

A Strategic Perspective on Search Engines: Thought Candies for Practitioners and Researchers

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Abstract

Search engines, such as Google and Yahoo! Search, are more than just portals or information tools. In fact, they are agents of a transformation that is making the business environment more transparent, and thus, potentially more competitive. This new environment is creating opportunities and challenges for businesses of every stripe. In this paper, we explore the following topics: (1) what are search engines exactly, (2) what businesses can do with search engines, (3) how are, and how should, senior executives be viewing the strategic impact of search engines, and (4) what are some important research issues for academics and practitioners that would help us gain a better understanding of the strategic impact of search engines. © 2009 Direct Marketing Educational Foundation, Inc. Published by Elsevier B.V. All rights reserved.

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Introduction

Just fifteen years ago, most people could not have imagined the crucial role that search engines would play in facilitating today's commerce. Now search engines can be used to find every conceivable kind of information about people, places, things, and more. Some of the searches conducted on search engines are purely for learning, enjoyment, or entertainment. But many searches are imbued with purpose, and search results can influence important decisions about someone's life, health, or a major purchase, or an entrepreneur's quest for an acquisition target. And, search engines are evolving to become trusted guides that enhance the entire online experience, instead of being mere signposts that point the way to a lost traveler on the Internet landscape. A 2005 Pew Internet study showed that the number of searchers and searches was increasing and many were satisfied with the results obtained, though most were unaware of how search engines operated (http://www.pewinternet.org/PPF/r/146/report_display.asp). A 2008 Pew Internet study found that about 50% of Internet users use search engines on a typical day.

The main objectives of this paper are to articulate the strategic implications of search engines and offer some ac-

tion insights for managers and researchers. Search engines are no longer just convenient information tools. In fact, they are powerful agents of a transformation that is making the business environment more transparent, and thus, potentially more competitive. This environment is creating new opportunities and challenges as highlighted by the following examples.

Business model transformation

In September 2007, *The New York Times* made most parts of its Web site NYTimes.com, which is the most popular news site in the world, accessible free of charge. A primary motivation for this decision was the growing traffic routed via search engines and links from other sites (e.g., blogs), rather than from subscribers coming directly to NYTimes.com. The company now believes that with free access, the ad revenue generated by visitors would far exceed paid subscription revenue. The search words used by the visitors would enable NYTimes.com to link the visitor directly to the appropriate pages within its Web site, rather than to the home page (Pérez-Peña 2007). Therefore, searchers find what they want quickly, and at the same time, advertisements that are consistent with the contents of the page (i.e., contextually relevant ads) can be shown to the visitors. *Wall Street Journal* and *Financial Times* are also exploring the possibility of abandoning their paid subscription models.

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These developments are harbingers of fundamental changes to the traditional business models of media, entertainment, and publishing companies.

Source of new product ideas

National Instruments Corp., a maker of software and hardware for engineers and scientists, had for years sold products that required buyers to install circuit boards on their desktop computers. Research suggested that when someone searches for those products online, there was growing use of the word “USB” (Universal Serial Bus) in the search term. Recognizing this trend, National Instruments decided to sell new versions of its products with USB interfaces, which eliminated the need to install circuit boards. These new products turned out to be among the fastest-growing and most-successful product launches ever for the company (Delaney 2007).

In a similar vein, Dr. Ian Ayers, the author of the book *Super Crunchers*, had originally planned to title his book, *The End of Intuition*. He did an inexpensive A/B¹ test with the two titles using Google’s AdWords service which randomly chose which of the two advertisements for the book to display. “Super Crunchers” got 63% more clicks than his original choice (Economist, September 13, 2007).

Monitoring and risk reduction

Expert ASA is a consumer electronics retailer with over 900 stores in Nordic countries. It operates in a fashion similar to “Best Buy” in the U.S. As part of its business model, it offers a lowest price guarantee and 150% rebate if the same products are sold at lower prices elsewhere. To minimize its financial exposure resulting from the guarantee, the company needed to monitor competitive prices, taking into account the fact there are many sub-branded versions of similar products. Its solution was to use a search engine developed to work with its “enterprise search platform” that scoured the Web to find prices offered by competitors and alerted managers to any price discrepancies on specific models (Source: FAST).

In a similar vein, the U.S. Department of Agriculture as the steward of America’s 192 million acres of national forests and rangelands, needs to constantly monitor online activities oriented toward sales of illegal or endangered plants and animals (Source: FAST).

Turning expertise into revenue

Amit Agarwal, a computer science engineer, had a successful career working for such firms as Goldman Sachs and Merrill Lynch. In 2004, noticing the growth of blogging, he took the unusual step of quitting his job and becoming a full-time

blogger for “Digital Inspiration.” Since the launch of Google AdSense,² several online resources, including bloggers, have been providing information and advice to Web site owners to help them maximize their ad revenues. People looking for such advice typically go first to search engines. As a technology analyst and an ardent blogger, Agarwal had a good understanding of how AdSense worked, and he was able to put together a number of tips and tricks for potential visitors. Traffic coming to his Web site, primarily from search engines, averages about 2 million page views per month and is growing (www.labnol.org/stats.html), and the ad revenue he realizes from his blog site is substantially more than what he earned as an analyst. Search engines helped him convert his unique talents into success as an entrepreneur. Others with unique skills should also be able to replicate Amit Agarwal’s experience.

Competitive advertising

In a TV ad released for the Super Bowl in early 2006, General Motors urged viewers to Google “Pontiac” to get more information about the Pontiac G5 sedan (“Don’t take our word for it. Google ‘Pontiac’ to find out!”). The aim was to create a traffic surge for the Pontiac Web site. However Mazda made this experiment backfire by setting up a “Mazda versus Pontiac Solstice” Web page, and using Pontiac and Pontiac Solstice as keywords in its online advertising. (A keyword is a word or phrase used for performing a search). This resulted in Mazda getting as many hits as Pontiac for an ad campaign that was paid for by GM! (Additional details about this story are available at <http://blog.searchenginewatch.com/blog/060130-160823>).

The above examples show that search engines can have a wide range of impacts on businesses. A search engine is not merely a tool that searchers use for finding information on the Internet. It also offers a way for businesses to advertise, and to acquire new customers. And, more importantly, search engines can play a significant role in how organizations relate to their stakeholders and to the marketplace in general. In the next two sections, we explore in greater detail the business implications of search engines.

Search engines: what they do, and what managers can do with them

In this section, we (1) provide an overview of search engine technologies and their capabilities today and in the near future, and (2) articulate how search engines help both users and providers of content to accomplish numerous business-related functions and processes (particularly those related to marketing).

¹ An A/B test refers to an evaluation of the performance of two different versions of a Web page called the “Original” (the current page to be tested) and the “Challenger” (an alternate version) to choose the version that performs the best on specified outcome metrics (e.g., clicks). In the online environment, A/B tests are relatively easy to conduct.

² AdSense is a service offered by Google which enables Web site owners to display text, image, or video advertisements at their sites. Google directs traffic to those sites and decides which ads will be displayed. In return, the Web site owners get revenue from Google either based on the number of impressions, or number of clicks.

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