



Google – The New TPC?

BACK IN THE SIXTIES, there was a really funny movie called *The President's Analyst*. The Shrink in question knew so much that he was being watched by every agency you could imagine. The most important of these was TPC – 'The Phone Company' – which knew exactly where he was, what he was thinking, when he was going to run away, where he would hide.... well you get the idea.



This kind of fantasy was possibly realistic because the world was stuck in a monopoly telecom world – one where TPC really did “own” you, your business and your connections. Fortunately For the most part AT&T, British Post Office Telecommunications, Bell Telephone and the other national phone companies did not yet have the technology to really control what they owned.



Then, along came deregulation, liberalization, commoditization ... the stuff which evolved into our current telecom reality. TPC still thinks they own you but of course now in place of a single operator, there are several and that “ownership” thing is at best nominal. Of course, the technology is much more advanced so that while TPC does not own you, they can tell more or less anyone who asks exactly where you are and perhaps what you are doing at any given moment.

Of course even though the market has diversified and there is more choice of providers, the services available are roughly similar. The providers compete

on price, device or breadth of services... but broken down, there is little to separate them. The monopoly has morphed into an oligarchy.

Enter Google. Not a Telco did we hear you say? Wait a minute – which player has the most extensive international fiber network? Who has the biggest (capacity) US fiber backbone? Which company is trying to digitally scan the world's books? What about all the classic Cloud services (documents, Gmail, talk, etc) plus Google Voice, Google Wave, News, Gmail and the Nexus range of phones? They even now have an Electric Utility license (giving them the ability to buy wholesale power and resell it)... But they are the “do no evil” company.... Surely not TPC?


Unlike other near monopolies, Google generate income primarily from advertisers, not users. Where as TPC monetizes based on bits, bytes, minutes or shows/channels, Google generates its money from advertising and associated services sales. True, the company does make a few pennies from Google Voice calls (but not many), Cloud services (still in it is youth) and other sources. We doubt that the Nexus One was ever intended to be more than a reference product designed to be a conduit to the Google Mobile service suite. Adwords, Adsense, Doubleclick and other advertising solutions represent the lion's share of Google's revenue.



This does not preclude Google's graduation to TPC. As Christopher



Caldwell suggested in his Financial Times article in the February 27/February 28 edition ("Is Google now a monopoly?"), Google may well be moving towards a monopoly. Tek Elements believes that they may already be there. By combining their traditional revenue sources with their technical prowess, local images, maps, satellite imaging, mobility efforts and cloud services creates a 21st Century version of the classic TPC business. No other entity, commercial or public, has greater insight in to their users likes, dislikes, proclivities, vices etc. If someone was redoing "The President's Analyst" today, it might be difficult not to draw the conclusion that by TPC they mean Google.

Should we be concerned – can we trust Google or are they truly an Internet age TPC? Tek Elements suspects the answer is a little bit of both. For sure, every commercial decision Google makes is designed to drive revenue activity towards the search and advertising business. Their mobility activities can be seen in this light as can the  development of Chrome browser (and the soon to be available Chrome OS). It is unlikely that the Nexus One product suite hardware will generate much profit...but the user will be easily able to surf towards Google and of course to see advertising.

Does this mean that we are in for US Justice Department or EU Competition Directorate investigations? Will Google replace Microsoft as the target of regulators wishing to make a name for themselves? Perhaps – but this in a way would be a compliment for the company, signaling that Google has indeed become a major player in many business areas outside its "core".

Tek Elements predicted four years ago that Google represented the biggest threat to established telecom sector players. In 2010 this would appear to be right on the money. TPC? Perhaps, but Google is far too subtle (and "cool") for this to be an overt reality. They just hope that regulators don't scratch the surface too vigorously.

ABOUT TEK ELEMENTS:

We are a highly nimble consulting firm serving telecommunications and information technology clients from our offices in Silicon Valley California and Johannesburg South Africa. Since our foundation in 2005, we have been helping clients looking for assistance with Go to Market, Marketing, Competitive Analysis, Partnering, Sales Readiness and Emerging Market strategies & tactics. Our advice is both analytical and actionable, leading to a high degree of implementation success.

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