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2013 PREVIEW

Apple vs. Google vs. Facebook vs. Amazon

The Lines Between Software and Hardware Continue to Blur

By JESSICA E. LESSIN, GREG BENSINGER, EVELYN M. RUSLI and AMIR EFRATI

Four big technology fiefs—[Apple Inc.](#), [Amazon.com Inc.](#), [Google Inc.](#) and [Facebook Inc.](#)—have been creeping into each other's turf for years. In 2013, their war is set to escalate around two fronts: hardware and search.

Software giants including Google and Amazon are interested in ramping up hardware to boost customer loyalty and to extend control over their software services and the revenues that flow from them. That is heightening their collision course with Apple, which is responding by building more of its own software to make its devices stand out.



Bruno Mallart

Google, with the \$12.5 billion purchase of Motorola Mobility under its belt, plans to use the phone maker to release new Android devices to help knock Apple's iPhone off its perch. And Amazon, which has upped the ante in the tablet wars with the Kindle Fire, has also been testing its own phone.

Meanwhile, all four companies see search as a big opportunity for retaining and profiting off customers. While Google's paradigm of typing queries in a search box has prevailed for years, now its rivals want to undercut the Web-search giant through mobile search on smartphones and other devices, and a slew of search services that allow recommendations from friends.

Apple's foray is Siri, a voice-activated service that answers queries about topics like the weather or sports scores from the iPhone or iPad homescreen. Next year, the company will continue its hunt for new data to power the service, making it useful for a broader number of queries.

And at a conference in September, Facebook Chief Executive [Mark Zuckerberg](#) riffed on the myriad ways that friends could provide useful answers. He said the company would expand its search capabilities in the future.

The four companies are clashing in other areas as well, from e-commerce to online ads.

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"They are all getting into each other's market," said Opus Research analyst Greg Sterling. "It is a land grab in a way" to appeal to developers, who can help make

their services truly ubiquitous.

Here's the outlook for the tech giants heading into 2013:

APPLE

Apple must prove it can play defense in 2013.

Rivals from [Samsung Electronics](#) Co. to Amazon are gunning for the Cupertino, Calif., company, which has turned out category-defining devices like the iPhone and iPad for years.

Those competitors are having some success. Apple's share of global smartphone shipments fell to 15% in the third quarter, according to IDC, down from 23% in the first quarter of the year.

Phones are just one area where Apple has to watch its back. Android tablets are also gaining ground against the iPad. To defend its turf, Apple—which this year became the most valuable U.S. company in history—recently released the iPad Mini, a cheaper tablet aimed at competing against the slew of smaller tablets that have debuted.

Four-Way Fight

Four-Way Fight				
Latest performance of these four tech giants sets plans for the future.				
	APPLE	amazon.com	Google	FACEBOOK
Last quarterly revenue	\$16 billion	\$13.8 billion	\$14.0 billion	\$1.26 billion
Last quarterly profit/loss	\$6.2 billion	-\$7.4 million	\$2.2 billion	-\$59 million
Market cap	\$489.3 billion	\$117.1 billion	\$233.1 billion	\$86.3 billion
Gross margin (last quarter)	40.2%	25.3%	53.7%	74.5%
What's ahead	Expenses related to television and continue to invest in other ventures and expand into tablet and smartphone market share.	May roll out a smartphone to compete with the Apple iPhone, and use this to push in the tablet market.	Working to help consumers better access its services by making smartphones and tablets through its search-engine, mobile and advertising ways to control wireless internet access.	Get used to focus on the mobile business and is expected to ramp up its search-engine.

Defense will get Apple only so far. Look to the living room for where Apple will go on the offense. Apple CEO [Tim Cook](#) has stressed Apple's "intense interest" in television and the company has been testing high-definition televisions and discussing possible partnerships over set-top boxes with cable companies.

Whether anything will be ready for prime time next year remains unclear. An Apple spokesman said the company didn't want to discuss future products and plans.

