Today's Competitive Environment: How a New Breed of Power Brokers Is Succeeding by Focusing on the Dynamics of Consumer Markets

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ABSTRACT

Throughout every business era, competitive circles have been defined by like-companies in a given industry. But today, a different kind of competitive environment is defined by four tech giants from very distinct backgrounds. While Apple, Google, Amazon, and Facebook were each originally defined by a core business activity, these four have become each other's primary competition with virtually no boundaries to limit their expansion. Crossing paths on almost every competitive front, these companies have recognized significant shifts in consumer behavior patterns and are focused on the goal to fulfill all consumer online needs. In the process, they have become today's most influential companies.

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INTRODUCTION

It wasn't all that long ago that Apple, Google, Amazon, and Facebook were easily defined by a core business activity. Apple was a manufacturer of cutting edge gadgets. Google was merely synonymous with "search engine." Amazon was the world's largest e-tailer. And Facebook was a social network.

Today, each of these companies has expanded so far beyond the borders of their original product categories that it is impossible to define any of them based on the succinct parameters of a single product category. As a result, each of these companies now square off in direct competition with one another across multiple fronts, despite their widely different origins. In fact, their paths cross so much that rarely is one of them discussed in the business press without one, two, or all three of the others given mention. Not only are these four former unlikely competitors starting to look more and more alike, this circle of nemeses is setting the agenda for the business world.

THE DOMINANT FOUR GO TO WAR

The war developing between Apple, Google, Amazon, and Facebook—the Dominant Four—stands in stark contrast to competitive environments of the past century. Every business era has been defined by a core set of companies in a given industry. In the 1990s, for example, if you were talking about the power brokers of the business world, you were talking about Microsoft, Dell, HP, and Intel—companies defined by computer hardware and software, all fighting it out for control of the almighty PC market. While these companies are not dead, not a one of them has the impact on the marketing environment that they once did.

Apple, Google, Amazon, and Facebook each compete with dozens of different companies, yet their strategic plans have put them in each other's crosshairs far more than with any other company. Their paths have become so intertwined, when one of them makes a move, the others are sure to react. Consider just one example as an illustration.

In 2007, Apple introduced the iPhone to the world running on its own iOS operating system. The media pointed to its faults, downplayed its impact potential, and stated that Apple was playing outside its area of expertise. But Google took notice. Even as the search giant was preparing to launch its Android operating system for cell phones, it stopped mid-stream and redesigned Android in the image of iOS—the touch gesture, app-enabled system that revolutionized the industry. Google has since designed its own line of Nexus smartphones, built in partnership with known manufacturers. Now, rumors of smartphones by Amazon and Facebook abound as each grows deeper roots in the business through partnerships that have phones being sold with a host of pre-loaded apps designed to channel a seamless flow of activity to their online empires.

If Apple had launched a phone even five years prior, its current foes wouldn't have even blinked—in fact, Facebook didn't even exist yet. So how is it that a short time later, these same four companies are monitoring each other's every move with laser precision? To answer this question, we first need to back up and examine the trends in consumer markets over the past decade or so.

A SHIFT IN CONSUMER HABITS

In one sense, the general needs and desires of society haven't changed all that much. A couple of decades ago, we spent most of our waking hours focused on a core set of activities that satisfied our most pressing needs. We worked, went to school, and took care of necessary chores. We ate, shopped, exercised, and sought out entertainment. In between these activities—or perhaps in conjunction with them—we socialized with friends, associates, and family members. And throughout our day, used means of transportation to get us from one location or activity to another.

While we all still have these same basic needs today, it is obvious that the way that we go about satisfying them has changed dramatically. Just a couple of decades ago, we primarily compartmentalized our activities, taking care of them one or two at a time before moving on to the next task. But communication and information technologies evolved rapidly in response to and in anticipation of our desire for products and services that would simplify our increasingly complicated lives. Today, the lines that previously separated our daily tasks into time slots has blurred to the point that it is virtually impossible to tease these tasks apart.

