

Disrupting the Disruptors: Google's Plan for Social Search & GPT Domination



Executive Summary

- Since its establishment in 1998, Google has been highly successful in building an internet empire centered around its prominent search engine business
- However, the recent rise of short video platforms like TikTok and generative AI technology such as ChatGPT have disrupted the traditional ways users access information. This disruption poses a threat to Google's key business of search and has caused a decline in its main revenue stream, advertisements
- Based on our analysis, it has been concluded that Google may lose its long-held position as a market leader in the search business if it fails to take proactive steps to combat the disruptions caused by social search and generative AI technology
- Our recommendation to Google is to apply the strategic approaches of Ambidexterity and Robust Action for its initiatives related to social search and generative AI technology, respectively
 - By adopting an Ambidextrous approach, Google can simultaneously exploit its existing strengths while exploring new opportunities
 - By taking robust actions, Google will be able to test its offerings and new business models (beyond ads) faster, helping it navigate the uncertainty it currently faces with respect to Generative AI

Google Overview



Business Segments

Google Services (90%)

- Delivering performance and brand advertising
- Search, YouTube, Ads, Android, Chrome, among others.

Google Cloud (9%)

- B2B licensing and contracts
- Google Cloud, Google Workspace

Other Bets (0.4%)

- Sale of health tech and internet services
- “Non-Google” businesses

Google Services' Key Businesses



Google Search

- 85B visits per month
- 8.5B searches per day
- Horizontally integrated
- The best for specific search

