Vendor Rating: Google

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Initiatives: Sourcing, Procurement and Vendor Management Leaders

Google expands its focus on enterprise cloud offerings while YouTube and the core advertising business continue to play key roles. Google's strengths in analytics and AI help shift it from a secondary player to a primary option. CIOs and IT leaders should expect Google to become more consequential.
Overall Rating: Positive

Google, based in Mountain View, California, is a wholly owned subsidiary of the Alphabet holding company. As a key digital giant, Google has established a position of innovation in a world of change toward digital business transformation and growth.

Alphabet is an umbrella company headed by Sundar Pichai as CEO. Pichai is also CEO of Google.

The company has two main arms:
Google leverages its technological assets to create synergistic and interdependent growth strategies. For example, while YouTube and Google Cloud remain strong growth properties within Google, the Search business remains Google's most important offering. Search is buttressed by AI, data and cloud capabilities while Google also leverages search, cloud, data and AI to grow retail, consumer and enterprise businesses, among others. Google Workspace (formerly G Suite) responds directly to the changes in work styles toward hybrid work in a digital world. This builds on the flywheel notion as remote workers depend even more heavily on search, collaboration, cloud access and the convenience of YouTube, Android mobile devices and Google's consumer partners.

YouTube continues as a strong revenue generator for advertising and content delivery models. In addition, it provides a means through which advertisers can reach new audiences not normally reached by traditional media. This allows the advertisers to shift the cost and accelerate the results of advertising efforts. It allows for additional goals such as learning through tutorial and instructional videos that verge on replacing traditional course work and library systems in some cases.

- Google — Represents the bulk of Alphabet’s business:
  - Search and advertising (which continues to generate the vast majority of the company’s revenue and profits)
  - Google Cloud (Google’s enterprise business), consisting of Google Cloud Platform (GCP), Google Workspace, Google Maps, Chrome Enterprise, Android Enterprise, and enterprise devices and management
  - Chrome, Android and “Made by Google” hardware
  - YouTube, Google Play, Commerce and Maps

- Other Bets — Contains a variety of projects that could evolve into stand-alone businesses over the long run (e.g., Waymo, Google Fiber, Calico, Verily, GV, CapitalG and X)
Google's early commitment to AI has gone a long way, along with its deep data focus, toward creating credibility, leadership and differentiation in the emerging space. Initiatives like DeepMind expand further into vertical areas, and the delivery of new AI approaches to support search and information retrieval across multiple languages is key to the continued discovery of the value of AI in practice. AI provides a solid foundation for growth within Google Cloud, as well as a strong basis for innovation in search for heavily search-bound offerings such as Google Workspace, YouTube, Google Play and AdWords.

Google's Cloud business is focused on delivering solutions for enterprises — primarily, but not limited to, cloud offerings. Google Cloud has shown strong growth over the past few years even as profitability remains a work in progress. Google Cloud is trying to shift from a secondary choice of customers to a primary option as its global footprint grows. Google has invested heavily in performance, security and trust, AI, digital sovereignty, data leverage, and even sustainability as core values of its cloud offerings. And now with Google distributed cloud, the company is taking on edge scenarios and compute in any customer-chosen location, while retaining the value and economics of public cloud computing.

Google remains Positive in this rating. This rating reflects the strength of all of Google's core businesses, its strong executive leadership and its demonstrated commitment to investing in enterprise-focused offerings.

With Google Cloud CEO Thomas Kurian settling into his plan to generate enterprise trust and presence for Google Cloud, his ongoing task is to shift it to greater prominence as a hyperscale provider overall. With the advent of more enterprise salespeople, and enterprise terms and conditions in contracts, Kurian has shifted this dynamic. This allows Google Cloud to focus on strategic partnerships, vertical industries, its stronger service offerings around the world, and the use of its extensive network to build advantages that others might not have.

