
**Module Name: MN5333 Strategy & Ethics
in International Business Management**

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Executive Summary

The main purpose of this memo was to examine Alphabet Inc.'s international business environment and pinpoint its biggest problems using certain frameworks. The goal of the memo was to give Alphabet a strategic recommendation to help them deal with their current international problems based on the analysis. The international business world of Alphabet Inc. was looked at in this memo using the PESTEL and Porter's Five Forces models. Political factors (like different levels of corruption), economic factors (like inflation and slow growth in key markets), and legal issues (like strict data laws) were all found to be problems by the PESTEL study. As Porter's five forces analyses pointed out, there is high competition, moderate threats of substitutes and buyers and suppliers have low power. Therefore, Alphabet Inc. should focus on investing in its cloud and AI services for various revenue streams in emerging areas.

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1. Introduction

Understanding and adjusting to local markets, laws, and cultural differences is crucial to doing international business. The memo uses PESTEL and Porter's five forces frameworks to identify Alphabet Inc.'s international environmental issues. Based on these analyses, the memo provides one effective recommendation for the company to improve its situation in international markets.

2. Purpose statement

Alphabet Inc., in its international business, faces multiple issues, including fierce competition from tech giants like Microsoft and Facebook and specialised startups. Regulatory problems, like following strict data security laws (like GDPR), raise business costs. The lack of skilled workers, especially in technical areas like AI and incident management, makes it harder to grow and develop new ideas. Consumer spending could be reduced, growth could be slowed by economic slowdowns in places like Canada, India, and the UK, as well as high inflation. Alphabet's reliance on ad revenue is risky, meaning it needs to expand into new areas like quantum computing or cloud services. The memo's purpose is to analyse the above international issues using certain frameworks and, based on the analyses, offer one specific recommendation for the company to mitigate the issues.

3. Company description

Alphabet Inc. is a major American technology company with headquarters in California. It was created in 2015 when Google was reorganised (Britannica, 2024). Alphabet works in many areas, such as healthcare, entertainment, transportation, and artificial intelligence, to support the goal of Google co-founders Larry Page and Sergey Brin for constant technological progress. Structured to encourage flexibility, the business is split into three key areas such as Google Services, Google Cloud, and Other Bets (Britannica, 2024).

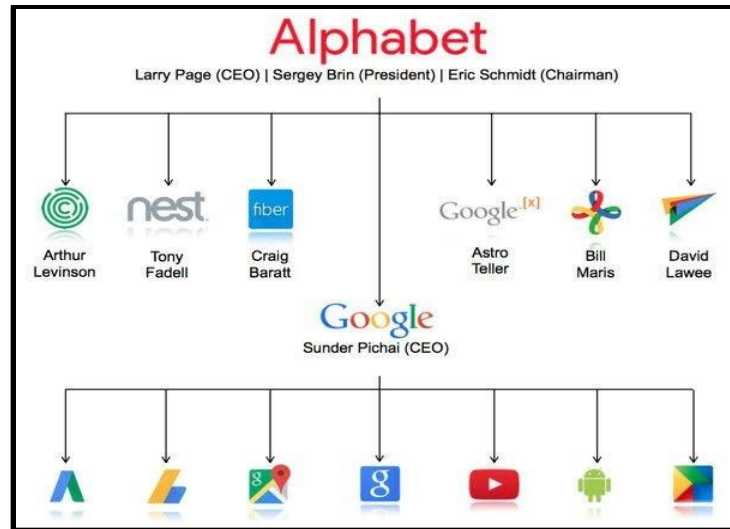


Figure 1: Alphabet's Business Areas

(Source: LinkedIn, 2023)

Alphabet's main source of income comes from Google Services, which includes its search engine, ads, and popular apps like Android, Chrome, Google Maps, YouTube, and Bard, an AI robot that learns independently (Britannica, 2024). Businesses and the government can use Google Cloud for enterprise-level cloud computing. Other Bets, on the other hand, invest in modern companies like Waymo (self-driving cars), Calico (biotech), and DeepMind (AI research) (Britannica, 2024). Alphabet works globally, and it operates in the Middle East, Africa, Europe, Asia-Pacific, Latin America, and Canada (Groww, 2024). Based on the following chart, in 2023, Alphabet Inc. generated about 307.39 billion US dollars in revenue (Statista, 2024).