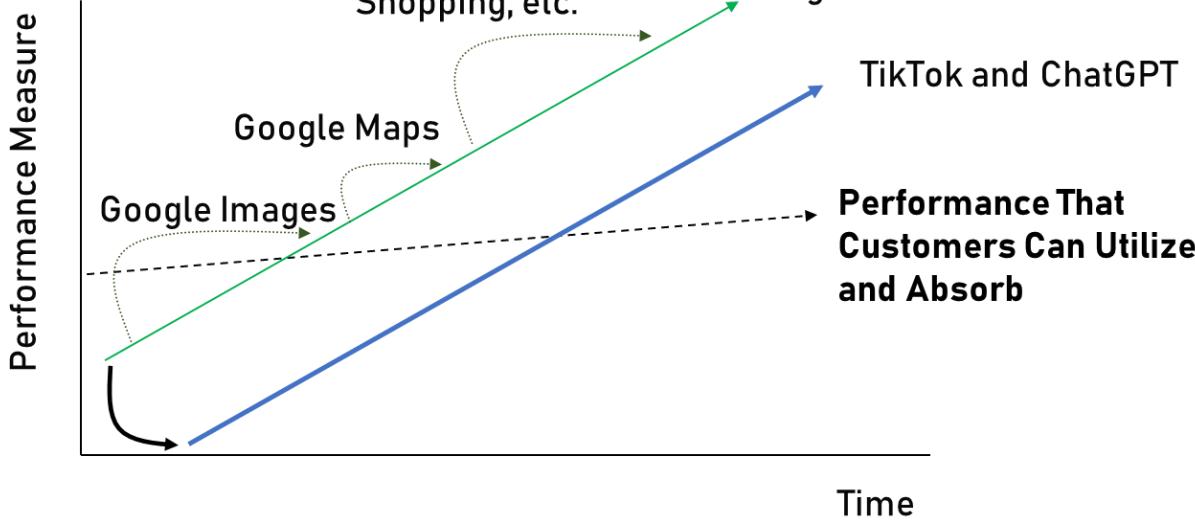


YouTube

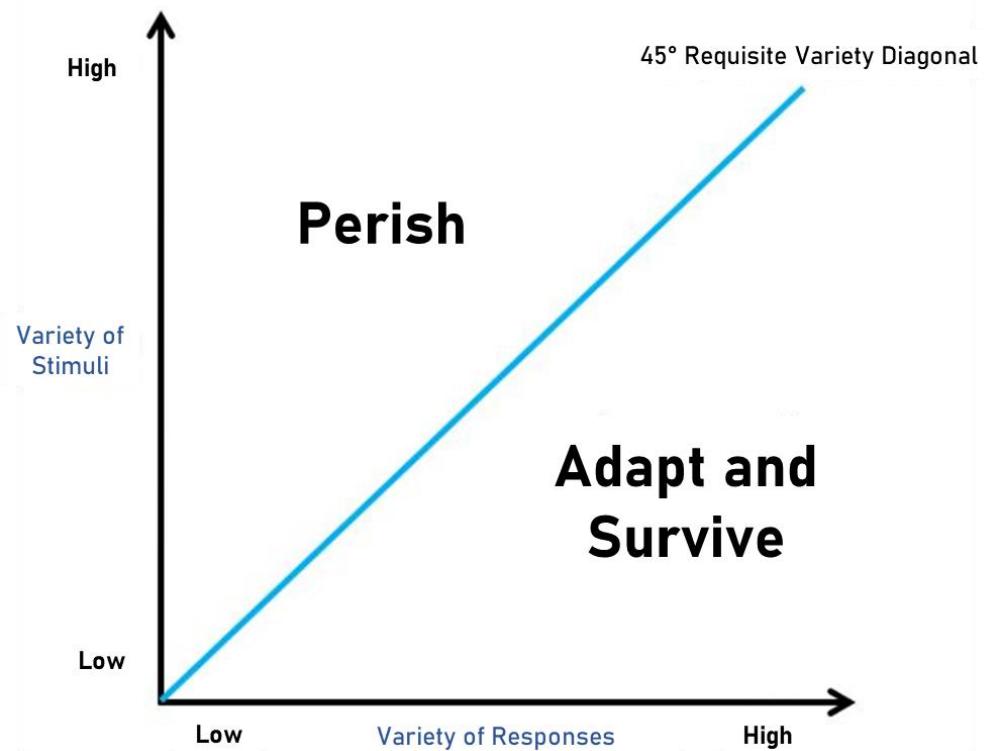
- 33.2B visits per month
- 500+ hours of content uploaded every minute
- YouTube Shorts

Disruption Analysis

Christensen's Disruptive Innovation Model



Ashby's Law of Requisite Variety



Social Search

What?

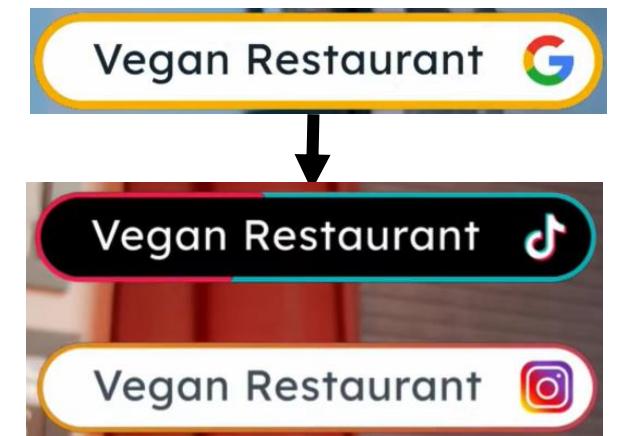
Discovery being done on content and algorithm-driven social media apps such as TikTok and Instagram rather than search engines

Why?

- Increasing demand for visual content
- Reduced cost of content creation
- Organic discovery rather than intentional discovery

36%

GenZ consumers who search for brands on social media more than search engines



Integrate YouTube Shorts into Google Search App for a New Dynamic User Experience

Ambidexterity Approach

Exploitation

- Preserve Google Search's competitiveness
- Enhance attractiveness of YouTube Shorts

