

# Business Case Study of GOOGLE

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# Google Initial Strategy

- Took an existing search engine → Inktomi engine
- Paid search
- Cost per click pricing model



# Google Initial Strategy (GoTo model)

- Companies paid more money for their keywords.
- Keywords were put in auction.
- Two Major problem in goto model
  - → Large company can abuse the small companies.
  - → Small businesses were discouraged from placing their ads.

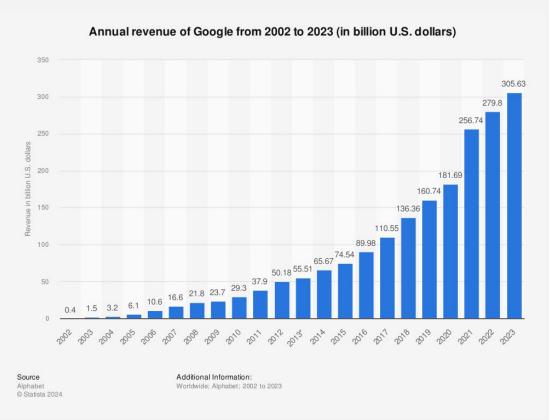
#### Major Improvements

- Quality score → Ranking not based on option paid, but basis on the relevance of the ads with respect to the priority on quality.
- The Vickrey (Second Price Auction) → Advisers don't overpay for the keyword, get insights of the competitive prices.
- Company can not overpower another bidder solely based on money.

#### Google Revenue



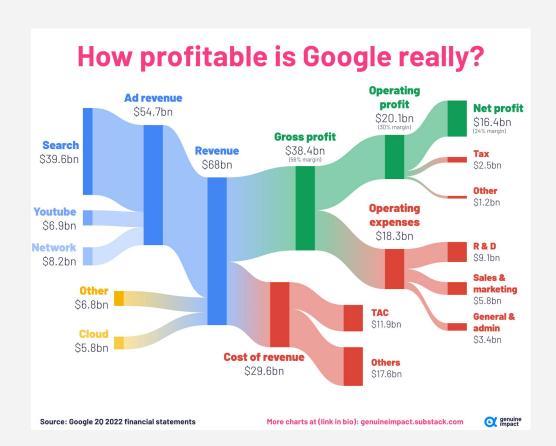
# Google Revenue



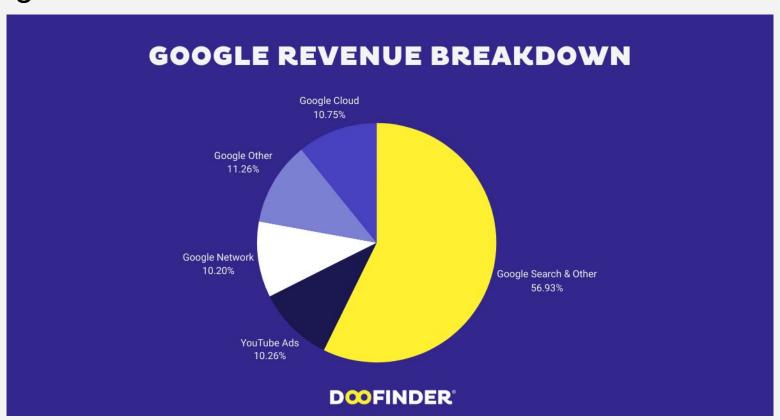
# Google Profit



#### Google Profit



# Google Revenue Breakdown



#### Culture of Innovation

- 20% rule
- Staffs will spend 20% of time in projects that interested them
- Not officially allocated
- 1000s of projects may fail.
- But if one project get success, it can bring revolutionary effect.

#### **Business Lessons**

- Never be discouraged with the competition opportunity to dissect their strategies
- Learn from their mistakes
- Build better business.
- Culture of learning and failing to achieve greatness.