However, Google Cloud must also continue to shift its sales and marketing efforts further away from technology and more toward customer outcomes. This means less engineering-focused salespeople and more business-focused marketing. Cloud marketing has suffered a bit as more energy has been put into sales efforts globally.
Alphabet’s Other Bets continues to contribute to marketing and PR efforts both indirectly and directly. Its revenue is not reported, and is small with respect to the parent company’s results. But Other Bets helps to keep Google and parent Alphabet top of mind, both in terms of publicity and among customers. That said, it’s primarily a combination of the mainstream business areas (i.e., advertising) and consumer-facing offerings that keeps Google in the limelight.

Although this research focuses on Google in total, in some cases specific analysis focuses on applicable businesses (e.g., Google Cloud).

Recommendations to CIOs and IT leaders:

- Evaluate Google as a strategic choice for digital innovation, transformation and value generation.

- Seek to use Google Cloud as a primary cloud option, not just a secondary choice as Google Cloud is a foundation for AI, data, search and a host of innovative digital options.

- View Google’s results on low-carbon emissions as a test of its ability to deliver on what it promises.

- Demand a strong support for build-in ethics within Google systems just as zero trust is architected from the ground up. This allows Google customers to create a software-defined view of what ethics means to them and how it should be tracked and maintained.
### Detailed Rating

**Product/Service: Strong**

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<tr>
<th>Product/Service</th>
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Google's products and services are rated as Strong. Google is a digital giant and, as such, touches most aspects of consumer, business and government activity. Google is focused on supporting the movement to digital as companies seek to transform to find new value scenarios. This manifests in several ways:

- Providing support for the shift to hybrid work through Google Workspace. Hybrid work allows employees to collaborate and be productive from any location at any time.
- Supporting the rising tide of consumer business and vertical industry solutions through strategic partnerships.
- Increasing trust in secure digital services and data to enhance the ability of enterprises and consumers to conduct business safely, reduce cyberattacks and increase customer privacy.
- Adding technologies such as AI, mobility, advanced data analytics, cloud and leveraged search to enhance digital scenarios with appropriate capabilities.
- Promising sustainability through reduced or eliminated CO₂ emissions to help ensure the sustainability of the digital economy long term.

Google is known for its Search, Maps, YouTube, Android and GooglePay offerings by enterprise and consumer customers alike. This helps the company maintain its presence in so many areas of interest. However, Google's presence in cloud computing has grown due to a shift from more of a consumer cloud to an enterprise global offering competitive in many regions.
GCP is a hyperscale integrated cloud IaaS+PaaS service offering, which Gartner positions among market Leaders in Magic Quadrant for Cloud Infrastructure and Platform Services. GCP infrastructure services include elements such as virtual machines (Compute Engine), container runtimes (Kubernetes Engine and Anthos), and block (Persistent Disk), file (Cloud Filestore), object storage (Cloud Storage) and networking (Cloud Networking). GCP also includes an application PaaS (Cloud Run), an event-driven function PaaS (Cloud Functions) and a variety of cloud software infrastructure services such as relational databases (Cloud SQL and Cloud Spanner) and data warehouse (BigQuery). It also encompasses specialized PaaS capabilities for machine learning and the Internet of Things, as well as API management with Apigee. Google Cloud’s growth has been driven by its focus on multicloud, cloud-native, data and analytics, and AI-driven processes.

Google Anthos combines several Google Cloud services into a PaaS offering. Components include a container-based runtime environment using the Google Kubernetes Engine, intercontainer service mesh with Envoy and Istio, and policy-based controls through Anthos Config Management. Google Anthos has established itself as an example of a distributed cloud computing platform, offering integrated support for multiple cloud provider environments within a single managed Kubernetes PaaS. While Google preceded others with its introduction of Anthos in 2019, other cloud provider solutions for related issues have come into play. These offerings include Microsoft Azure Arc for multicloud management, IBM Cloud Satellite for managed Kubernetes deployment and Amazon Web Services (AWS) Outposts with AWS Amazon EKS Anywhere for cloud-native Kubernetes on-premises.