Exploration

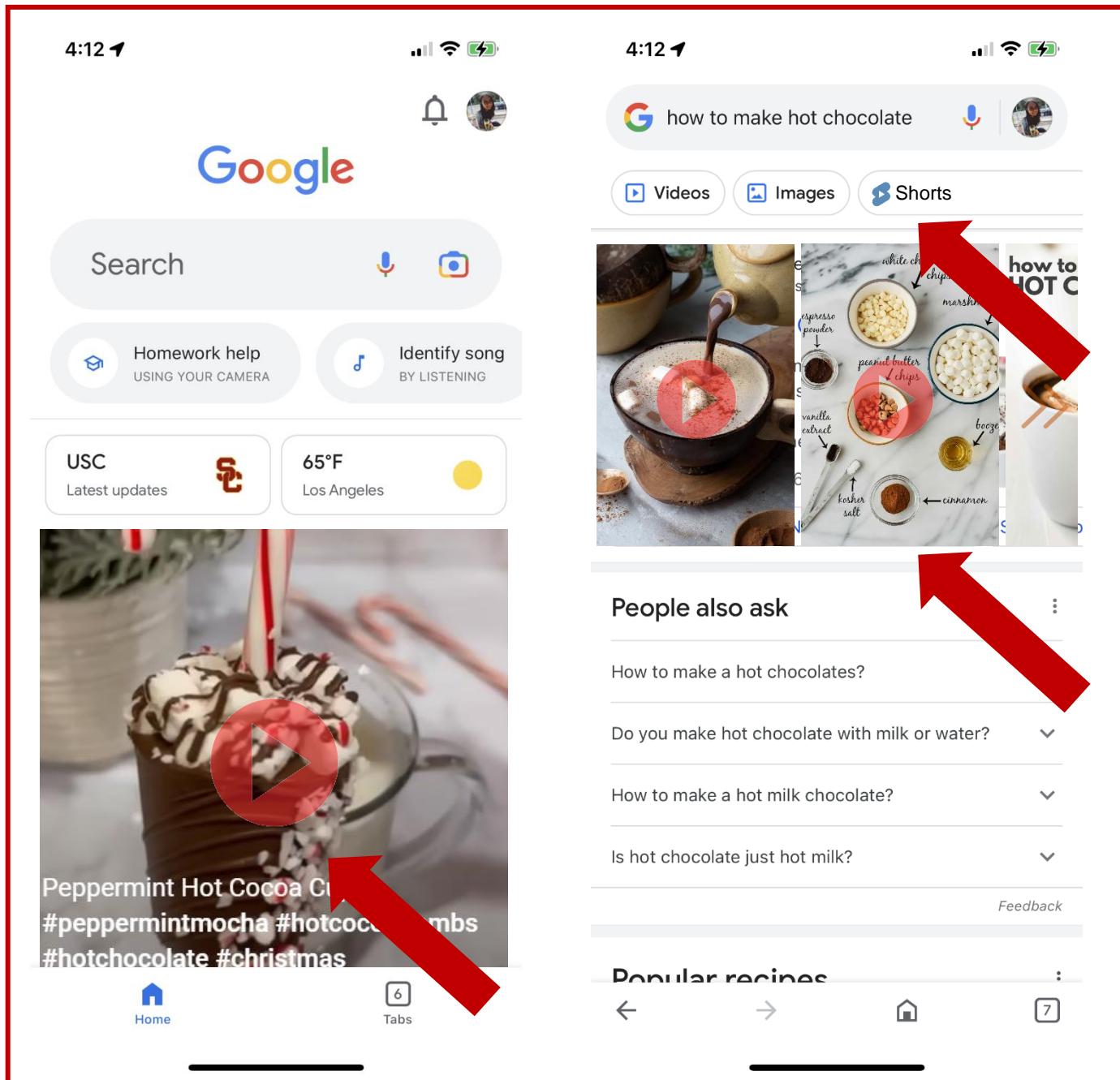
- Integrate YouTube Shorts in Google Search App for a new dynamic user experience



- Initial interface show algorithm-recommended YouTube Shorts below search bar
- Search results to include a new column for YouTube Shorts, with short videos shown as top results



- Enrich content with a focus on the provision of information and knowledge by expanding partnerships with credible creators, media companies, and brands
- Commit to quality of short videos and potentially offer human-curated results in the short-run



Anticipated Outcomes

- ✓ A new dynamic user experience
- ✓ Enhancing competitiveness of existing search business while avoiding major disruption
- ✓ YouTube Shorts to achieve higher screentime and become a new stream of ads revenue

Risks and Mitigants

- YouTube Shorts content quality is difficult to control
- Suggest focusing on institutional content creators
- Potential to form a team dedicated to feed human-curated content into the algorithm

Large Language Model (LLM or GPT)

Generative AI that is trained on large amounts of text data, with the task of predicting what is the next most likely word, piece of programming code, etc.

Disruptive Potential

Features: *Conversational Interaction, Enhanced Personalization and Context Awareness, Efficiency*

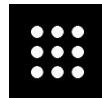
Applications: *Knowledge Answering, Response Generation, Translation, Text Generation and Classification*

Why should Google (Search) be worried?

