

Digital Media Buzz

Battle of the Brands: Apple and Google Rivalry Muscles Into Mobile Market

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Images courtesy of Apple and Google

By Craig McGuire

It may not be Coke vs. Pepsi. But, what was a budding rivalry between Apple and Google bubbling up for more than a year is now boiling over in a battle in the mobile market.

Prior to relatively recent skirmishes, the relationship between Apple and Google could not even be accurately characterized as dueling frenemies. Competitively ambivalent toward each other for years, the two technology leviathans were content to lumber around in their own respective market spheres.

During roughly the last 12 months, however, both companies are venturing into new business lines that stretch into the other's market sphere.

For instance Apple is setting its sights on advertising, as Google launches a music service and smartphone business, while developing an operating system dubbed Chrome for light PCs and netbooks to compete with Apple's Macintosh machines.

The Chrome Web browser this month surpassed Apple's Safari, which is not such an earth-shattering development, as Safari enjoys just 4.46 percent usage, because it is used almost exclusively by Mac users, while Chrome is used by the much larger PC community.

However, it is in the mobile phone space where the two juggernauts are really mixing it up.

Apple's wildly successful iPhone is firmly ensconced atop the market, with a fourth generation "iPhone 4" slated for this summer (to include a five-megapixel camera).

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Eyeing the bulging mobile-phone market, Google launched its first-ever consumer device, with the debut of its "Nexus One" smartphone, running its Android OS, while huddling up with phone makers to incorporate more Google apps and develop handsets with more prominent Google branding.

The battle is on.

Rivalry heats up

The rivalry really started to escalate in mid-2009, when Apple rejected the Google Voice application for the iPhone, a precursor to the heightening battle in the mobile market.

"There are a variety growth mediums available, but the showdown seems to be concentrating on the mobile market, both in terms of phones, iPhone vs. Android, and the mobile search market," says Ron Trenka, CIO of Ai Media Group, an online advertising company based in New York.

Surveying the landscape, Trenka says Google appears to be setting itself up to do the same thing for the mobile search market that the company has for the Web while Apple appears to doing the same thing for mobile as it did for the music industry.

"Blackberry is trying to keep up, but they are limited to Windows Mobile, which is generations behind what Google and Apple are putting out there," Trenka says. "Palm made a good push with the Palm Pre, but being limited to the Sprint network is hurting their overall adoption. Same thing with Apple and AT&T. Users have been adopting the iPhone faster than AT&T's network can keep up with the load, which is going to hurt Apple in the long run because it's going to be seen as an iPhone issue more than an AT&T issue."

Battle of the Brands

Brand loyalty is one of the battle fronts between Google and Apple, and it's a critical reason for why they are able to go head-to-head.

And Google is in the lead: according to BusinessWeek's *Best Global Brands* report for 2009, Google is #7 and Apple is #20.

Meanwhile, the escalating rivalry between Apple and Google is drawing so much attention, it prompted interactive marketing agency [BGT Partners](#) to actually develop a proprietary Google vs. Apple scoring system that measures software/hardware adoption rates and market capitalization, as well as a Facebook page (see sidebar at bottom of article).

"Based on scoring results, Apple is the clear leader at the moment," says David Clarke, BGT Partners founder and managing partner. "However, because Apple has so many adversaries across industries, Google has tremendous support in the technology industry and will steadily gain a competitive advantage, especially in smartphones.

"Overall, Apple will maintain its identity as a premium brand that gets top dollar for its products due to their top-of-the-line quality," Clarke adds. "Google will continue to promote its search and ad business, which will subsidize the costs for their software and hardware."

Clarke cites specific examples, including:

Google's smartphones will soon be free with a service activation. This will mean that the iPhone will have to come down in price, but not by much.

Google will be the first company to sell unlocked phones for GSM networks, which will help to further advance its market share internationally.

Apple tablets will be premium-priced while Google tablets will be accessible to everyday users.

Apple, though, has an advantage. "The reason Apple has done so well is because it manufactures both

software and hardware, and produces products of high quality,” Clarke says. “With a superior product you will achieve brand loyalty and customer retention. Most of Apple’s competitors only produce software or hardware, but not both, thus giving Apple a large competitive advantage. This will be Google’s biggest challenge: to produce a superior product that will enable it to dethrone Apple.

“Brand loyalty is a very large factor with Apple,” Ai Media Group’s Trenka agrees. “Apple customers are very loyal and tend to be the type of people that want the latest and the greatest and are prepared to pay a premium for it. Google doesn’t have that same fanatic loyalty, but they have name recognition and a reputation for pushing the envelope when it comes to technology.”

Delicate Dance vs. Market Brawl

For the most part, both sides have not resorted to nasty tactics.