Google continues to focus its go-to-market for media and entertainment (M&E) clients in broadcast, over the top (OTT), content creation and content rights ownership. All of these clients require scalable workloads that are delivered globally. Google’s media supply chain platform delivers the core elements, including encoding, digital rights management (DRM), rendering and content delivery network (CDN) playout. Google supplements solutioning with industry partners that support workflow elements such as MediaKind, Synamedia, BeBop and Mux. Google also works with consulting, migration and system integration partners including Accenture, Deloitte, Atos Origin and SADA. Most M&E providers have either just begun or are in the midst of business transformations and require professional and managed services to customize existing workflows. Google’s M&E platform is at parity with IaaS competitors, and Gartner sees its ability to provide native rendering, as well as its Google Cloud AI platform (Vertex AI) that supports video classification, archiving and content recommendations, as important differentiators.
Apigee, Google's API management offering, is designed to support the full life cycle of APIs, including security, governance, publication on customizable developer portals, monitoring and monetization. Apigee is available in public cloud on GCP, on private cloud or in data center deployments. Apigee hybrid is a deployment option at Apigee's Enterprise and Enterprise Plus levels that enables a customer-managed runtime, which uses Google Anthos and an Apigee-managed control plane on GCP. To compete with other vendors in the space, Google Cloud recently announced the general availability of its integration platform, Apigee Integration, and has standing partnerships in the robotic process automation (RPA) market. By way of competition, Microsoft provides Azure Integration Services, which contains Azure Logic Apps (iPaaS), Azure API Management, Azure Service Bus and Azure Event Grid. Salesforce's API management offering is part of its MuleSoft solution, which also includes integration and, through the recent Servicetrace offering, RPA. Google could compete more directly by making an acquisition of an integration vendor, particularly a vendor providing iPaaS capability.

Google has adopted a strong ecosystem approach to build value within its hardware strategy. Its device portfolio has been expanding, but hardware is just one component of an integrated stack that brings together AI-driven solutions and software and hardware technology. To deliver the best-integrated and differentiated experiences across all devices, we expect Google to increasingly embed its own designed hardware component into its stack. Today, Google offers a range of devices, including Pixel smartphones, Chrome OS-based Pixelbooks, hearables like Pixel Buds, as well as Google Home virtual personal assistant (VPA) speakers, Nest security cameras, and Nest smart thermostats for homes and businesses.

Google's lineup of Pixel smartphones has integrated several of its AI-driven capabilities. The Google Assistant integration across many phone functionalities remains one of the strongest VPA experiences in the smartphone market, and it is included in third-party Android smartphones. Google has integrated AI-driven capabilities such as visual search into Google Lens, Live Caption and Recorder, Neural Core and, more recently, more-specialized cores within the Qualcomm Snapdragon platform and Google's own new Tensor chip architecture, which see AI continuing to enhance the overall Pixel experience.

Google has not seen strong adoption of its Pixel devices, and market share remains very low globally. Despite including a robust set of technology features, the Pixel lineup remains mainly a strong showcase of Google's innovation in AI and what is possible within the highly integrated Google Android experience. Google Pixel devices have the advantage of being supported with regular OS and security updates from the time a Pixel phone is released.
At its I/O event, Google announced the latest version of Android, Android 12, which emphasizes more security and privacy with a design-focused approach from Google. There are new features providing clarity on which apps are accessing user data, more user controls and a new privacy dashboard offering a single view to users in their permission settings. The new Android Private Compute Core environment is embedded in the OS. Google demonstrates continued commitment to improving Android enterprise adoption by adding new device management and embedded security features with each Android platform release.

