**Birla Institute of Technology & Science, Pilani**

**Work Integrated Learning Programmes Division**

**First Semester 2024-2025**

**Mid-Semester Test**

**(EC-2 Regular)**

Course No. : SE ZG508

Course Title : Product Strategy & Planning

Nature of Exam : Closed Book

Weightage : 30%

No. of Pages = 3

No. of Questions = 7

# ***No. of Questions***

Duration : 2 Hours

Date of Exam : 20/09/2024 (FN)

## Note To Students

Read through the information provided below about Google Ads (compiled from public sources) and answer the following questions.

NOTE: In your answers, focus the key points should be presented in a succinct manner. I.e. no 500-word essays, and no cryptic bullet points.

You can type your answers in the section provided.

### Case Study: Google Ads – The Engine Behind Google’s Dominance in Digital Advertising

**Introduction to Google**

Founded by **Larry Page** and **Sergey Brin** in 1998 as a project at Stanford University, Google has grown to become a global tech giant. The company's mission, “to organize the world’s information and make it universally accessible and useful,” remains at the core of its operations.

Over the years, Google has expanded beyond its initial focus on search, venturing into areas such as email (Gmail), mapping (Google Maps), video sharing (YouTube), and cloud computing services. As of today, Google operates under its parent company, **Alphabet Inc.**, and stands as a dominant player in various industries, particularly in online advertising, where it has become an undisputed leader.

**Google Ads History and Market Position**

Launched in 2000 as **Google AdWords**, now known as **Google Ads**, this platform revolutionized online advertising by introducing the **pay-per-click (PPC)** model. This model allows advertisers to bid on keywords and display ads to users searching for related terms. Google Ads has long been the **cornerstone of Google’s revenue stream.** Since its launch in 2000, it has grown exponentially, contributing significantly to Google’s financial dominance.

In 2022, Google Ads generated **$224 billion**, accounting for over 80% of Alphabet Inc.’s total revenue. The main revenue drivers include **Search Ads**, where advertisers bid on keywords, and **YouTube Ads**, which brought in **$28.84 billion in 2021 alone**. And with the rise of mobile internet, Google has also optimized mobile and programmatic ads, automating the buying process to make campaigns more efficient and scalable.

Google Ads caters to a diverse range of clients, from small businesses to large enterprises. The platform’s appeal lies in its powerful targeting capabilities, allowing advertisers to reach specific audiences based on keywords, demographics, and user behaviour.

A key component of Google Ads' continued success is its emphasis on **user experience**. The platform ensures ads are relevant and useful to users, intentionally limiting the number of ads shown to prevent overwhelming audiences. This thoughtful balance between ad volume and relevance helps maintain **user trust and satisfaction**, ensuring a seamless experience for both users and advertisers. By doing so, Google maximizes engagement while preventing ad fatigue, ultimately benefiting all parties involved.

According to industry data, search ads on Google typically achieve click-through rates (CTR) between **4% and 6%**, with top-performing sectors like entertainment reaching as high as **11%**. Conversion rates, which measure how many clicks result in desired actions like purchases, vary by industry and range from **2% to 7%**, with **B2C sectors** often seeing the highest results. These figures demonstrate the effectiveness of Google Ads in driving engagement and boosting sales, delivering a strong return on investment (ROI) where businesses earn, on average, **$8 for every $1** spent on the platform.

In the digital advertising space, **Amazon Ads** has emerged as one of Google Ads' main competitors, particularly in the **e-commerce** sector. Amazon Ads offers advertisers the unique advantage of reaching customers with **high purchase intent**, as users on Amazon are often searching for products to buy. This leads to higher conversion rates for product-focused businesses.

Amazon’s strength lies in its **seamless integration** with its e-commerce platform, allowing advertisers to run ads directly within the shopping experience. Additionally, Amazon uses **rich customer data** from users' shopping behaviour to deliver highly personalized ads, making it a powerful tool for driving product sales. While Google Ads excels in search and display advertising, **Amazon Ads** is the leader in **product-specific advertising**, offering a more direct path to purchase.

One of Google Ads' most significant advancements is its integration of **AI** into its advertising system. AI helps advertisers by automating campaigns, optimizing ad placement, and creating dynamic, personalized ads. Using machine learning algorithms, Google Ads can predict which ads are most likely to engage users based on their **search behaviour and browsing history**, ensuring that ads are not only relevant but also timely.

This AI-driven approach makes advertising more efficient for businesses, allowing them to maximize their return on investment while maintaining relevance for users. Google’s AI also ensures that ads are shown to the right audience at the right time, further enhancing the effectiveness of campaigns.

Google has faced a series of **antitrust allegations** over the years, most notably in the United States. The U.S. Department of Justice (DoJ) filed a lawsuit against Google, accusing the tech giant of **monopolizing the digital advertising market**. The case involves allegations that Google has unfairly controlled the ad market – on the side of the advertisers and publishers.

The DoJ seeks to break up Google's ad business. In January 2023, the U.S. government, alongside several states, brought forward civil antitrust claims, accusing Google of violating antitrust laws through **practices like bundling and monopolizing ad exchanges.**

### Questions

1. What is the value that Google offers to advertisers? (4 marks)
2. Comment on why google wants to prevent Ad Saturation from the perspective of “Bargaining power of Viewers” (5 marks)
3. Based on the information in the case study, what are key Threats and Opportunities for Google Ads? (5 marks)
4. Comment on where Google Ads is in the Product Lifecycle and its position in the BCG Matrix. What additional information would you require to be able to determine this more accurately? (5 marks)
5. Based on the information in the case study, comment on growth opportunities for Google using the Ansoff Matrix for growth. (3 marks)
6. How does the integration of AI in Google Ads enhance the platform's value proposition for advertisers? (4 marks)
7. What role do other Alphabet products, play in supporting or complementing Google Ads? (4 marks)

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