“I think both will tread lightly around each other for a time while taking assorted snipes at each other’s technology,” Trenka says. “Apple has a very strong user loyalty index, whereas Google is being seen as having its fingers into more and more of people’s daily lives. Both Google and Apple are strong on R&D, although Google tends to be more open about its projects with Google Labs. Apple likes to play it close to the vest until the idea is fully developed and ready for the consumer market. They can then take advantage of the ‘wow’ factor, as can be seen with the highly anticipated announcement of the Apple Tablet.

“There will be increasing rivalry as they continue to step on each other’s toes, but I don’t think either company is going to burn its bridges,” Trenka adds. “There is still a lot of room collaborations on non-competing products. For example, Google isn’t going to pull Google Maps from the iPhone nor does Apple seem to have any desire to reach into that market.

Technology analyst Rob Enderle of the Enderle Group says while most coverage now centers on Google’s foray into smartphones, going forward, the trajectories diverge. “This will likely look like a mismatched battle as Apple’s strength and focus are directly on the consumer while Google will largely be focusing on carriers and OEMs,” Enderle anticipates. “Apple will likely try to avoid attacking Google directly, because they don’t want to give them the coverage, and Google’s lack of marketing budget will prevent them from going directly after Apple.”

However, Enderle says Google partners will not feel so constrained. “Apple will continue to differentiate on hardware and user experience, while Google will focus more and more on their back-end services,” Enderle forecasts. “Apple will also continue to operate at premium prices while Google devices, with exceptions, will be more value priced.”

Both companies, in effect, will be coming at this battle with a vastly different tool set.

“Apple will be more focused, but Google will have greater leverage through their partners and likely sell more devices while Apple should, in terms of hardware suppliers, have higher margins,” Enderle says. “Thinking about this in a different way, Google will be more of a tool supplier used by Apple competitors to get competing products into the market. Apple’s fighting the fight while Google is building weapons, which allow others to fight with Apple.

Ultimately, though, this is just one battle Google is waging as it faces formidable rivals on multiple fronts.

Google also has a rivalry with Microsoft in basic software and computer operating systems; Yahoo in search; Garmin and the other GPS companies in navigation; the entire print industry in reading and information discovery; and Hollywood in video entertainment. Google and Apple do completely different things, and Google’s plan is far more wide-reaching than Apple’s.

Face-Off on FaceBook?

BGT has even rolled out a clever [Facebook site](#) in early January dedicated to the Google vs. Apple battle.

“We expect to have a solid amount of fans by the end of February, billed as providing you with front-row seats to the battle royal between Apple and Google. The site is dedicated to the fun and excitement of these remarkable companies pushing us into the future and competing for our loyalty.”

Sidebar: Skirmishing 2.0

A Blow-by-Blow Account of Key Events in the Past 12 Months

March 2009 - Google released version 1.1 Android, a software stack for mobile devices, such as the Motorola Droid, which includes an operating system, middleware

and key applications running on the Linux kernel.

May 2009 - Google confirms that the Federal Trade Commission was planning to hold discussions concerning potential conflicts of interest related to Schmidt’s presence on both companies’ boards of directors.

July 2009 - Apple pulls all Google Voice-enabled applications from the App Store, citing the fact that they “duplicate features that come with the iPhone”. Three days later, Google, Apple, and AT&T, the iPhone’s exclusive carrier in the U.S., received

inquiries from the Federal Communications Commission.

August 2009 - In a move that comes as little surprise, Google CEO Eric Schmidt resigns from Apple’s board.

October 2009 - Google unveils its new music listening service.

November 2009 - Google gobbles up Internet-phone providers Gizmo5.

November 2009 - Google spends \$750 million in stock to acquire mobile display ad company AdMob, known for serving display ads on iPhones, but it also recently started a business unit focused on ads for Android phones. (Apple reportedly also tried to buy AdMob earlier.)

December 2009 - After an earlier failed courtship with Google, Apple snaps up Web-based music startup.

January 2010 - Confirmation of mobile-ad company Quattro Wireless’ acquisition by Apple announced in blog post by Quattro CEO Andy Miller, identifying himself as Apple vice president of mobile advertising. Price tag = \$275 million.

December 2009 - After an earlier failed courtship with Google, Apple snaps up Web-based music startup

January 2010 - Google unveils Nexus One phone at a press conference in Mountain View Calif. It is manufactured by HTC and runs on Android. It marks the search giant’s first foray into selling consumer electronics devices.

January 2010 - Less than 15 months post-release, Google Chrome surpasses Apple Safari to become No. 3 browser, behind Microsoft Internet Explorer and Mozilla Firefox.

January 2010 - Apple Inc. is in talks with Microsoft Corp. to replace Google Inc. as the default search engine on the iPhone, Bloomberg reports.

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