Google's interest in wearables remains high, given the potential of wearable data streams and analytics. However, so far, the Wear OS ecosystem of smartwatches and partners has been stagnating in a market where competing wearables and platforms have made advances both in market share and expertise in key focus areas such as remote health monitoring and fitness. Even key Wear OS partners like Samsung and Huawei developed their own smartwatch platforms in parallel as Google enforced control on the Wear OS platform to maintain consistency in the ecosystem.

Google's acquisition of Fitbit strengthens its wearable market opportunities. In addition, at Google I/O 2021, it announced a collaboration with Samsung Mobile on wearables. This collaboration will unify Samsung's Tizen OS and Google's Wear OS under a single platform. If executed well, this should bring more-compelling experiences along with the integration of key Google/Fitbit fitness-oriented features, capabilities and services. Google will integrate apps like Maps and YouTube Music, but also Google Assistant.

Support/Account Management: Variable

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<tr>
<th>Support/Account Management</th>
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<th>Caution</th>
<th>Variable</th>
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The scope of this section is primarily centered on Google Cloud due to the criteria and focus of this research. Other Google businesses, such as search and advertising, are not included.

Google has continued an aggressive investment strategy to improve support and account management with focused increases in customer-facing functions and partner ecosystems. This is aiding in changing customer and partner perceptions of GCP, but there is still a journey ahead to improve to the levels of support and account management achieved by similar hypercloud providers.
Customers experience less-broad account support from Google as the coverage models are limited in accounts in both pre- and postsales activities. This can make it difficult for enterprises to understand the best places for adoption of GCP and how to drive consumption of the platform. Partner ecosystems are improving with investments in customer experience and integration with managed service providers (MSPs) and communications service providers (CSPs).

Noted improvements are underway to remedy the account and support activities at Google. New investments in a global delivery center for customers and partners is a positive sign of Google’s commitment to be more flexible and customer-centric. With a focus on shared tools and automation flows, Google will help partners and customers scale their GCP deployments and use cases. Additionally, Net Promoter Score (NPS) scoring for end customers and partner organizations is now consistently used, to help understand areas of improvement and concern.

Specifically, new partner-led support offerings for MSPs are a bright spot for Google. Normal specialization requirements exist for partners; however, upon achievement, they will have increased access to SLA extensions between Google, the MSP and the customer. Unified SLAs will be an important area for prospective customers and partners to evaluate in larger-scale enterprise deployments.

Google has always had a strong understanding of assessing customer patterns and data consumption. As these data insights become more integrated with account and support teams, they will help to guide reps and partners to better align to customer initiatives. In turn, Gartner believes that this will help resolve fledgling adoption issues, by helping customers understand how to accelerate their critical migrations, pilots and overall usage of GCP. Partners working with Google should create aligned playbooks with its data insights and ask for redacted customer benchmarking data. This will help to inform and align all parties from Google, the customer and the partner on the right areas to adopt and to support/expand.

An open ecosystem with Anthos and an open-source approach to best-of-breed partners and tooling are key differentiators for GCP. Tools like Kubernetes and the machine learning framework Tensorflow emerged from Google. The open-ecosystem approach of Google will give better flexibility to GCP customers in a multimode cloud world. Partners are essential to the support, adoption and positioning of this approach from Google. Prebuilt frameworks and solutions that integrate partners and align support and account management processes will help to enhance this unique value that GCP offers. Customers looking to use Google’s open approach to tools and ecosystems should validate and verify partner alignment with the global delivery center and create joint SLAs between all parties.
Alliance partnerships, like those with SAP, are another emerging area of strength for Google. Such partnerships will drive the need for improved core competencies from partners and the associated account support teams, which Gartner feels will reflect well on Google because partners will mature into cloud solutions. Workload focus can help customers get best-of-breed technology and deployment, but they should ensure that the partner and associated account support teams have the ability to scale both in depth of specialization and horizontally to allow broader GCP adoption. This will be an area to watch regarding GCP over the coming year.

