Google (English version)

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Google

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Contents

1. Case Study.................................................................................................... 2

2. Task............................................................................................................... 4
   2.1 Business model ........................................................................................ 4
   2.2 Six search paths ....................................................................................... 4

3. Literature....................................................................................................... 5
   3.1 References ............................................................................................... 5
   3.2 Further readings on the theoretical subjects............................................. 6
      3.2.1 Further readings on Business Model ..................................................... 6
      3.2.2 Further readings on Six search paths ................................................... 6
1. Case Study

For the first time in its company history, Google registers declining revenues in the first quarter of 2009. The reason for this is a lower number of advertisements. This is why Google reported 5.51 bn USD, representing a decrease of 3 per cent. Despite all this, Google was able to maintain its almost quite monopolistic market position with regard to internet search engines in the US with a new all-time high of a 64% market share. Yahoo, on the other hand, can only come up with 21% just as Microsoft with 8%.1 To date, Google’s market share even amounts to 81% worldwide. Only in China, Google so far – despite an increase of its market share from 16.6% to 32.8% - had to line up behind the 62.5% of Baidu (last year: 76.9%). In order for Baidu to be able to stand up to Google in the long run, the company is adapting its business model more and more to that of Google so that the same terms of payment for advertising and internet search could perhaps prevail in the foreseeable future. At the moment, Baidu is showing a turnover of 810.7 million yuan in the first quarter of 2009 (approx. 118.6 million USD) and a net profit of 181.1 yuan (approx. 26.5 million USD).2

However, Google no longer only relies on its internet search engine business anymore. This is why the company in future – among other things – is going to throng onto the market for company software which is to rise within the next five years to one of the most important sources of revenue. In this process, the software is not - as in the past - sold on CDs or DVDs, but online. Applications with which the company initially wants to generate turnovers are Gmail or its calendar for companies and institutions. A crucial role in this context is played by the new communication technology „Google Wave“ which had just recently been introduced in May 2009.3 This is a new interactive type of real-time communication and cooperation. The program combines many previously

1 Cf. Segal (2009), for URL see bibliography
2 Cf. Brückner (2009), for URL see bibliography
3 Cf. Knüwer, Koenen (2009), for URL see bibliography
dominant communication technologies such as e-Mail or instant messaging.\(^4\) Google Wave is a kind of e-Mail-inbox which is running in the browser. What makes the application so special is that multiple users within the “Wave”-application can simultaneously edit and look at a task in real-time. In this way, a user can e.g. start a discussion via instant messaging or work on a document and subsequently invite an unlimited number of participants to play an active part in this “Wave”. They will then - at the same time - be able to work on the text and also edit or add media objects contained in it. As a result, a faster communication is possible. In addition, the annoying version conflict by sending messages back and forth is eliminated. Google Wave is an open source which can be enhanced by every user.\(^5\) Google is offering this service free of charge, which is to be financed through advertising.\(^6\)

Furthermore, another main pillar is to follow with its own computer operating system “Chrome OS” in the second half of 2010, with which a direct frontal attack on Microsoft’s core business will be launched. At the moment, Microsoft’s global market share is just under 90% even though Apple Mac OSX registered a slight increase in revenue. In this process, Chrome OS is going to be faster, easier and more secure than Microsoft Windows. This means that the system focuses more on the internet user. This, for example, enables users to get access to their e-Mails as well as surfing the internet immediately after switching on the computer even though the computer is not yet completely booted up and running. The new operating system seems to fit well into the company strategy. In addition, the software will only run via the internet in future. Chrome OS is an open source just like Wave. With the development of operating systems, Google was able to gain experience with its “Android” open source project, which is successfully used in the smartphone sector.\(^7\) With Chrome OS, license fees for computer manufacturers decrease. Microsoft is therefore likely to face increasing pressure if it comes to price negotiations.

\(^4\) Cf. Knüwer (2009), for URL see bibliography
\(^5\) Cf. N.N. (2009a), URL for URL see bibliography
\(^6\) Cf. N.N. (2009b), URL for URL see bibliography
\(^7\) Cf. N.N. (2009c), URL for URL see bibliography
with hardware vendors.\textsuperscript{8}

\section*{2. Task}

You are a consultant of a strategic management consultancy and are asked by Google to analyse whether the current adopted strategy is compatible with the existing company model or how this strategy has to be modified for new developments in order to open up new markets and to acquire new customers.

\subsection*{2.1 Business model}

In a first step, you examine the business model structures for the internet search engine business (Google Wave and Chrome OS) by means of each of the – in your opinion - three most important elements of the business model. Afterwards, you are to elaborate on whether the individual business models are to be cultivated, e.g. by means of separate strategies or not. Discuss this by means of the four-field matrix of the dual business model.

\subsection*{2.2 Six search paths}

In order to develop new ways for opening up new markets and to acquire new customers, please classify Google Wave and Chrome into six search paths first. Please start by describing which search paths exist.

Afterwards, think about which other paths Google could take to open up new markets. Describe in detail, which path you would pursue and how the product could look.

\textsuperscript{8} Cf. N.N. (2009c), for URL see bibliography
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3.2 Further readings on the theoretical subjects

3.2.1 Further readings on Business Model


3.2.2 Further readings on Six search paths

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<td>Arcandor</td>
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