For example, when was the last time you put in a solid day's work without attending to tasks that had nothing to do with your job? In the same manner, how likely are you to sit down to a meal, attend a child's Little League game, get together with a friend for a cup of coffee, or even go on vacation without responding to a call, text, or email from work? There was a time when we sat down to watch TV and do little else. Today, we watch sports and entertainment programs while exercising, working, eating, shopping, communicating with friends, or all of the above. And whether shopping in brick-and-mortar stores or doing so online, product information, reviews, and the opinion of a friend is only a click or two away. Even as we drive, we can instantly and safely access the world's music library, our social networks, and the entire World Wide Web as we decide what our next move is thanks to the latest mobile devices, voice recognition, Bluetooth, and the interfaces designed into today's vehicles.

This shift in how we go about taking care of our daily needs has put consumer attention in a blender. While we used to focus more on a given activity and the product or service that helped us accomplish such, we now monitor numerous activities of all types at any given moment. Our attention, therefore, cycles back and forth between the portals that make it possible for us to juggle these activities effectively as possible.

A MODERN VISION EMERGES

Sometime during the past decade, many companies in various industries began to recognize that the needs and wants of consumers were becoming progressively difficult to arrange in neat little boxes, each one associated with a particular type of product or service. But more than any other companies, Apple, Google, Amazon, and Facebook set the lofty goal to fulfill not just some consumer needs, but to quench them all. In essence, they seek to provide an all-powerful online ecosystem that processes our every action, allowing us to manage every aspect of our lives more effectively and more enjoyably. Because of the magnitude of this goal, the influence that the Dominant Four exhibit on the marketing environment has increased in direct proportion with their progress in accomplishing such. Additionally, it is this visionary common thread that erased the borders of their respective businesses and put them in direct competition with each other.

The previous example of how the iPhone set off a frenzy of competitive activity between these four companies is just the tip of the iceberg. The Dominant Four are jockeying for position in everything from social networks (Facebook, Google+, and Apple's Ping, with Amazon working on various initiatives) to media services (Apple's iTunes, Google Play, Amazon Instant Video and AmazonMP3, and Facebook's integration with various music and video services) to payment systems (Google Wallet, Amazon Payments, Facebook Payments, with Apple developing various options).

The idea of corporations expanding into new businesses is nothing new. The GEs, P&Gs, and Hyundais of the world have long established businesses and subsidiaries that took them far from their original line of work, adding new competitors to an expanding hit list along the way. But the development of such conglomerates often added new businesses that had little to do with the old. They lacked the binding ties of interdependence made possible by today's markets. The resulting competitive webs were scattered across industries, crossing paths with far less frequency than those of today.

As Apple, Google, Amazon, and Facebook seek to control the Web, the stakes are much higher than simply creating a new business unit or even than putting out a device here and there. Each of these competitive giants will ultimately need a comprehensive strategy that covers enough online activity as to provide consumers with a complete one-stop shop. Throttling back and forth from one to the other for email, watching movies, gaming, shopping, and updating profiles may be acceptable now, but Tim Cook, Larry Page, Jeff Bezos, and Mark Zuckerberg know better. That's why each of them is working feverishly to be the first to have a truly comprehensive portal—a mobile and Internet entryway that leads to a digital ecosystem teaming with music, movies, books, apps, video games, communications, information, data storage, and commerce—that encapsulates how today's consumers spend the bulk of their time and attention. And with that, the winner will capture the precious data that accompanies these activities and know more than ever what consumers want.