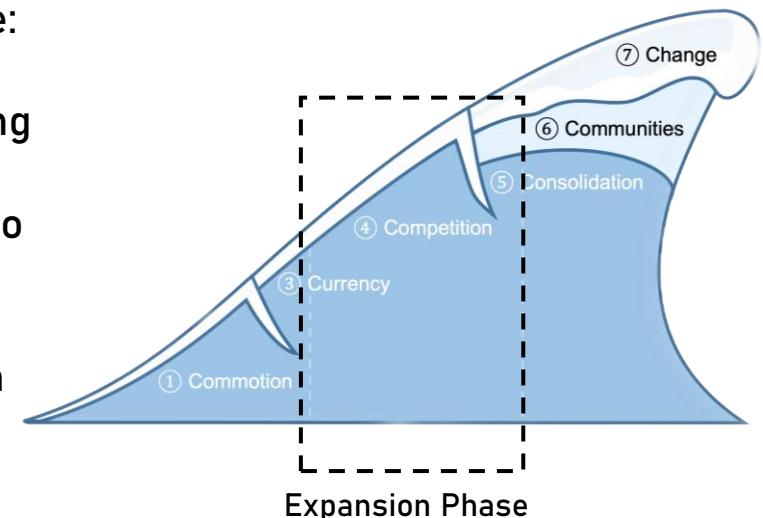
AI Arms Race – especially among competitors in the information space



YOU



- GPT has the fastest adoption rate: *1M users in 5 days*
- Google has remained way too long in the research phase
- Lot of competitors have started to arm themselves with this technology
- Collectivist strategy no longer an impactful option



Why did Google miss the bus?

Managerial Mental Models

Fear of disrupting its cash cow

- Net income from ad-revenues plunged by 34% to \$13.6 billion recently.
- Biggest threat Google faces is to disrupt its own ad-based business model before someone else does

Fear of reputational risk

- A case of an incumbent being so careful about its business, reputation, and customer relationships that it refused to release similar, more powerful technology.
- Company emphasizing that it has higher “reputational risk” and is moving “more conservatively than a small startup.”

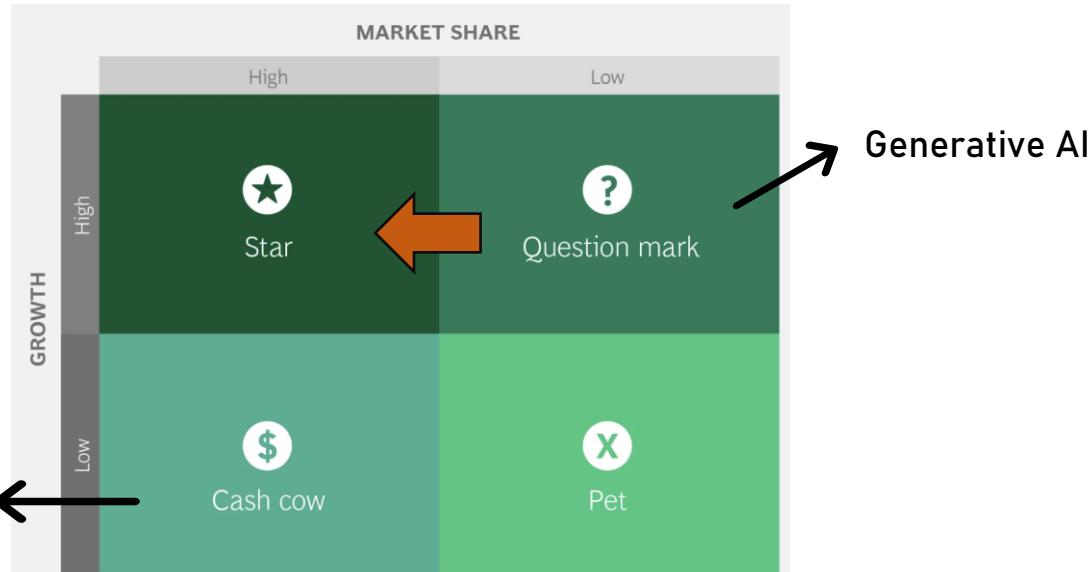
Cost Implications / Bottom line-driven mindset

Percentage of Google queries handled by generative AI	Estimated cost to Alphabet according to number of words generated per query			
	25 words	50 words	75 words	100 words
10%	\$0.6 bln	\$1.2 bln	\$1.8 bln	\$2.4 bln
20%	\$1.2 bln	\$2.4 bln	\$3.6 bln	\$4.8 bln
30%	\$1.8 bln	\$3.6 bln	\$5.4 bln	\$7.2 bln
40%	\$2.4 bln	\$4.8 bln	\$7.2 bln	\$9.6 bln
50%	\$3 bln	\$6 bln	\$9 bln	\$12 bln

- AI Search is pricier than conventional search
- Daily cost of running ChatGPT is \$100k
- Cost of search is more of a problem for Google than Microsoft, due to higher market share
- Stickiness to ad-based model stopping them from innovating their business model

What should Google do?

