

Understanding Google Business Model

In the post titled, '[Understanding Business Model Fundamentals](#)', we learnt why do we need to understand business models and how to visually represent a business model using the 'Business Model Canvas'. In this post, we will try to understand the business model of Google using the Canvas.

Google is among the leading Technology companies in the World. Google is most popular for its Search engine, which helps Internet users get useful results in response to their queries. Google maintains vast index of websites and helps users search different types of content such as Text, Images, Audio, Video, Blogs, News, and Maps through its products. Gmail is another very popular product of Google, for free email services to the users. Google provides social networking services to its users through its Google+ product.

Google provides its services to the Internet users for free. Google makes the revenues from Advertisers who are interested in reaching out to the online users. Google helps them create text-based Ads through Google **Adwords** – a self-serve auction-based advertising program. These ads appear next to the search results. Most advertisers pay Google on a Cost per Click (CPC) basis, which means advertisers pay when users click their Ads. Google helps advertisers extend their Ad campaigns to the Google Network members' websites through its **AdSense** program. Google Network members get a share of Ad revenues in return. Google provides Display Advertising services through **DoubleClick** advertising technology. Display advertising comprises of video, text, images, and other interactive ads. Display ads appear on Youtube, Google Finance, and Google Network member websites.

Google has developed Android – an open source mobile software platform – that can be used by handset manufacturers to install on their devices and by developers to create applications for mobile devices. Google provides Chrome browser for web browsing. Google is working with several OEMs (Original Equipment Manufacturers) to bring computers running Chrome OS. Google serves the Enterprise market through hosted web-based applications called Google Apps. Google Apps include Gmail, Google Docs, Google Calendar, and Google Sites. People need a browser and an Internet connection to use the Google Apps.

Google has developed a Global Sales and Support infrastructure with specialized teams

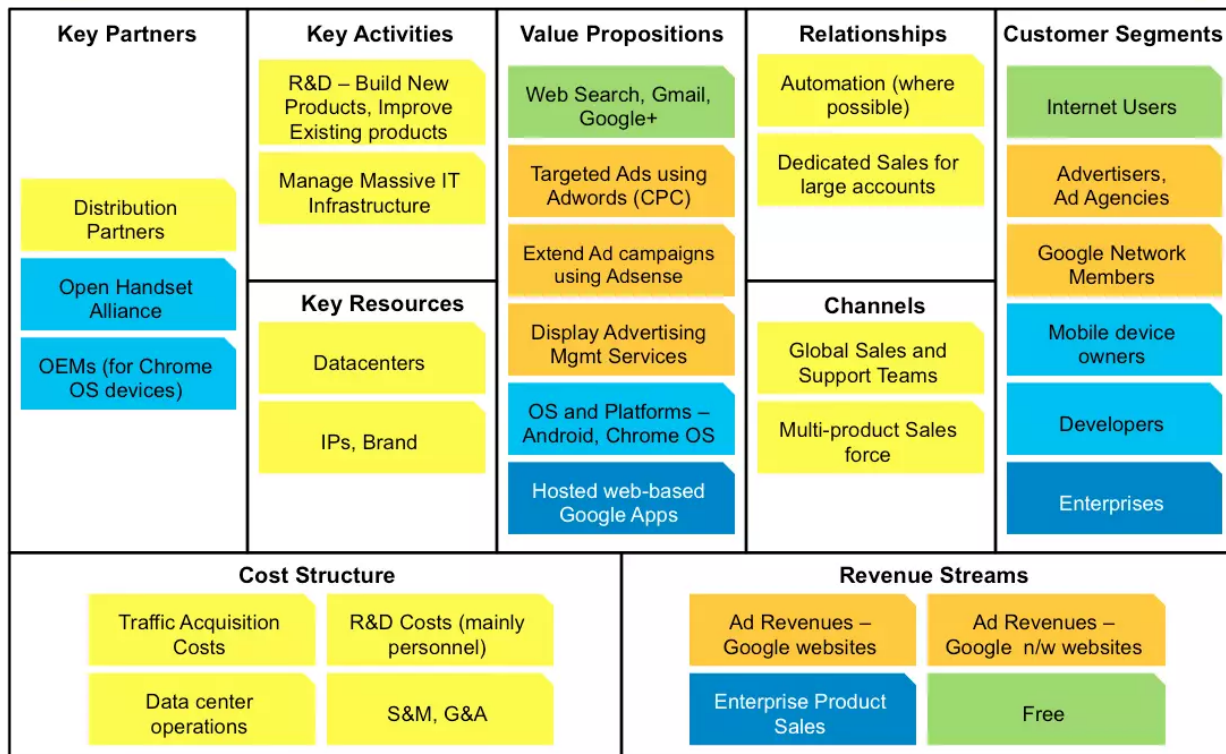
across different industries. Google multi-product sales force sells campaigns that include Search, Display, and Mobile advertising. Google helps most of its customers with a self-serve approach and tries to bring automation where possible. Google has built a global support team to help advertisers and Google Network members to get the maximum value out of its offerings. Google sales team focus on building relationships with largest advertisers and leading Internet companies.

Google business has 4 key costs elements: R&D, Data center operations, Traffic Acquisition, and Sales & Marketing. Google invests heavily into R&D to create new products and improve existing products. Google is estimated to have over 1 million servers in data centers around the world that process nearly 1 billion search requests every day. Google has invested heavily in these data centers and managing their operations continue to be a key cost element. Traffic acquisition costs comprises of money paid to the Google Network websites under the AdSense program and to the distribution partners who distribute Google Toolbar and other products or drive traffic to the Google websites. Google Sales & Marketing costs include the cost of managing global sales and support teams as well as advertising and promotional expenditures.

Google generates over 96% of its revenues from advertising and this has remained true for last several years. Though Google has evolved its Search offering, got into Mobile space, trying to get into Operating systems, and has build offerings for the Enterprises, any of them has not yet resulted into major revenue streams. Apple, on the other hand, earned 70% of the revenues from products (iPhone and iPad) that didn't existed 5 years ago. Can Google do that? Can Google innovate its Business Model so that 50% of revenues in 2017 will not come from advertising, but from Google new value propositions in next 5 years? In your opinion, what can be the new revenue streams for Google?

Google Business Model is represented over the Canvas as follows. Please click the image to see it on full screen.

Google Business Model



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