Overall, Google continues to make strong moves to improve account and support management, but needs to move from adapting against other hypercloud providers and instead amplify and accelerate its core differentiators.

**Pricing Structure: Strong**

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<th>Pricing Structure</th>
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Google continues to offer usage-based pricing for its cloud platform and calculates the time down to the minute. It also continues to encourage customers to leverage its partners in terms of prospective and repeat customers, hoping they will offer more personalized and perhaps customized solutions. Enterprise clients that worked directly with Google in the past have been steered to its channel partners over the last year as the vendor encouraged personal attention at a local level.

Google is heavily investing in its direct sales force as its internal teams and channel partner program expand. Customers will have more accessibility to Google's sales force and its channel partner resources without having to pay a premium price. In other words, clients will not pay more whether they go direct or through a channel partner.
In Gartner’s observation, customers who have both GCP deals and Workspace deals have mostly kept them separate. However, customers seeking a combined contract of Google’s GCP and Google Workspace products in an effort to maximize these investments are able to do so through a Google Cloud Enterprise Agreement. Customers are also able to include other non-GCP products, such as Apigee, AppSheet, Looker, Bare Metal Solution, Chronicle and VirusTotal. Enterprise Agreements can encompass multiple order forms as long as they are all contracted with Google. Google Cloud Enterprise Agreements can also be contracted via partners. However, it should be noted that many customers still have these products through separate parties. This is especially true where partners are used for one offering, such as Google Workspace, and the GCP contract is directly with Google. Customer adoption of Google’s Enterprise Agreement contract mechanism has been slow.

**Google Cloud Platform**

GCP fees are based on consumption with per-second metering, and Google does not require hourly minimums. Google’s pay as you go (PAYG) model for GCP has no upfront costs or termination fees, making it easier for small and midsize business (SMB) customers to contain costs. The PAYG model assists enterprise organizations when testing new and alternative options.

GCP frequently competes based on attractive discounts for Compute Engine and BigQuery usage. There are two types of discounts that are negotiable for GCP contracts with annual monetary commitments: enterprise discounts (which apply to a broad set of SKUs) and service-specific discounts. The enterprise discounts are largely in-line with other cloud vendors (see 4 Best Practices to Reduce Costs in Your Cloud Infrastructure and Platform Services Contract for more information).

Until recently, Google offered a unique discounting structure called sustained use discount (SUD), which automatically applied when GCP clients utilized select VM families for more than 25% of the month. Having made a strategic decision to sunset SUDs, Google is communicating this change to customers, and SUDs are no longer allowed for contracted customers and aren’t available on new VM families. Many customers found SUDs difficult to manage. Google has been striking SUDs from committed contracts for a while. The company is in the process of phasing out this unique offering among customers currently using them. Google is offsetting the loss of SUDs by offering slightly bigger enterprise discounts and service-specific discounts and pushing clients toward committed use discounts (CUDs).
Google's CUD applies to customers that opt for longer license agreements of between one and three years. The CUD ranges between 40% and 70% off list price and is calculated on the length of service commitment, the number of vCPUs, and memory or machine type. No upfront payment is required to receive the CUD. It is important to note that resource-based CUDs and reservations can be combined with contractual discounts. However, some CUDs, such as Cloud SQL CUDs, cannot be combined with other discounts. Customers can take advantage of CUD programs, and Google will automatically apply the discount to its customer’s account. Google also offers preemptible VM instances at high discounts.

**Google Workspace — Options for SMBs, Enterprises and Education**

In October 2020, Google introduced the next iteration of its cloud productivity suite called Google Workspace. Current G Suite customers must migrate to Google Workspace licensing at contract renewal. The familiar Basic, Business and Enterprise license options have been replaced with a two-tier structure (see Figure 2). Due to the additional features and a list price increase with the introduction of Google Workspace, costs for cloud productivity suites are on the rise for many customers.

