

GOOGLE'S DIVERSIFIED ALLIANCE PORTFOLIO: A RESPONSE TO COMPETITORS AND AN ATTEMPT TO BE A DOMINANT FORCE

When using different types of cooperative strategies, firms commit to sharing some of their unique resources in order to reach an objective that is important to all participants. A key reason that cooperative strategies are used is that individual firms sometimes identify opportunities they can't pursue because they lack the type and/or quantity of resources (e.g., technological capabilities or special expertise) needed to do so or the access to markets.

Some partnerships are formed between similar firms who desire to develop scale economies to enhance their competitiveness. For years, automobile manufacturers have formed large numbers of partnerships for this reason. In other instances, firms competing in different industries uniquely combine their unique resources to pursue what they believe is a value-creating shared objective. It was for this reason that Google, Intel, and TAG Heuer formed a partnership several years ago to design and produce a smartwatch.

In part, the decision Google, Intel, and TAG Heuer made to collaborate was a strategic action taken in response to Apple's introduction of the iWatch. They have now produced a high-end smartwatch, with the most expensive version priced at about \$17,000. They have also more recently produced a lower-priced smartwatch named the Connected Modular 45 beginning at a price of \$1,650. Still this watch serves a special luxury market niche, in keeping with the TAG Heuer market focus.

Google has parlayed the knowledge it has gained in the alliance with Intel and TAG Heuer into another alliance with Fitbit. For example, Fitbit has agreed to use Google's new 'health data standards for apps.' Fitbit will begin using Google's cloud data storage platform, which is in compliance with the U.S. Health Standards and Accountability Act. This legislation regulates the use of medical records. The partnership allows Fitbit to avoid building its own system to comply with this law. Fitbit CEO James Park says that "working with Google gives us the opportunity to transform how we scale our business, allowing us to reach more people around the world faster, while also enhancing the experience we offer to our users and the healthcare system."

Fitbit was established in the fitness tracker market, but has lost customers to smartphones by Apple and Samsung that now are able to track physical exercise and travel. Thus, Fitbit has been expanding to the broader healthcare market, and its alliance with Google exemplifies this change. Google is also working with Fitbit because its Android Wear software was unsuccessful in the market. After the Google alliance was announced, the price of Fitbit shares on the market increased by 8%. This alliance is even more important as a counter to Apple as it is now using its smartwatch for digital health services.

Google has developed an increasingly diversified portfolio of strategic alliances. For example, it recently signed agreements to form alliances with Carrefour, a large French retailer, and Repsol, a major energy firm in Spain. The alliance with Carrefour is intended to help the



Guy Semon (Tag Heuer), Jean-Claude Biver (Tag Heuer), Michael Bell (Intel) and David Singleton (Google) pose with a block of swiss cheese, at the announcement of the new partnership between the watch brand and the two giants of Silicon Valley.

firm increase its e-commerce presence. Alternatively, the goal of the alliance with Repsol is to use Google's machine learning tool to deploy big data and artificial intelligence tools across Repsol's refineries. Google shut down its search engine activity in China in 2010, and rather than taking actions to re-enter the market, it started a research center in China and signed an agreement to form an alliance with Tencent, a large Chinese Internet conglomerate. Additionally, it recently formed an alliance partnership with IRI to conduct marketing mix analyses. This work will be a part of Google's new Google Measurement Partners program. The intent of this program (and its alliance with IRI) is to provide high quality and choice to its advertisers across multiple areas of specialization. IRI will help bolster Google's marketing efforts.

In addition to its multiple and diversified alliances, Google continues to invest heavily in R&D to develop new technologies and services (e.g., in artificial intelligence and many other areas). Thus, we can expect Google to be a dominant force in high technology for years to come.

Sources: S. Hughes, 2018, Google selects IRI to join new measurement partners program, *Odessa American*, <https://www.oaaa.com>, July 18; R. Zhong, 2018, Google, rebuilding its presence in China, invests in retailer, JD.com, *New York Times*, <https://www.nytimes.com>, June 18; H Agnew, 2018, French retailer Carrefour boosts e-commerce aspirations with Google partnership, *Financial Times*, <https://www.ft.com>, June 11; A. Raval, 2018, Google and Repsol team up to boost oil refinery efficiency, *Financial Times*, <https://www.ft.com>, June 3; T. Bradshaw, 2018, Fitbit shares jump on Google alliance, *Financial Times*, <https://www.ft.com>, April 30; A. Pressman, 2018, Fitbit strikes deal with Google that could lead to wearables collaboration, *Fortune*, <http://fortune.com>, April 30; 2017, Tag Heuer teams up with Google, Intel for new \$1650 android smartwatch, *PYMNTS.com*, <https://www.pymnts.com>, March 15; D Pierce 2017, Tag Heuer's new \$1600 smartwatch (almost) worth it, *Wired*, <https://www.wired.com>, March 14; Chen, 2015, Google, Intel, TAG Heuer to collaborate on Swiss smartwatch, *Wall Street Journal Online*, <http://www.wsj.com>, March 19; M. Clerizo, 2015, There's something in the way they move, *Wall Street Journal Online*, www.wsj.com, March 18; L. Dignan, 2015, Can TAG Heuer, Intel, Google collaborate and create a smart enough watch? *ZDNET Online*, www.zdnet.com, March 19.

In describing the multiple arenas in which Google competes in Chapter 5's Opening Case, we mentioned the firm's plans to enter the smartwatch market. In this chapter's Opening Case, we describe the actions Google is taking with Intel and TAG Heuer to develop technological innovations to compete in the world of luxury fashion. Google has also developed alliances with Fitbit, Carrefour, Repsol, Tencent, and IRI; in each case the firms and Google have complementary resources to be used in the alliance. Thus, the specific combination of each firm's unique resources through the end product of the alliance will be developed. Thus, as is the case for all companies implementing cooperative strategies, Google and its alliance partners intend to use their resources in ways that will create the greatest amount of value for stakeholders.¹

Forming a cooperative strategy like those that Google has formed, such as the one with Intel and TAG Heuer, have the potential to help companies reach an objective that is important to all of the partners, such as firm growth. Specifically, a **cooperative strategy** is a means by which firms collaborate to achieve a shared objective.² Cooperating with others is a strategy a firm uses to create value for a customer that it likely could not create by itself. As noted above, this is the situation for Google, Intel, and TAG Heuer in that none of these firms could create the specific smartwatch the firms intended to develop without the combination of the three companies' resources. (Throughout this chapter, the term "resources" is used comprehensively and refers to a firm's capabilities as well as its resources.)

Firms also try to create competitive advantages when using a cooperative strategy.³ A competitive advantage developed through a cooperative strategy often is called a *collaborative* or *relational* advantage,⁴ indicating that the relationship that develops among collaborating partners is commonly the basis on which to build a competitive advantage. Importantly, successfully using cooperative strategies often helps a firm to outperform its rivals in terms of strategic competitiveness and earn above-average returns,⁵ often because they've been able to form a competitive advantage.

We examine several topics in this chapter. First, we define and offer examples of different strategic alliances as primary types of cooperative strategies. We focus on strategic

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