To be sure, each of these modern business juggernauts still has a differentiated core that brings in the bacon and helps fund initiatives into new areas. And not a one of them will overtake Amazon's e-commerce space, Apple's digital gadget product leadership, Google's search and information services, and Facebook's social network presence. But due to the nature of the coveted prize, it's possible to succeed without being number one in every category. Rather, each needs to maintain dominance in its original core competency, be at least adequate where the others are strong, and make inroads in new areas that will help it move toward ruling the digital world. The Dominant Four are sitting on piles of cash they have socked away specifically for this task. And each of them is in a very good position to continue to grow and exert influence on every known market for the next decade and beyond.

Apple

It isn't difficult to make the case that Apple is one of the most influential companies in the world and will remain so for the foreseeable future. Over the past decade, Apple's performance on revenues, profits, market share, brand value, customer equity, and customer satisfaction have been nothing short of stellar. And don't forget market capitalization. As Apple's stock price flirts with $700 a share, it has a market capitalization of around $625 billion. That's more than any other publically traded company—ever. Apple's total stock value is roughly 50 percent greater than that of the second most valuable publically traded corporation, Exxon Mobil, and best's the previous record of $619 billion set by Microsoft in 1999 when it was at the top of its game. After Steve Jobs passed away one year ago, there was a great deal of speculation as to whether or not his successor, Tim Cook, could carry the torch. Today, analysts predict that even if Cook does nothing more than maintain operational effectiveness, Apple has more than enough creative momentum to continue to grow, reach a share price of $1,000 in the next two years, and become the first company to reach a market capitalization of $1 trillion. The bottom line is, Apple is a giant that has never stopped acting and growing like a startup.

But all that focus on performance by metrics overlooks the point. Like its top competitors, Apple is an agenda setter. When the first iPod hit shelves in 2001, most people didn't know what an mp3 was. When iTunes followed closely thereafter, no one had a concept of such an integrated media portal. When the first iPhone was introduced, "smartphone" wasn't the household term that it is today. The smartest phones then had hard buttons on the bottom, a small screen on the top, and non-touch navigation through mazes of menus. When the first iPad was revealed, critics panned it as something consumers didn't need—an oversized iPod Touch. Yet only five years after entering the mobile market with the iPhone, iOS accounts for 65 percent of the mobile operating system market (smartphone and tablet combined), well ahead of number two Android at 20 percent. Every one of these products revolutionized industries not to mention the way consumers live their lives.

Google

With over 80 percent of the market (more than four times the market shares of all other competitors combined), Google owns online search. It also dominates when it comes to online advertising. That's important, because so far, that's where Google makes the vast majority of its money. And even throughout a volatile global economic climate, Google's business has grown by 20 to 30 percent every year for the past five years. While its financials aren't quite in the same league as those of Apple, its stock price has multiplied over the past decade by over 650 percent and is currently moving quickly toward $800 a share.

While search remains Google's lead card and is at the core of every Google product, Page and his crew have worked feverishly from the beginning to expand Google's product portfolio. Google is so much more than a search engine. It's a browser, a social network, a mobile operating system, and an email service. Google is a place where people blog, shop, listen to music, watch TV programs and other videos, pay for things, store and share photos and documents, and so much more.

But perhaps more than anything else, Google is an innovator. Compared to the traditional new-product development process—a cautious step-by-step affair that takes months to years to unfold—Goggle's freewheeling process moves at the speed of light, implementing major new services in less time than it takes competitors to refine and approve an initial idea. When it comes to new-product development, there are no five-year plans or even two-year plans at the Googleplex. Google looks ahead only four to five months. It would rather see projects fail quickly, freeing up resources to move on to other projects.

The nimbleness and flexibility of Google's innovative DNA has a tremendous impact on its competition. Take Google+, the company's first real dedicated social network. Shortly after Google+ made its debut in June of 2011, Zuckerberg lit up a pink neon sign with the word "lockdown" on it. That was the signal that employees were to work around the clock, replicating the best parts of the new social network and pushing new ideas. The cafeteria stayed open on evenings and weekends where employees were joined for dinner and good-night hugs by spouses and children. Google+ has acquired a massive 400 million members in just over a year. But their level of activity and time spent on the network pales in comparison to that of the average Facebook member. Whether or not Larry Page really intended to knock Facebook off its throne doesn't really matter. Like his CEO contemporaries in Silicon Valley, Page knows that every offensive move is a defensive move. The mere threat eating into Facebook's social network dominance put Zuckerberg on such high alert, Facebook had less time and money to build a search engine that would threaten Google.

