Google's "Surely Winning Owning Tactic" (SWOT) Analysis

As the top innovator of technology, Google's innovation in its DNA is projected not only on its products, but also on its business model. It seems like one day Google suddenly owns everything on the earth other than just a giant search engine, and we just cannot live without Google. From planning summer schedule on Google Calendar, to searching the fastest route to La Jolla Shore on Google Map, to writing a greeting email to parents through Gmail, to sharing recent trip photos on Picasa, to watching favorite upcoming movie trailers on YouTube, to coordinating Acct 663 project on Google Docs, Google has just invaded our life so deeply and effectively by its business goal of focusing on improving the ways people connect with information.

When Larry Page and Sergey Brin built the first machine that uses backlinks and citation notation for search, it attracted a unique group of consistent users; soon the amount of "users asset" grew large enough that they corresponded properly and expectedly as Google started a series of product developments, acquisitions, and partnerships. In another words, the platform of massive amount of users Google has developed became solid support for its development of new products along the way. The business strategy of eliminating competitors and utilizing their technologies for its own good by acquisitions and partnerships has been perfectly performed by Google starting 2001. For example, Google used technology from Neotonic Software acquired in April 2003 to develop Gmail in 2004. Google acquired three traffic and map analysis firms: ZipDash, Where2, and Keyhole Inc. in 2004 prior its launch of Google Map and Earth in 2005. During 2006, Google acquired and put YouTube as a selection under the submenu of its home page before the number of YouTubers grew large enough that could potentially against Google's business. Google utilized the technology from acquisition of Android Inc. on its later development of Nexus series of devices to compete with Apple in 2005. This series of successful acquisition strategy is continued until today and can be also observed from the financial statement as Google's marketable securities occupies more than 35% of its total assets during 2010 to 2013 period. In the meantime, Google only spent 13.29% of its revenue on research and development when the industry average is 42.81%, indicating many of the Google's existing products and services we are using today were developed from other companies that acquired by Google later on. The net property and equipment mainly from acquisition increased by 112.97% from $7,759M to $16,524M during the same period. Another big factor of Google's continuing successful development of new technology comes from its people. As the best company to work for in 2014 by Fortune, Google's state-of-the-art working atmosphere and environment ultimately attracts and retains the smartest employees in the industry. Googleplex, the corporate headquarters complex of Google Inc. located in Mountain View, is built to make its employees want to stay at the offices at all time. From the finest cafeteria serves variety of food comes from its own organic garden, to multi fitness centers, tennis courts, basketball courts, soccer fields across campus, to the relaxing massage rooms inside the office buildings, every element on the site would keep its employees fully charged on working-mode while generating creativity cells. Google's "20 percent time" policy allows its employees to spend one fifth the time on his or her own idea of project that seems worthwhile. Google's policy to its employee seems very successful as its revenue per employee reaches $1,080,914 as the highest in the industry in 2008.

The outstanding accomplishment by its business strategy generated a great wealth for Google year by year. In 2011 to 2013 period, Google's revenue went up by 46.47% from $37,905M to $55,519M followed by an increase of 32.67% in net income from $9,737M to $12,920M. The net income kept from 21.40% to 25.69% of total revenues as the industry average number is 11.03%. The balance sheet shows the current assets of the company were more than 60% of total assets during 2010-2013 as the industry average is only 23.09%. This shows how wealthy the company is in terms of cash, short-term marketable securities, and other current assets, which allows Google to take proper actions of acquisition immediately before its potential competitors grew to a certain size to eliminate any threats. Google's incredibly healthy financial statue can also be examined from the risk ratios analysis where its current ratio and quick ratio stayed in the range of 4.22 to 5.92 and 3.90 to 5.62 while the industry averages are 1.33 and 1.13, respectively. Google has so much excessive cash to pay off its debt, which produces a 8.24 % long-term debt to long-term capital ratio while the industry average is 51.62%. Again, the continuing healthy financial circulation enables Google to sustain its business strategy of acquisition at highest gear at all time.

Google's big numbers does not mean the company is perfect. More than 90% of Google's consolidated revenue solely comes from online advertising. Google is expected to experience slow income growth or decline in advertising revenue due to mainly two reasons. First, the PC industry is growing slowly and its share of search engine market is shrinking due to the rise of new competitors, such as Microsoft's Bing. Secondly, a bigger portion of online advertising is slowly emerging to the smartphone and tablet market, which Google has not penetrate deep enough to balance out its loss from PC and desktop online advertising.

Fortunately, Google has been taking very positive and effective approaches to diversify its source of earnings by entering into new markets. For instance, the upcoming release of Google Glass in 2014 has significant potential to replace some existing products, such as tablet and GPS. Driverless devices that can be easily installed on any vehicle in the next 2-3 years can possibly dramatically change the auto industry if they perform better than the ones produced by traditional automakers. Google is also in the process of testing a new fiber cables that can transmit internet content at astonishing 100 times faster than the current providers. This technology would separate Google from the rest of the industry and eventually derive more new products and services, such as Google TV. Many of the Google existing technologies serve as a solid foundation to create and build more advanced technology in the future.

Google's natural business strategy eliminates a great portion of the threats, but a minor portion still remains as the other "Big Boys" such as Facebook, Microsoft, and Yahoo share the same market of acquisition of new companies. Google has to stay proactive to keep an upper hand in business when people still "google" things, not "bing" or "yahoo" things.