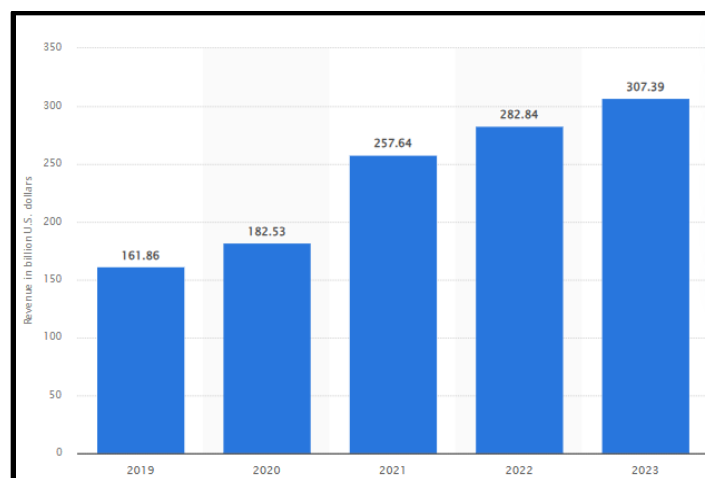


Figure 2: Alphabet's Revenue Growth

(Source: Statista, 2024)

This is a total rise of about 145.53 billion US dollars from the oldest figure shown in 2019. On top of that, the trend from 2019 to 2023 shows that this rise kept happening (Statista, 2024).

4. Analysis of the Issue

VRIO Analysis

The following table identifies Alphabet’s internal capabilities and resources based on the VRIO framework.

Resources	Valuable	Rare	Imitable	Organised	Competitive Advantage
Global Presence	Yes	No	No	Yes	Temporary
AI and Data Analytics Expertise	Yes	Yes	No	Yes	Sustainable
High Marketing Expenditure	Yes	No	Yes	Yes	Temporary

Table 1: VRIO Analysis of Alphabet

(Source: Author)

PESTEL Analysis

Political

Political factors in Canada, the UAE, and the UK affect Alphabet's international business differently. Canada scored high on the Corruption Perceptions Index (76/100), meaning the business environment is transparent and has no bribery issues (Trading Economics, 2024a). This makes it easier for Alphabet to run its business and earn the trust of Canadians. In the UAE, the following chart shows a slightly lower score (68/100) could mean minor problems with governmental openness or transparency in any business documentation, making doing business more difficult (Trading Economics, 2024b).

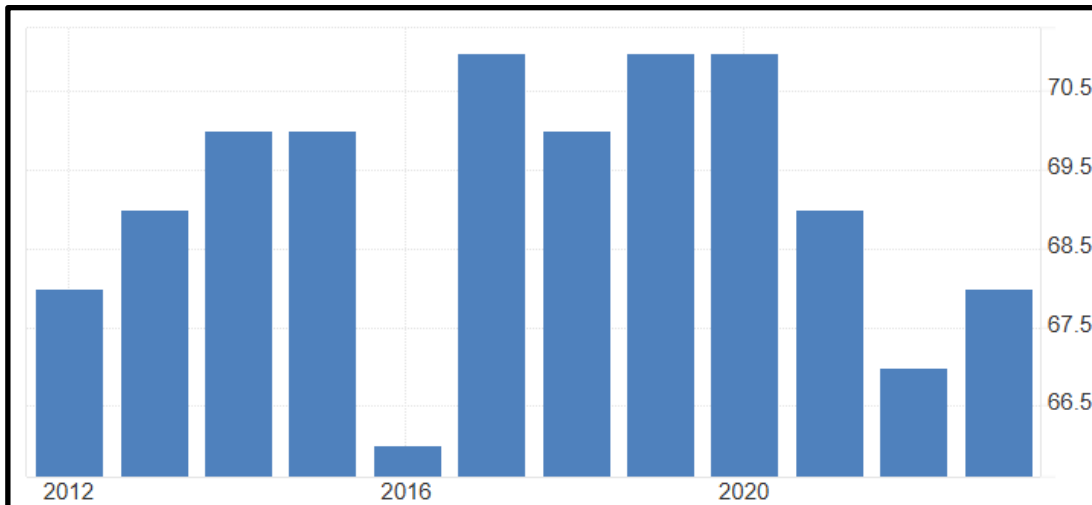


Figure 3: UAE's Corruption Score

(Source: Trading Economics, 2024b)

The UK's corporation tax rate cap of 25% and small gains rate of 19% can also be helpful (Herbert Smith Freehills, 2024). They make it possible for Alphabet to plan for steady tax liabilities, which is great for long-term investment and operating security.