**Figure 2: Google Workspace License Offerings**

### Google Workspace Offerings

<table>
<thead>
<tr>
<th></th>
<th>For Enterprises (no seat cap)</th>
<th>For Small to Medium Businesses (up to 300 seats)</th>
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<tbody>
<tr>
<td></td>
<td>Frontline</td>
<td>Business Starter</td>
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<td></td>
<td>$60 PUPY</td>
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<tr>
<td></td>
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<td>Business Standard</td>
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<td></td>
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<td></td>
<td>Enterprise Standard</td>
<td>Business Plus</td>
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<td></td>
<td>$240 PUPY</td>
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<tr>
<td></td>
<td>Enterprise Plus</td>
<td></td>
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<tr>
<td></td>
<td>$360 PUPY</td>
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</tbody>
</table>

*Source: Gartner  
Note: PUPY = per user per year  
722581_C*
There are two types of Google Workspace pricing plans available: the Flexible Plan and the Annual Plan. SMB customers often use the Flexible Plan for monthly invoicing. The Annual Plan requires a higher-level commitment in return for lower pricing to accommodate enterprise customers. Google Workspace is priced per user per month for all editions. There are two tiers of licenses — one intended for SMBs with a 300-seat limit and the other for enterprises. The tier for SMBs offers three license options — Business Starter starting at $6 per user per month, Business Standard starting at $12 and Business Plus starting at $18. The tier for enterprises offers four license options — Enterprise Frontline starting at $5 per user per month, Enterprise Essentials starting at $10, Enterprise Standard starting at $20 and Enterprise Plus starting at $30. See How Google Workspace Compares to Microsoft 365 for a deeper functional comparison of the license options.

Google Workspace for Education remains free to schools, providing educators access to free online training and portals to collaborate with their peers. Google announced that, as of July 2022, it will no longer offer unlimited storage to its education customers. Instead, it will offer 100TB of pooled storage across all users. For additional storage, you will need to be upgraded to Google Workspace for Education Plus, which will include an additional 20GB per license:

- Google Workspace for Education Fundamentals (Free for qualifying institutions)
- Google Workspace for Education Standard ($3 per student per year)
- Teaching and Learning Upgrade ($4 per license per month)
- Google Workspace for Education Plus ($5 per student per year)

**Technology/Methodology: Strong**

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<th>Technology/Methodology</th>
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While Google continues to trail rivals AWS and Microsoft Azure in overall support for enterprise cloud computing use cases, it is gaining ground with improved options for Oracle, VMware and SAP workloads; enhanced database migration tools; and better integration with enterprise IT service management systems. Google continuously finds ways to provide knowledge and technical acumen to developers and enterprises.
Google has upped the ante on distributed cloud by offering Google Distributed Cloud, which adds location choice for customers. The data center, customers’ sites, operators’ sites and Google's network are prime locations for distribution. As such, Google adds distributed cloud edge and distributed cloud hosted as strategic offerings. This is added to the Google Anthos platform, its Kubernetes-based distributed cloud solution, deployable in the Google Cloud as well as on customers’ premises and in other cloud environments such as AWS. While Google’s partner ecosystem includes many prominent middleware software vendors, its native platform services do not yet offer complete support for core capabilities that are important to enterprises, such as application integration, business process management and master data management.

Alongside its distributed cloud/edge announcements, Google also has added significant support for Google security to support governments and businesses. Added to that is a movement to take AI to the next level and to help customers generate positive outcomes with AI, as opposed to just buying the technology. Google’s Contact Center AI Insights program helps create customer-specific AI experiences. For example, the program helps users detect and visualize patterns in their contact center data. Understanding conversational data can drive business value, improve operational efficiency and provide a voice for customer feedback. Sustainability, data and analytics, and the expansion of collaboration through Google Workspace were highlights of Google’s recent Cloud Next event.

