"Google in South Korea"

Information Technology and Globalization

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Why Google Failed?
Why Naver Succeeded?
What were Google's strategies to compete?
Recommendations
References

To work on this assignment (Google Korea), we need to conduct research on South Korea and internet search engine on the issues like

1) How Does Google search, prioritize and present results? Compare to Competitors.

2) Cultural Issues in Internet Use

3) Content, Piracy and Censorship in South Korea and USA

4) Analyze: How do search engines make money?

5) Compare Google with major competitor(s) from a business perspective

6) Compare Google's range of applications with those of competitors in South Korea

But the main concerns are still in culture and the localization of the internet searches.

To make any recommendations to Wonjin Lee[1] CEO of Google Korea, we need to know why Google didn't have a better market shares and why NHN (Naver) is a dominate leader in market share of 70% comparing Google of less than 2%[2].

Why Google Failed?

1) Sense of Nationalism:

Koreans' pride is very strong towards their homegrown products and services. Several foreign companies with world-wide dominance didn't even survived here, for examples, Walmart (now E-Mart) and French retail giant Carrefour (now owned by E.Land Corp) both fell to penetrate the Korean retail markets.

2) Culture:

These large multinationals have failed badly including Google Korea for not doing their due diligence and assuming the western business model can be effortlessly transferred. There is no disagreement about Google being the best and most efficient search engine in the world. But the culture might dictate the preferences of Koreans' taste for different web search engine as well as the web designs. Examples on the website designs among Google Korea, Naver.com and Daum are shown in Appendix 1.

3) Unfair competition tactics:

NHN (naver.com) doesn't allow users to go to other sites while Google directs its users to different areas of web[3,4].

4) Localization of search engine:

The entries of the search should be based on Korean instead of English with Korean translations. This is a press issue, since Daum (one of the local Korean internet search engine provider) over took Yahoo Korea to be the leader in internet search engine market as more and more Korean had the access to the internet in this the most wired society in the world[5].

Why Naver Succeeded?

Unlike the internet search engines in China that subjected to the government censorship, the environment in Korea subjected to much less government regulation. Yahoo Korea was the leader in search engine market from 1997 to 2000 was a good example. There are many reasons why Naver is so successful and grabbed around 70% market shares without government intervention.

1) A knowledgeable and user friendly search engine[6]

Naver was incorporated in 1999, the first Sough Korea to use its own proprietary search engine. Naver launched several innovated products (services) that proofed to be crucial to the success of the company.

Year 2000: Launched "Comprehensive Search" as Google's "Universal Search" in 2005.

This search provides the search results from multiple categories on a single page.

Year 2002: Launched "Knowledge Search" as Yahoo's "Yahoo! Answers" in 2005.

This search provides a wide range of internet services with comprehensive coverage from hundreds media sources. In Knowledge Search, users can pose questions on any subject, and select among answers provided by other users, and rate the answers. These unique questions-and-answers features allowed Naver to collect millions of localized and culture-embraced answers (data) that customized for the Koreans' desires. This database along with Naver's proprietary search engine allowed it to dominate the internet search engine market in South Korea.

Year 2005: Launched "Happybean"

This service allowed user to find and make donations to over 20,000 civil society and social welfare organizations.

2) Search Engine with number one game portal

With millions subscribed to its on-line games, Naver uses it as spring board for its other on-line services.

3) Proprietary Database

Naver refused to share its database with other Web portals, so it could control and maintain the database for its competitive advantage. It also restricts the usages for users of non-Naver search engines. These tactics allowed Naver to limit users to stay in its walled garden and prevented their exposures to other search engine.

What were Google's strategies to compete?

With global share around 60%[7] in 2007 as shown in Appendix 2, Google Korea's 2% in Korea's internet search engine market is embarrassing and unacceptable. Google took several steps since 2004 to compete with Naver.

1) Committed: Google created a Korean-language homepage to serves the specific tastes of Korean users

Google promised several times that the world's top search engine would make its presence felt in the Korean market where it has suffered setbacks. Google CEO Eric Schmidt made the commitment at the Seoul Digital Forum 2007.

2) Established Local Leadership:

Created a CEO position and promoted a Korea-American (Wonjin Lee1) to be the CEO for localization and culture-embracing move for Google Korea. A leader understands local culture will give Google Korea the same baseline to compete with Naver.

3) Launched "universal search" in 2005

Google Korea introduced a "Universal Search" system that blends listings from its news, video, images, local and book search engines among those it gathers from crawling web pages. Detailed comparisons and the usage of "universal search" can be found in the lists cited in the references[8, 9].

4) Redesign website (different web designs are shown in appendix 1)

Simple is not always the better. Localization and customization are best tools for finding the best web preferences for a society. It is easier to gain acceptance by adapting to local culture.

The redesigned website of Google Korea is improving from the old one but still not quite fit Korean standard as shown in appendix 1.

5) Partnered with Daum[10]

If you can not beat them join them. Google learned a hard lesson in Korea's market. By partnering with Daum, the number two searching engine in Korea, Google has a chance to learn, adapt and succeed. In the technology field, the faster learner is always winning the game.

With strengths and weaknesses analyzed on Google Korea and coupled with the experiences acquired in participation of "Google's China Project," several similar tactics could be applied to improve Google Korea's competitiveness in Korea internet market.

Recommendations:

1) Enhance the Partnership with Daum and gradually convert Daum from alliance to part of the Google Korea family.

2) Provide a long term commitment to Korean by

a. Establishing a research center in Korea as Google China built a research center in Beijing

b. Creating more sociable portals as well as developing "Happybean" type of services

c. Making Google Korea a Korea's Google, not the other way around

3) Launch G-Phone[11]

94% of Korean owned mobile phone and 26% of its owner used for internet access in 2005[12]. This number will increase substantially in next few years. Provide G-phone will have the potential to lure the users of Naver to try Google's services that had being limited by the tactics of Naver. The G-phone will be based on the open sources that play to the strength of Google as the most efficient search engine. By cooperating with LG Electronics Co. of South Korea, G-phone will penetrate this market with ease.

4) Offer online games

The tactic is working for Naver that combines two powerful existences of on-line game portals as well as search engine. By providing free online game accesses, Google Korea can level the playing field with Naver.

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Appendix 1 Web sites of Google Korea, Naver.com and Daum.com

Appendix 2 Worldwide Market Shares

Top 10 Search Properties Worldwide* August 2007 Total World Age 15+, Home and Work Locations** Source: comScore qSearch 2.0	
Search Property	Searches (MM)
Worldwide	*61,036*
Google Sites	37,094
Yahoo! Sites	8,549
Baidu.com Inc.	3,253
Microsoft Sites	2,166
NHN Corporation	2,044
eBay	1,319
Time Warner Network	1,212
Ask Network	743
Fox Interactive Media	683
Lycos, Inc.	441