Economic

Economic factors in India, the UK, and Canada can affect Alphabet's global business differently. Based on the following figure, India's inflation rose to 5.49 per cent, which could mean higher business costs and less consumer buying power, making fewer people want to buy Alphabet's services (Trading Economics, 2024c.).

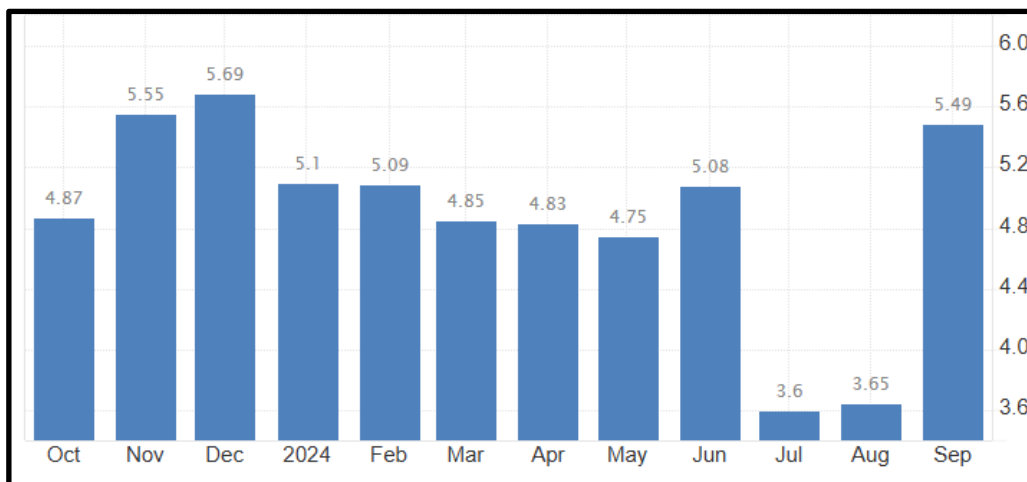


Figure 4: India's Inflation Rate

(Source: Trading Economics, 2024c.)

Core CPIH inflation in the UK has slightly dropped to 4%, which could keep Alphabet's operating costs stable but will still affect customer spending because of rising costs overall (Ons.gov.uk, 2024). Meanwhile, Canada's GDP growth estimate was lowered to 1.2% for 2024, which points to a slower economy that could make it harder for Alphabet to grow (International.gc.ca, 2024). However, a stable view for 2025 (2.1%) can support modest growth (International.gc.ca, 2024).

Social

For Alphabet's international business, social factors across nations offer both difficulties and possibilities. Alphabet's global reach is increased by YouTube's 2.5 billion daily users, positively impacting global advertising revenue and user interaction (Statista, 2024). However, in the UK, Alphabet can have trouble hiring people and running its business efficiently in places where expert skills are needed (44% of the time) and where incident management skills are in short supply (48% of the time) (Gov.uk, 2024). Additionally, due to the lack of skilled labour, the World Economic Forum states that by 2025, 50% of all workers will need to learn new skills because of new technologies (Sharma, 2024).

Technological

The Fourth Industrial Revolution's rapid uptake of big data, AI, and digital platforms, anticipated by about 75% of businesses for analytics and cloud computing and over 86% for digital platforms between 2023 and 2027, can positively impact Alphabet's international business (Statista, 2024). As companies prioritise digital solutions, this trend increases demand for Google Cloud, AI skills, and e-commerce tools. This could generate more revenue for Alphabet and strengthen its market position.

Environmental

By supporting better technologies and responsible practices, the Canada Environmental Protection Act, which focuses on waste protection and sustainable development, could positively impact Alphabet's business (Acquiscompliance, 2024).