Amazon

There's no question that Amazon's core business activity is and has been online retailing. And in that category, Amazon is absolutely killing it. From modest sales of $150 million in 1997 (most of that from books), it ended 2011 at the $48 billion mark. That's double what it rung up just two years prior. Until just a few years ago, Amazon's growth in e-commerce was downplayed by assertions that it would never be a threat to Walmart. Now, analysts predict that by 2015, Amazon will top $100 billion in annual revenue. At just 21 years old, it will be the youngest company in history to achieve that feat (it took Walmart 34 years). At that point, it could be the second largest retailer in the United States.

But Amazon's destiny is not as Walmart's biggest competitor. Rather, Amazon's obsession with perfecting the customer experience has taken it beyond retailing into this exclusive club of high-tech agenda setters. Low prices, lightening-quick shipping, minimal stock-outs, and the biggest inventory in the world, are all wrapped around a personalized interface that seems to read consumers' minds. With its massive database that supplies vast customer insight, Bezos has an almost Jobsian ability to envision what the next big thing is. And he follows through by investing early of often in technologies that allow Amazon to achieve just about anything.

It wasn't long ago that Bezos bet big on e-readers and cloud computing. Both of those bets have paid off in spades. It was a short step to take the Kindle from being a dedicated e-reader to the most formidable runner up in the tablet market. The tablets and a host of well-designed apps not only feed Amazon's e-commerce business, they are specifically well-suited to Amazon's thriving digital media business. And Amazon's dominance in cloud services has not only given it yet another stake in consumer's lives, but has made it a must have for startups, big businesses, and even competitors (like Apple) who rely on its Web services to help run their businesses.

One of Amazon's biggest challenges as it competes against the field of digital giants is turning big business into big profits. It's not as though Amazon hasn't been in the black. It has, and for some time. But with the huge overhead of inventory and fulfillment centers, Amazon's costs are much higher than those of its top competitors. Bezos is as obsessed with cost cutting as he is with customer experience. But Amazon doesn't have Apple's luxury of capturing price premiums that guarantee it a fat profit on everything it sells. None-the-less, the values, competencies, and strategic foresight that Amazon displays are proving that it is in the game for the long haul.

Facebook

Of these four tech giants, it might seem that Facebook is the least likely to become all things digital to all people. After all, it had less than $4 billion in revenue last year, a pittance compared to Apple, Google, or Amazon. And how can we overlook Facebook's botched IPO just a few months ago that resulted in the devaluation of its initial $38 stock price by more than 50 percent. The Social Network is only slowly emerging from that hole.

But to count Facebook out would be naïve and very dangerous. Consider that Facebook is by far the youngest of the four companies. And until just a few short years ago, Zuckerberg actually avoided generating revenue. Now that Facebook is in the moneymaking game (primarily from advertising), it's on a growth trajectory that is likely to produce strong double-digit growth for the foreseeable future. And as a purely digital shop with a small workforce, it has the lowest overhead of its three top rivals, producing a fat net profit margin of over 25 percent.

But again, financial numbers—good or bad—simply do not tell the story. In today's world, almost everything is tied to social networks. As the largest of such with over one billion registered members, Facebook isn't just well positioned to capitalize on today's culture of social connectedness. Facebook created this reality. This makes Facebook one of the most influential companies ever, and it became so in just a handful of years.

Facebook trails Google only slightly in terms of unique monthly visits, but it is the clear leader when it comes to how much time those visitors spend. In fact, with the average monthly time spent at over six hours, Facebook's U.S. members alone log the equivalent of over 100,000 years every month. As a place where friends and family meet, share their stories, and chronicle their lives, it has become a digital home for many.

