



Google's Entry into The Mobile Handset Market: Strategic Implications

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EXECUTIVE SUMMARY

The mobile handset market has a very fierce competition despite the Android operating system taking the lead with over 80% of market share globally. Android is Google's product, which gives this company confidence in the mobile phone industry. However, the leading handset brands are not new in the venture. Samsung has produced handsets since the turn of the 21st century and so has Apple. These two companies own the world's leading smartphone brands, and they have much more experience and market presence than Google does. In other words, while this industry is rather lucrative, as based on innovative technology, Google would have to work harder to have a sustainable business. Companies, such as Microsoft, have learned from their failures that the smartphone industry is not as open as they have thought it would be. Therefore, despite the new and impressive pieces of technology that they produce, they have been unable to compete with the two market giants so far. Thus, Google may have a good chance on the market, considering the fact that they own the Android platform, but it is unlikely that they will compete effectively with Samsung and Apple. At the same time, the company has had a history of failed projects in the past, and these have made consumers question the effectiveness of their innovation strategy. It is possible that the venture into handset manufacturing will make things worse for the company.

ANALYSIS: PORTER'S FIVE FORCES

Three out of Porter's five forces will be affected significantly by Google's entry into the mobile handset market. These include the threat of new entrants, the bargaining power of buyers and the intensity of existing rivalry. Google is a big brand in the internet industry that is highly interconnected with the mobile industry. In 2016, every consumer with a smartphone must have heard of Google or Android. Therefore, Google's name is all too familiar to consumers. Therefore, despite the disadvantage of being a new entrant into a highly competitive market, Google is likely to cause an impact in the industry because of the internet giant's previous experience in the network technologies. One should bear in mind that ideally, the mobile handset industry has a low threat of new entrants. By contrast, Google can easily raise the substantial capital, which is required to enter the cellphone business, while maintaining a background of innovation that could outdo its competitors such as Samsung. A new entrant will also increase the bargaining power of buyer. In this case, they will have one more choice and thus, the capacity to dictate market prices. The intensity of existing rivalry will also dramatically increase, as the existing companies start to compete against the new entrant. Considering that Google is a very dominant player of the internet industry, it is likely that competitors will try to match this strength through offline campaigns that reach consumers more directly.

AN ANALYSIS OF THE STRATEGIC CHALLENGE

The strategic challenge that Google faces is related to how the company can get a sustainable market share of the market where Samsung and Apple have been dominant for a long time. There are other smaller brands as well that could pose an even bigger threat to a new entrant into the global market (Blass, 2016). Regarding innovation, all phones that could be created with the available technology are already present on the market. Therefore, Google would need to nurture a new strategy to leave a serious impression on the current dynamic handset market where consumers have many options when seeking to buy a phone. Thus, Google would need to exploit any market gaps ingeniously to sustain its entry into the handset market. Furthermore, Google's decision to venture into this market seems misguided by the confidence of a large and strong brand in the search engine business. So far, Google has a proven track record in internet and software business, but the hardware could be a significant challenge.

STRATEGIC OPTIONS/RECOMMENDATIONS FOR GOOGLE

The first plausible option would be for Google to continue software engineering rather than manufacturing handsets. So far, the company has been very successful with the Android operating system and their partnership with almost all the mobile phone companies that use this platform for their phones.

Another strategy that may work is to buy out one of the bigger brands. Samsung has successfully competed with Apple on the market for a long time now, and the company seems to run out of ideas on how to make better phones than their current S series that have reached the 7th release with very minimal improvements from the 6th release (McGoogan, Criddle, Graham, & Boulton, 2016). Google could be an additional advantage to the already well-established and highly trusted Samsung brand. At the same time, Google has a history of innovation while Samsung seems to have reached stagnation phase at the moment. Apple is also a good brand, but they use the IOS platform that will be difficult to merge, considering that Google is affiliated with the Android OS.

The last option for the company is to brave the competitive market and work towards luring first-time customers. Apple and Samsung have very loyal consumers; therefore, it would be difficult for the Google handsets to capture the market attention. Thus, entry level smartphones could work as an initial product for the Google brand in mobile handsets. The high-end market is more profitable in this industry, but the competition is less stiff in the low-end segments.