Legal

The strict data protection laws in the UAE and UK, such as the UAE Data Protection Law and GDPR, can positively impact Alphabet by ensuring they follow privacy rules worldwide (Dubailawyers, 2024; Gov.uk, 2024). However, these rules could make operations more expensive and restrict data use. This could make it harder for Alphabet to use big data for personalised services, harming business efficiency and creativity.

Porter's Five Forces Analysis

Porter's five forces are a framework for analysing the competitiveness and profitability of an industry (Luo *et al.* 2022). In this report, the macro environment of Alphabet Inc. was analysed through this Porter's five forces.

Forces	Impacts
Competitive Rivalry	The power of competitors is high. The main competitors of Alphabet Inc. are SAP, Shopify, Facebook, and Microsoft internationally. They compete intensely on the technological level (Feng <i>et al.</i> 2020). Apart from that, there are many start-up companies exist which were specialise in specific areas like online advertisement that can be a threat to Alphabet. Therefore, low switching costs in the industry create an intense competitive environment in the industry.
Power of Supplier	The power of suppliers is low. Alphabet is a primary customer for its suppliers that generate most of their profits. Most of the suppliers, such as Trans-Lux Corporation are dependent on the company (Luo <i>et al.</i> 2022). Therefore, suppliers need to reduce prices to continue the business with Alphabet. Apart from that, the company can replace any of their suppliers if they do not agree to maintain the terms and conditions properly.
Power of Buyer	The bargaining power is low in the care of Alphabet Inc. The growing demand for online advertising among most businesses is offered to reach in bigger market. Online advertising is highly efficient and cost-effective (Reim <i>et al.</i> 2020). It is possible due to vast internet usage and rapid ad distribution, driving significant traffic within minutes. In this sector, individual buyers contribute minimally to revenue; any customer loss is negligible due to Google's dominant market share and expansive customer base.
Threat of Substitutions	The threat of substitutions is moderate. The cost of switching is relatively low because using different search engines and advertising platforms is not highly expensive (Singh <i>et al.</i> 2022). The substitute platforms for the advertisement are mainly TV, Newspapers, and search engines like, Bing can draw the market share. In 2023, alphabet earned \$238 billion from advertising with online ads contributing 77% of the total revenue of the company (Statista, 2023). The company faces minimal threats of substitute products with strong market share and superior advertising analytics (<i>Ref to Appendix 1</i>).

Threat of New Entry	The threat of new entrants is low because Alphabet Inc. is successfully situated as the second largest company in the world (Feng <i>et al.</i> 2020). The company provides online advertising through AdSense, along with internet and TV services, licensing, and research and development. In this case, low barriers to entry are present due to high capitalisation (175.147 Trillion) (<i>Ref to Appendix 2</i>) and strict rules and regulations (Companies Market Cap, 2024).
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Table 2: Porter's five forces

(Source: Author)

Reflection

Through this report, I understood that Alphabet Inc. has strategically achieved its targets through a blend of resources, market presence and adaptability across industries. From the VRIO analysis, I understand that the international presence of Alphabet Inc. and expertise in AI and data analytics offer sustained competitive advantages. It allows the company to stay forward despite intense competition (Feng *et al.* 2020). The PESTLE analysis underscores the varied impact of the international political and economic climate on the operation of Alphabet, with strong footholds in regions such as Canada UK (Luo *et al.* 2022). Apart from that, I also understood that the company faced problems regarding insufficient technological skills among the employees; therefore, the company faced problems regarding talent acquisition and retention in the international market.

Porter's five forces reveal the strong market position, especially in online advertising, which accounts for a substantial portion of its revenue (Luo *et al.* 2022). From this analysis, I understood that the low bargaining power of buyers and suppliers is significant to sustaining profitability. The company mitigates the moderate threats of substitutes and new entrants by investing in innovation and offering integrated services across the cloud and search engineers (Reim *et al.* 2020).

5. Recommendation

Alphabet Inc. should focus on *expanding and investing in its cloud and AI services* while diversifying revenue streams in emerging areas like quantum computing (Singh *et al.* 2022). This approach can address different issues and create new growth opportunities.

Expanding Google Cloud in regions with slower economic growth, like Canada, the UK, and India, would capitalise on the increasing demand for cost-effective digital solutions in economic downturns (Reim *et al.* 2020). Alphabet will enhance its cloud offerings with industry solutions,

targeting sectors such as healthcare, finance, and government, where data management is problematic.