Apart from the office productivity applications in Google Workspace, Google has no significant portfolio of enterprise SaaS business offerings, and the integrations between Google Workspace and Google Cloud are minimal at both the technical and field sales levels. Instead, Google has invested to attract and host major third-party SaaS application vendors such as PayPal and Twitter, and the newly launched Google Cloud ISV/SaaS Center of Excellence will focus on design workshops and field enablement for SaaS partners. However, for many independent software vendors, Google support remains their third priority behind AWS and Microsoft Azure.

Google has a current goal of a three-times expansion of its direct sales organization and seven-times expansion in training volume, and is working to increase the size and maturity of its field organization, including professional services, training and strategic account management. Its pace is constrained by shortages of qualified available talent on the open market.

**Strategy: Positive**
As consumers gain more buying power and more power to influence technology decisions, Google has striven to make sure its offerings are provided in lock step with an increase in consumer buying power. Innovations in AI, cloud, data, security and digital sovereignty are increasingly essential to supporting multiple consumer initiatives and business transformation.

The world is a more disruptive place than ever before. This is driven by several key trends:

- The trend toward consumerization and consumer technology use
- The pace of business changes, driving a transformative need for business agility
- The pace of technology innovation and the insinuation of technology into every aspect of business and normal human activities
- The demand of society to foster positive results in sustainability, equity, health and wealth generation

Like other digital giants, Google seeks to influence each of these trends and to benefit from them as well. The scope of the company’s offerings provides a critical control point for that influence. Google Workspace responds to the need for remote and hybrid work, which companies have been forced to accept due to the pandemic. Google Cloud responds to the need for IT technology disruption and a new foundation of services that allow businesses to transform to digital with greater agility. Each set of offerings, from Android to Google Pixel to the Google Play store, responds to a transformative need.

It can be easy to say that Google and Alphabet are big enough to be consequential in anything they attempt to do. However, the company does face many challenges. Government scrutiny and legal jeopardy are both in play as tech giants get more attention across the board. Google has had to face multiple lawsuits accusing it of unfair competitive practices. This is unlikely to end quickly, and the specter of corporate breakup always looms — although Gartner does not believe this is in any way imminent. With Google Cloud, profitability is a concern, as the cloud business has not yet attained profitability. However, profitability is not as critical a measure of corporate success as it once was. Corporate valuation, global presence and growth driven by increased investment can be as notable in a tech provider.
Google's strategy is to wage campaigns across multiple fronts. From consumer to enterprise, from individual to crowds, from issues of business to issues in society — the company strives to grow its influence.

**Corporate Viability: Strong**

Gartner rates Google's corporate viability as Strong. It has been able to maintain revenue growth at a pace that is rarely seen from a company of its scale. Importantly, this growth is broadening outside of its core advertising revenue streams and into larger and more diverse addressable markets, such as enterprise cloud services.

The broadening of Google's revenue base is also important as it reduces the cyclicality associated with advertising spending, creating more long-term visibility and sustainability of its revenue streams. Finally, Google has positioned itself well to take advantage of key long-term trends in the market such as the shift to digital engagement and commerce, the digital transformation of enterprise IT and hybrid work environments, among others.

As the company continues to exploit these growth opportunities, it has remained successful at improving operating efficiencies while making targeted investments for growth. This formula is indicative of a company with a strong and lasting viability. We expect this will continue as Google continues to expand into its new addressable markets.

**Financial: Strong**

The financial rating for Google's parent, Alphabet, is Strong. This rating is based on Gartner's Financial Statement Scorecard methodology, which measures growth, financial strength, liquidity and profitability (see Note 1 and Figure 3). This scoring measures the company as of its fiscal second quarter end on 30 September 2021, and accounts for a trailing 12-month period.