BCG Growth Share Matrix



Mission - "To organize the world's information and make it universally accessible and useful". Thus, investment in AI is paramount.

Ad-Tech

36% Market Share / CAGR – 13.7%: till 2030

- Google has high Market Share through Google Ads
- But Growth Rate of Ad Tech is relatively low

Generative AI

17.2% Market Share / CAGR – 34.4%: till 2030

- Google has low Market Share for Generative AI
- But Growth Rate of Generative AI is relatively high

Recommendations

Given the current state of its investment in Ad-Tech and Generative AI, Google should work on milking money out of their successful, high return "Cash Cow" (i.e., Google Ads) and Google should reinvest the profits towards Generative AI, which has a higher potential for growth, thus moving it from "Question Mark" to "Star" category.

How should Google do it? *Robust Action*

Characteristics – Dynamic Environments

- Preserve agility and flexibility
- Be mindful of current scenario
- Work on Multiple Applications
- Use Rhetoric Effectively

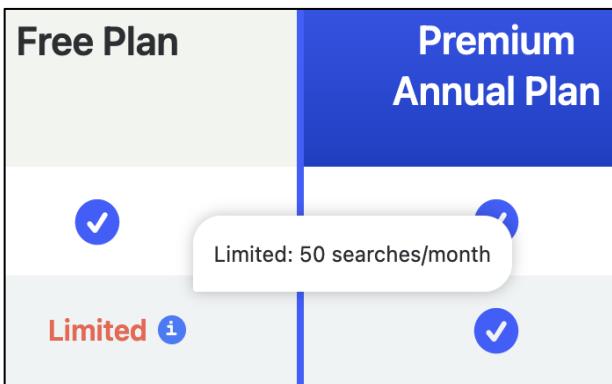
Approach

- Define High-level Goals and Objectives
- Monitor Competitive Landscape - Products and Innovations
- Effective Internal and External Communication
- Agile Project Management and Decision Making
- Test and Learn Mindset - Continuous improvement

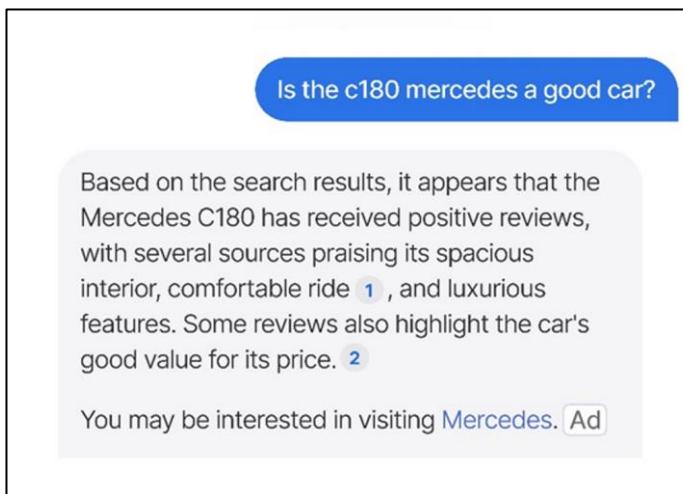
Strategic Business Models for Generative AI

As part of this strategy, working with multiple models and use-cases can help Google arrive at the best approach in an agile, iterative fashion.

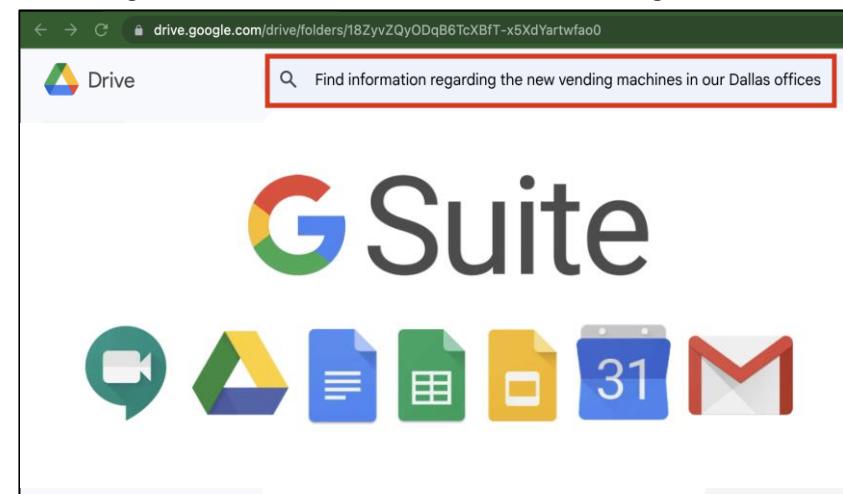
A. Subscription Based (Freemium)



