

Google+ launch puts pressure on Facebook

As two technology giants in Google and Facebook position themselves to dominate the social networking space an information and communications technology expert has warned against complacency, in particular from market leader Facebook.



Last month, Google set up a rivalry likely to match that of boxing's heavyweight greats Muhammad Ali and Joe Frazier who launched its social media platform Google+, putting it in direct competition with Facebook, the current darling in the space.

Facebook boasts in excess of 2,000 employees and more than 500 million active users who returned to the site within the past 30 days.

The group recently sold 225,000 shares, worth about US\$6.6 million, to the GSV Capital Corporation investment fund, which valued the company at US\$70 billion.

Google, a listed company, reported 24,400 employees at the end of 2010 and reached a billion unique visitors monthly, according to ComScore Data Mine. Its market capitalisation reached US\$272.5 billion, along with an annual turnover of more than US\$29 billion.

"If anybody can challenge FB (Facebook) then it's Google. They have the cash and creative team, plus technology platform to make a more sexy and funky solution," said Birgitta Cederstrom, information and communications technology programme manager at growth partnership firm Frost & Sullivan.

"Social media is the new marketing platform for consumers and enterprises so FB must shape up as Google+ and other social media will be launched," she added.

In announcing its launch, Google said: "We'd like to bring the nuance and richness of real-life sharing to software. We want to make Google better by including you, your relationships, and your interests. And so begins the Google+ project," the group said.

Arthur Goldstuck, internet guru and MD of research firm World Wide Worx, noted that Google's new platform was being rolled out on a phased basis, with invites going out to a limited number of users.

"These are the equivalent of beta testers, and their feedback will enable Google to tweak the product," he said.

Cederstrom believes that Google's launch was interesting in that by offering its service only to a selective test community it was a means to "create hype and media".

Frost & Sullivan noted that competition in the social networking space would increase value for end users, "but we believe that Facebook is a well-recognised and positioned brand and it will for now have limited churn to Google+".

Cederstrom also highlighted the point that Facebook recently launched email, also Google's territory, and was also well-positioned for enterprise. She said that its advertising revenue was starting to pick up along with its platform to serve small and medium-sized enterprises.

"I do not see a rush to switch (from Facebook to Google+) but that said, the Facebook interface is perceived by many users as very primitive and old fashioned."

Cederstrom also underlined "lots of bugs so either they (Facebook) must upgrade soonest as competition is around the corner. The alternative is they will lose market share and churn to Google+ and or others."

And with about 200 million Gmail users, and in excess of a billion visitors monthly, Goldstuck said that Google's "traction" would be immediate.

Interestingly, Cederstrom added that online consumers and especially Generation Y had no perception on brand loyalty, "what is cool and working today is tomorrow old if they find something else that works better for them."

"What we have seen with Facebook is that it has lost 'many' of its first users but that said, there is uptake coming in from BRIC countries like China, Latin America and India. Those consumers however, might join Facebook but can also go straight to Google+," she said.

The stakes are high and both companies will be wary of the spectacular fall from grace of social media pioneer, MySpace which was recently sold for US\$35 million, having been bought by News Corp for US\$580 million five years ago.

"MySpace was a disaster waiting to happen, and its decline was a direct result of the rise of Facebook - quite the opposite of social networking declining," opined Goldstuck.

"Social media use is still rising, but it is normal that when a service reaches saturation levels, growth will slow," he warned.

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