breakthrough defensive strategies. We will undertake a SWOT analysis (Refer to Exhibit F) to evaluate strength, opportunities and limitation (Weaknesses and Threats) for this alternative.

CONCLUSION

In conclude, Google is a firm that has great potential to expand its market position. However, expansion is not an easy task and it takes great strategy and meticulous planning for Google to achieve its objectives. Hence Google need to adopt an open mind in conducting its businesses and practice a strategy that will benefit them in the long run.

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