## MTBN.NET PLR Library Category: Business File: Comparing\_Google\_s\_Search\_Franchise\_To\_Mccormick\_s\_Spice\_Franchise\_utf8.txt

### Title:

Comparing Google's Search Franchise To Mccormick's Spice Franchise

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### Summary:

Google has a competitive advantage. In fact, one might even say it has a franchise in web search. I wouldn't say that. I mean, Google does have a franchise; but, it doesn't have a monopoly on web search and never will. There are real problems with Google's model that are often overlooked. It does a poor job of finding certain sites that are difficult to describe in keywords. For this reason, there may still be a market for web search in the form of specialized niche directori...

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#### Article Body:

Google has a competitive advantage. In fact, one might even say it has a franchise in web search. I wouldn't say that. I mean, Google does have a franchise; but, it doesn't have a monopoly on web search and never will. There are real problems with Google's model that are often overlooked. It does a poor job of finding certain sites that are difficult to describe in keywords. For this reason, there may still be a market for web search in the form of specialized niche directories and in some of these "social search engines" (e.g., Stumble Upon) for many years to come.

I'm not suggesting any of these services will be as successful as Google; I'm sure they won't be. I am simply pointing out that there is a difference between a need and the means by which that need is satisfied. Even as the dominant search player, Google will only have a franchise on the means (keyword search); it will not have a franchise on the need (finding stuff on the web). Also, Google can not, at present, rightly be called the dominant search player. There is no dominant player in search. Google is the leading search player. It is also the catalyst for many changes in search. But, it is not yet the dominant player in search the way McCormick (MKC) is the dominant U.S. spice producer.

Looking at McCormick's franchise is actually a pretty good way of evaluating Google's. Why do I say McCormick is the dominant player (domestically) in spice, but Google is not yet the dominant player in search? There are a few reasons.

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McCormick has a 45% share of the U.S. retail spice market. Its closest competitor has a 12% market share. We may differ about exactly how the web search pie is carved up. But, I think we can agree that Google's share of the market is less than 45%, and that at least two of its competitors have a share of the market greater than 12%. So, Google's position differs from McCormick's in two material respects (already). Google has a smaller slice of the pie, and the search market is less fragmented than the spice market.

The spice market is an upside down funnel. The few producers are at the top. They feed their products through three distribution paths: retail, industry, and restaurants. In each case, the shape of the upside down funnel remains intact, because the widening happens at the very end. The ultimate consumer of McCormick's product doesn't get to choose from all available spices. His choice is always indirect. He picks a grocery store, a food product, or a restaurant. Then, must choose from the spices that particular supermarket chooses to carry, or the restaurant he frequents chooses to use (and/or make available).

In search the story's a little different. There is still something of an upside down funnel shape in search. Although, it is less pronounced than it was a few years ago. Search results are fed through dependent sites that searchers visit. But, it is the searcher who chooses the dependent sites. A few of these dependent sites account for a large part of all searches. That is very different from the spice market, where no supermarket or restaurant chain accounts for a large part of all spice consumption - none even comes close. So, the searcher has a much bigger role in choosing his search provider than the spice consumer has in choosing his spice provider. Even though it is true you are sometimes searching without knowing Google is the search provider, the situation is nothing like it is at McCormick. When eating a meal you aren't thinking about McCormick. Quite often, however, you are using a McCormick product. Whether it was in that package of spices you used to cook a meal at home, or in that manufactured food product, or in the dish you ordered at the restaurant, you are a consuming a McCormick product.

What matters as far as the investor is concerned is that the ultimate consumer of McCormick's product rarely makes an active, unfettered choice to consume that product over all other competing products (or even many competing products). The closest he comes to making such a choice is at the supermarket; though even there, the decision of how much shelf space to allocate to each company's products was made for him. To use Google, the first time searcher must make an active, unfettered choice.

Finally, there is the matter of infrastructure. This consists of two parts:

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production and distribution. McCormick has an existing production infrastructure which is helpful as far as costs are concerned, but isn't especially valuable. It could be duplicated by a new entrant with deep pockets. McCormick's distribution infrastructure is almost impossible to duplicate. It is worth far more than it cost McCormick to create it. Prying McCormick's customers (situated at the narrow of that inverted funnel) away from the company's products would not be easy. This distribution infrastructure gives solidity to McCormick's spice franchise in the U.S. In some instances, it will also help McCormick aboard (as some of the company's customers are expanding globally and will be inclined to stick with McCormick in their overseas operations).

Google's production infrastructure (the algorithm and the index) is easy to duplicate and will become even easier to duplicate in the future. There isn't much of a barrier to entry here. Google may currently offer the best search service around, but there is no reason to believe this will always be the case. Distribution is very often the most valuable part of any franchise (it is usually the part that is hardest to duplicate).

So, the natural question is: in the world of search, if you build it will they come? Will the best search engine always attract the most searchers? Probably not. That's good for Google, because it won't always be the best search engine. Google has a great brand. Whatever value is in Google comes from that brand. That brand is what will keep searchers from flocking to the inevitable newer, better search engine.

All of Google's revenues are ultimately dependant upon attracting searches. Getting those searches requires two things. First, millions of people must make the active, unfettered choice to search Google. Then, those millions of people must keep searching with Google. The brand is the key to step one. The service is the key to step two. Search customers are sticky. But, they probably aren't as sticky as we think. It's very easy to take immediate action on the web (just click a link). Switching away from Google isn't like switching away from Windows.

That leaves the brand. True, when you think search, you think Google. But, is that brand worth \$120 billion? No - and neither is Google.