

# 9. Case Study: Google's Android Acquisition

## Strategic Threat and Acquisition Rationale

- In 2005, Google faced a strategic threat from mobile computing.
- Google earned over 95% revenue from desktop search advertising.
- Mobile phones became the next major computing platform without browsers.
- App-based access replaced browsers, creating fundamental search business risk.
- Apple planned iPhone launch with a fully closed ecosystem.
- Microsoft controlled desktop OS and could dominate mobile platforms.
- Google needed an open mobile OS to protect search distribution.
- Building an OS internally required embedded expertise Google lacked.
- Android Inc provided a Linux-based mobile OS solution.
- Android pivoted from digital camera software to smartphones.
- Android had about 22 people including Andy Rubin and co-founders.
- Google acquired Android for about \$50 million in August 2005.

## Why Acquisition Structure Made Strategic Sense

- Google kept Android as a separate subsidiary for independence.
- Andy Rubin led Android without Google corporate bureaucracy interference.
- The Android team maintained entrepreneurial culture and fast execution.
- This structure preserved scarce technical talent that made Android valuable.
- Google funded infrastructure while Android retained product autonomy.
- Separation positioned Android as an open, vendor-neutral platform.
- Samsung and HTC adopted Android due to perceived neutrality.
- Full integration would signal Google control to device makers.
- The subsidiary model enabled partnerships with Google competitors.



# 9. Case Study: Google's Android Acquisition [Part 2]

## 🧩 Integration Strategy and Value Creation

- Google applied selective integration to capture synergies without destroying Android technical culture.
- Back-office functions like legal, finance, and HR were consolidated into Google systems.
- Android engineering teams remained autonomous working from separate offices.
- Product decisions stayed with Andy Rubin's team, not Google product management.
- This approach preserved small-team efficiency enabling rapid mobile OS development.

## 🌐 Open Source Distribution Model

- Google released Android as free open-source software to manufacturers.
- Strategy seemed counterintuitive because Google received no licensing revenue.
- However, open-source model protected Google's search distribution objective.
- Manufacturers adopted Android because they paid no licensing fees.
- Google pre-installed apps like Search, Maps, and YouTube.
- Pre-installations ensured Google services remained the default mobile internet gateway.
- Google set its search engine as default capturing mobile traffic.
- Play Store generated revenue through sales with 30% commission.

## 📈 Long-Term Value Creation

- By 2024, Android powered over 70% of smartphones with 3+ billion active devices.
- This dominance protected Google's mobile search advertising business globally.
- Mobile advertising now represents over 60% of Google total ad revenue.
- Oracle estimated Android generated \$31 billion revenue and \$22 billion profit from 2008–2016.
- The acquisition proves subsidiary independence maximizes value when talent and culture drive advantage.

## 📱 THE ANDROID "TROJAN HORSE" STRATEGY