Apart from that, with investment in advanced AI and data analytics capabilities within Google Cloud, the company positioned itself as a key player in enterprise-level digital transformations (Luo *et al.* 2022). These AI tools and data analytics solutions will strengthen the competitive position of Alphabets against major cloud providers like, Microsoft Azure. AI solutions should appeal to businesses needing sophisticated data-driven information in highly regulated sectors like Finance.

Apart from that, Alphabet should establish partnerships with educational institutions like the University of Cambridge to create certification programs in cloud computing and AI. This will help build a network of skilled workers (Feng *et al.* 2020). In this case, upskilling initiatives like the “*TechLeap Program*” will also attract top talent and improve employee retention. It will support the long-term growth of Alphabet in enterprise solutions.

6. Conclusion

From the above discussion, it can be concluded that Alphabet Inc. is well-positioned to maintain its competitive advantage through strategic use of its international presence and expertise in AI and data analytics. However, challenges such as competition, regulatory complexities and talent shortages must be addressed. Alphabet could mitigate these issues by expanding its cloud and AI services, diversifying into emerging technologies like quantum computing, and supporting partnerships for upskilling programs. These actions will enhance its market position and support long-term growth and innovation in international markets. It was ensured Alphabet remains a leader in the technology sector.

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Appendices

Appendix 1

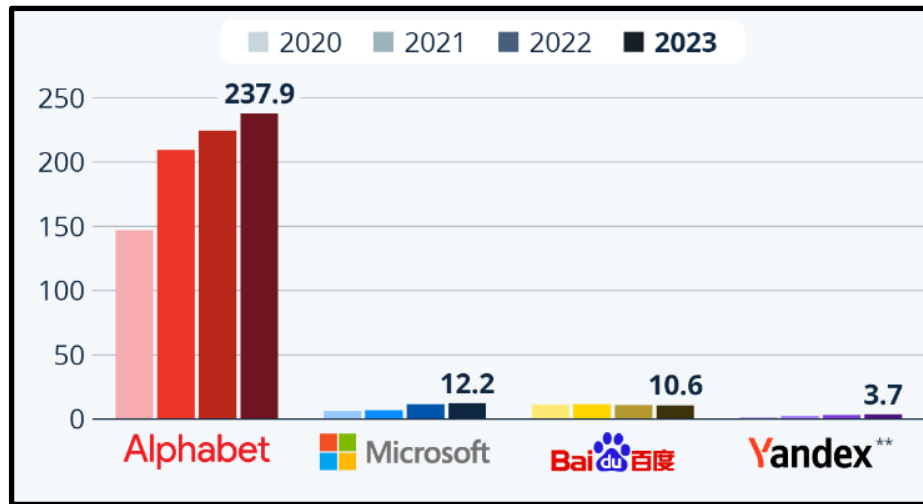


Figure 5: Revenue
(Source: Statista, 2024)

Appendix 2

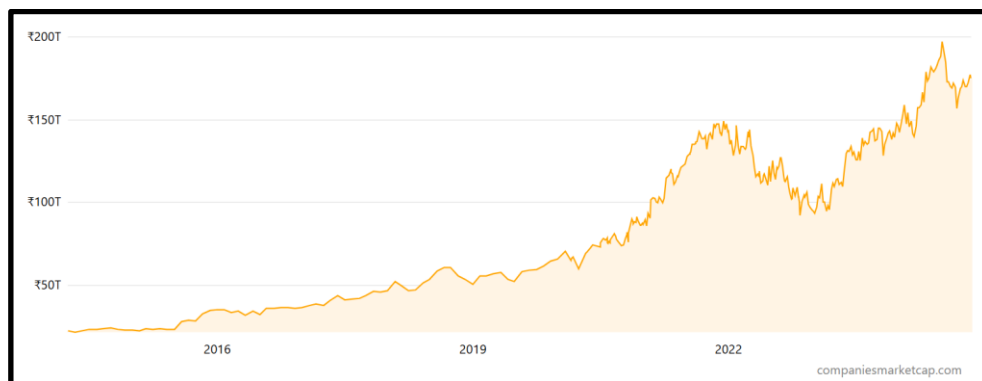


Figure 6: Market capitalisation of the Alphabet Inc
(Source: Companies Market Cap, 2024)