

The Biggest Business Model War Today

The most recent battle in the Smartphone War is about to be waged. The contenders? Apple and ~~Motorola~~ Google. The iPhone 5 versus the Droid Bionic. But instead of writing yet *another* iPhone vs. Droid review I thought it'd be interesting to compare business models: Apple vs. Google.

Business Model War

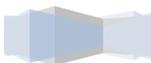
The tech guys may be able to geek out all day over phone specs but I thought business people may be more interested in the “big picture” regarding Apple and Google. Yes, there's a battle over the smartphone market share but the question is not which phone is better; the more important question is **what business model is better?**

So how does Google's (who by the way, just acquired Motorola Mobility last month for \$12.5 billion) business model compare to Apple's business model? The former focuses on free services and open systems while the latter leverages what they call the “integrated model”.

Google's Business Model

How does Google make money? Google is the biggest advertising company in the world. In fact 96% of their revenue is generated by advertising. [Last year Google generated more than \\$28 billion](#) from advertising.

Google is synonymous with the Internet. Think Gmail, Google Maps, Chrome and of course the most popular service, Google search. Google's business model makes money by selling ads on all the free Internet services it provides to the world.



Apple's Business Model

While Google has revolutionized Internet usability, Apple has been busy conducting its own revolution with innovative products like the iPod, iPhone and iPad.

Apple's business model is built on the foundation of the devices it sells and its "integrated model". Yes, they have software and apps but the majority of their revenue comes from their well-designed and innovative devices.

Two vastly different -- but both wildly profitable -- business models.

Who's Winning the War?

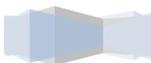
The best way to gauge this would be to compare current market values. Apple's market value now stands at \$352 billion while Google's is \$174 billion (less than half of Apple's).

So if market value be the judge, Apple is officially winning the war. But keep in mind Google is only 13 years old while Apple is 35, old enough to be Google's dad. That may seem insignificant but if we're looking at the big picture this can help us gain a broader perspective and help us understand how quickly tables can turn.

Remember, Google was number one for four years before Apple caught up and surpassed them. So even though we're talking about a difference of \$178 billion it doesn't mean Google is out of the running.

Two Vastly Different Business Models Collide

Back to the smartphones...



What happens when these two powerhouses engage each other on one of the most violent battlefields (smartphones) in the marketplace? Who will emerge victorious?

But a better question would be **who is better prepared to win the war** (greatest market value) not the battle (smartphone sales). Yes, Apple may win the smartphone battle (it'll be highly unlikely the Droid Bionic will surpass the iPhone 5) but hardware sales are only one small part of Google's massive, and ever expanding, empire.

Google's Secret Weapon?

There has been a lot of discussion surrounding Google's new social network, Google+. Could this be Google's secret weapon against Apple? If Google+ replaces Facebook (which some [estimate is a \\$50B company](#)) it would provide Google another strategic location in this war.

And what's to become of Google's acquisition of Motorola? Will the advertising giant be able to use its new resources (Motorola has 17,000 patents) to take market share away from the iPhone and iPad?

It's exciting times for these two companies and it will be interesting to see how things unfold this next year.