But the nature of social networking isn't just for individuals to share information with each other. From the beginning, Zuckerberg and crew had the foresight to encourage businesses to jump in the mix. Ignoring criticism for missing out on revenue opportunities, Facebook has never charged a fee for this promotional outlet. Now, virtually every business and organization has a Facebook page. In Facebook's universe, the world's of commerce and non-commerce have become as intertwined as they are in the physical world. Today, members "like" a Facebook brand page 50 million times every day. More importantly, all online marketing (as well as a lot of offline marketing) is now social marketing in some way. Facebook is at the epicenter of this digital activity with the potential to be integrated into just about every promotional action.

Because of the role Facebook plays in people's lives and organization's strategies, it arguably has the most valuable treasure trove of data of all its competitors. Its data is not only massive, it is based more on human interactions than it is on transactions and browsing. By analyzing members' likes, Facebook knows customers' desires. By analyzing their check-ins and status updates, Facebook knows what people are doing. This data not only gives Facebook the potential to be relevant to the consumer decision-making process for literally every type of product or service, but it makes Facebook something that marketers of all stripes can hardly do without.

Facebook could introduce its own smartphone or tablet to the world. It could directly sell various types of online services. It's possible that Facebook could launch its own digital media service or create a marketplace for goods that would match those of its competitors. But to influence markets, continue to grow, and to make money, it doesn't have to. It is already integrated into the media and commerce interactions of its members by virtue of their activities and discussions. The latest Facebook apps let users engage in just about any activity without ever leaving the site. And by partnering with other marketers and content providers, the sky is the limit as far as how meaningful Facebook is to the consumption of goods and services.

While some have speculated that a downturn in Facebook's popularity could turn the tides, the likelihood of it suffering a MySpace fate is unlikely. And besides, in addition to growing, it has already expanded its reach and retained many users who feel that Facebook is too big by purchasing Instagram, an acquisition strategy it could easily continue. Executives at Facebook commonly proclaim to be only one percent done with their mission. Perhaps even more telling is the optimism displayed by one of the youngest visionaries in the history of business. "Our development is guided by the idea that every year, the amount that people want to add, share, and express is increasing," Zuckerberg recently expressed at a developers' conference. "We can look into the future—and it's going to be really, really good."[1]

CONCLUSION

In the coming years, these four companies will infiltrate, digitize, and revolutionize every corner of people's lives. As Cook, Page, Bezos, and Zuckerberg look at the business world, they justifiably imagine it—all of it—circulating through their servers. And don't think for a second that they assume their current models will suffice in the future. In fact, the competitive interactions of the Dominant Four might reinvent our daily lives even more than they have changed our habits during the past decade.

There are plenty of other companies who are trying to stay (or get) in the game, chipping away at bits and pieces of the comprehensive trophy. But the Microsoft's of yesteryear have lost their momentum and are worth a fraction of what they were at their peak. Should any of them experience a resurgence of growth, it will be as a follower, not a leader. And today's promising

[1] Manjoo F. (2011). The great tech war of 2012. *Fast Company*, 160 (October). Retrieved October 5, 2012, from http://www.fastcompany.com/1784824/great-tech-war-2012

upstarts—the best of which are typically gobbled up by one of the Dominant Four—face huge hurdles and uphill struggles.

For some time to come, this competitive battle will not likely crown one clear winner. No matter. There is enough growth potential that all four companies will likely win. High-growth tech companies are notorious for rising and fading fast. But Apple, Facebook, Google, and Amazon each have the potential to be the exceptions to this rule. Each has demonstrated competitive excellence, strategic genius, and superb execution. When it comes to driving the business environment and enhancing the digital experience of people everywhere, this group is out in front of the pack—and the gap gets wider every day.

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