B. In-chat Ads



C. Integrated GSuite Search: Text, Image, Video



Q&A

APPENDIX

Appendix 1.1: *Scenario Planning at Google*

Key factors to consider in future

Market Acceptance of Generative AI:

- High: Stakeholders are positive; High willingness-to-pay
- Low: Stakeholders are skeptical; Complexity and Risks

Cost of ownership of Generative AI:

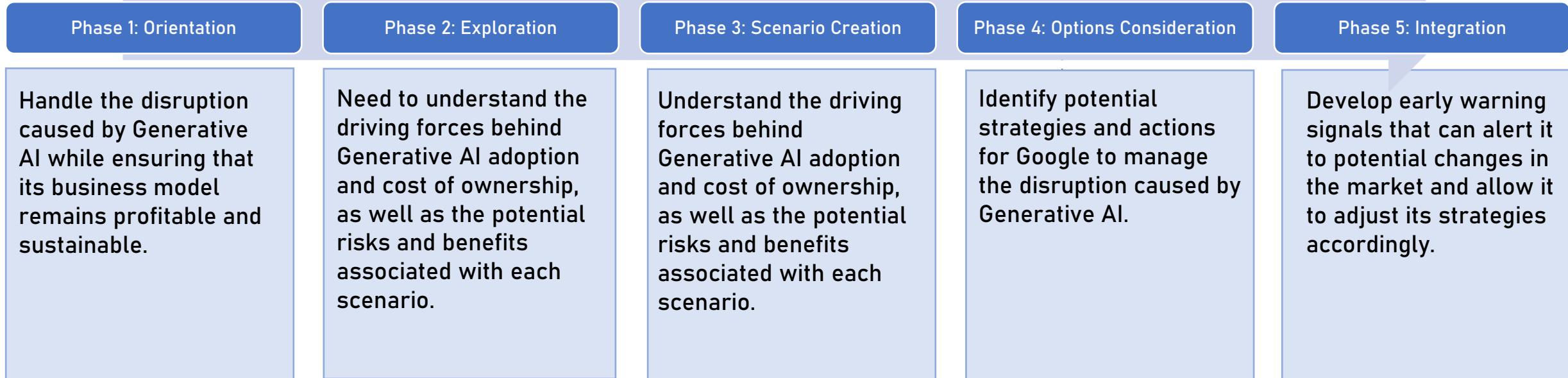
- High: Requires significant investment in resources
- Low: Improved efficiency and less additional costs

Scenario Planning Model

		Market Acceptance	
		Low	High
Low	Low	Google's fear of disrupting its ad-based business model slowed investment in Generative AI, giving competitors a chance to catch up. However, the reduced cost of ownership may make it easier for Google to experiment without disrupting existing business model.	Google takes advantage of superior brainpower and dominates the market, driving down prices and making Generative AI accessible to businesses. However, increased competition from companies armed with this technology may eat into Google's market share.
	High	Generative AI faces significant resistance from customers, who are wary of the technology's complexity and potential impact on jobs and data privacy. High cost of ownership makes it difficult to justify further investment without a clear path to profitability.	Google invests heavily in research & development and maintains a significant lead over its competitors in terms of technological sophistication. However, the high costs makes it difficult for Google to reach a wider audience and maximize profits.

Cost of ownership

Appendix 1.2: *Process & Recommendations*



Recommendations

- Invest in Generative AI Research and Development - hiring the best talent, increasing funding for R&D, and exploring various use cases
- Diversify Revenue Streams - subscription-based services and licensing fees for its technology
- Embrace Disruption - take calculated risks and be willing to experiment with new business models and technologies
- Focus on Customer Needs - ensure that its technology is ethical, transparent, and serves the best interests of its users.