As for another new area, watch search and Siri. Following Apple's ill-fated foray into maps this year, the company is continuing to invest in its voice-activated assistant that routes users to sports scores and other on-the-go information. Earlier this year, Apple poached Amazon search executive William Stasior.

GOOGLE

Google moved aggressively into new territories this year, clashing not only with its main rivals but also with cable companies and wireless carriers.

Next year, the Web-search giant will work harder to control its own destiny to ensure that its search engine, YouTube video site and newer services such as Google Wallet (which lets people use their smartphones like a digital wallet) can reach consumers without being hobbled by poor Internet speeds or blocked by competitors.

That means accelerating initiatives it launched this year, such as wiring homes with high-speed

Internet and video in Kansas City, a prelude to rollouts in other locations after 2013; exploring potential ways to control wireless Internet access through partnerships; and manufacturing smartphones and tablets through Motorola, which will give it greater say on the services that run on the devices. Expect Google to also help develop more Web-connected devices for people's homes, powered by Google's Android mobile operating system.

At the same time, Google is making defensive moves as it looks to hold off its primary Web rivals, Amazon and Facebook. Google has been working with retailers that compete with Amazon by helping them to reach consumers through the search engine.

Next year, Google is also expected to help retailers offer same-day delivery of goods to online shoppers.

And to counter Facebook, Google has pushed users of its search engine, Gmail and other services to sign up for Google+, which is a cross between Facebook and Twitter Inc. that allows people to share news, photos, videos and more.

The company must decide next year whether it will partner with an auto maker to create a self-driving car using Google's software or get involved in manufacturing more directly. Separately, Google's wearable computing device, called Glass, also will be released.

FACEBOOK

At Facebook, 2012 was the year of the initial public offering. Next year, the focus will be on the social network's continuing transformation into a mobile-centric business and how far it is willing to go to own the smartphone experience.

Over the past year, the Menlo Park, Calif., company has rewritten its mobile applications, rolled out mobile-advertising products and promoted new stand-alone mobile applications, such as its messenger service.

Rivals and tech executives also want to know if—or when—Facebook will push into hardware. Mr. Zuckerberg has publicly quashed rumors that the company is building a Facebook phone, calling such a move "wrong strategy." However, people close to the company said Facebook has worked closely with handset manufacturers, such as [HTC](#) Corp., to design phones.

A Facebook-backed device, which will likely run a modified version of Google's Android mobile operating system, would help the social network promote the usage of its applications and gather more data from users.

A Facebook spokesman and HTC declined to comment.

Facebook is also expected to ramp up its search offerings next year. This month, it released a new mobile feature that helps users discover nearby businesses based on their friends and the broader social network.

And e-commerce will become increasingly important to Facebook, as it builds its recently launched Gifts business. The e-commerce platform—which lets users send goods, like [Starbucks](#) gift cards and cookies, to friends—poses a threat to Amazon, especially as Facebook adds more retail partners.

AMAZON

For Amazon, 2013 may be the year that it rolls out its long-rumored smartphone.

The Seattle Web retailer has been testing a smartphone with its Asian suppliers and could introduce it early next year, according to people familiar with the company's plans. An Amazon smartphone would build off the company's experience with its Kindle Fire HD devices and its burgeoning app store, which now has more than 60,000 apps running on Google's Android software.

Such a device could also cut into Apple's iPhone market share and challenge device makers who build Android smartphones, such as Samsung. Amazon could release its smartphone as a low-cost, low-profit gadget that is built to profit from the sale of merchandise on its Amazon.com website, as well as e-books, games and apps. That is the approach Amazon CEO [Jeff Bezos](#) has taken with his tablet computers, describing them as a sales platform rather than a profit generator in their own right.

A smartphone would also further pressure retailers by easing online purchases in retail stores, where Amazon has encouraged consumers to experience merchandise and buy it later online, a practice known as showrooming.

Amazon declined to comment.

Amazon is also going after Apple in another area: tablets. The latest iteration of the Kindle Fire tablet has gained traction and some critical accolades. Expect Amazon to push out another low-cost update next year that could further entrench its users into the Amazon ecosystem.

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