A significant driver of this Strong rating was the broad-based revenue growth of over 39% achieved during this trailing 12-month time period. This growth encompassed strength in search and advertising, YouTube, and, increasingly, Google Cloud, which has quickly become a roughly $17.5 billion revenue business. All the while, the company has kept a strict focus on operating expenses, which has led to continued expansion of net income margin. Generally accepted accounting principles (GAAP) net income margin of 29.5% for the trailing 12-month period is a record high for the company.
While Alphabet continues to invest for growth and improve profitability, there are no concerns with liquidity. The company earns our highest rating for modified current ratio, has no net debt, and retains over $142 billion in cash and equivalents on its balance sheet. We believe Alphabet's financial strength positions it well to continue to invest for growth and innovation, and remain viable into the foreseeable future.

**Figure 3: Financial Statement Scorecard: Alphabet, September 2021**

**Financial Statement Scorecard: Alphabet**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Score</th>
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<tr>
<td>Net Profit Margin</td>
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<tr>
<td>Cash Flow From Operations Margin</td>
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<tr>
<td>Modified Current Ratio</td>
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</table>

Source: Gartner (September 2021)

**Note 1: Gartner’s Financial Statement Scorecard for Public Companies**

Gartner’s Vendor Financial Statement Scorecard methodology measures a combination of growth, profitability and liquidity based on a company’s financial results from public financial statements according to GAAP. Gartner uses a standard methodology to derive its vendor financial statement scorecard to provide a like-for-like view among a pool of more than 750 vendors using publicly available financial information.
The four basic criteria are: (1) revenue growth (trailing 12-month year-over-year revenue growth); (2) profitability (trailing 12-month GAAP net profit margin) with net income as a percentage of revenue; (3) balance sheet liquidity (current ratio) as current assets divided by modified current liabilities (which adjusts for the presence of deferred revenue); and (4) cash flow based on the trailing 12 months of cash flow from operations as a percentage of the trailing 12 months of revenue. For companies with large amounts of net debt, a fifth criterion, net debt divided by trailing 12-month cash flow from operations, is incorporated. Gartner’s policy is to use financials based on GAAP in calculating the ratios needed for the Vendor Financial Statement Scorecard (see Understanding the Methodology Behind Gartner’s Financial Statement Scorecard for Public Companies).

**Company Overview**

Alphabet (Google)

Headquarters: Mountain View, California, U.S.

www.google.com

Google is a subsidiary of Alphabet. As a digital giant, Google covers consumer, enterprise and a host of vertical industry solutions. Search remains the foundation of the company, and its revenue depends heavily on advertising, YouTube and Google Cloud computing growth.
## Overall Rating Definitions

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<th>Description</th>
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| Strong  | Is viewed as a provider of strategic products, services or solutions:  
- Customers: Continue with planned investments.  
- Potential customers: Consider this vendor a strong choice for strategic investments. |
| Positive | Demonstrates strength in specific areas, but execution in one or more areas may still be developing or inconsistent with other areas of performance:  
- Customers: Continue planned investments.  
- Potential customers: Consider this vendor a viable choice for strategic or tactical investments, while planning for known limitations. |
| Variable | Shows potential in specific areas though still variable in more than one of the required categories:  
- Customers: Consider the short- and long-term impact of possible changes in status.  
- Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this vendor. |
| Caution | Faces challenges in multiple required categories and execution is inconsistent:  
- Customers: Understand challenges in relevant areas, and develop contingency plans based on risk tolerance and possible business impact.  
- Potential customers: Account for the vendor’s challenges as part of due diligence. |
| Weak    | Has difficulty responding to problems in multiple areas:  
- Customers: Execute risk mitigation plans and contingency options.  
- Potential customers: Consider this vendor only for tactical investment with short-term, rapid payback. |

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## Document Revision History

Vendor Rating: Google - 22 May 2019  
Vendor Rating: Google - 27 March 2018  
Vendor Rating: Google - 29 July 2016  
Vendor Rating: Google - 17 February 2015  
Vendor Rating: Google - 1 June 2012

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## Recommended by the Authors

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