

Google takes yet another run at e-commerce—and Amazon

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Google executive Prabhakar Raghavan recently had an issue with his rose bushes. His wife took a photo of the plants on her phone, uploaded the image to Google, identified the culprit and followed a link for a fungicide. Then she bought it.

A seamless transaction that didn't involve typing into a search bar, it was a real-life test of sorts for Raghavan's strategic vision. A [senior vice president](#) responsible for most of Google's largest services—search, maps, advertising and more—the 61-year-old executive is determined to crack e-commerce, a market projected to hit \$2.27 trillion in 2025 that the Alphabet Inc. division has tried and failed to figure out many times before.

In the past, Google has tried emulating Amazon.com Inc.'s online retail and delivery services, with little luck. Now, under Raghavan, the search giant is positioning itself as a kind of anti-Amazon, a free marketplace for merchants and Amazon rivals that's designed to get consumers more comfortable shopping with Google.

Earlier this month, at Google's I/O software

conference, Raghavan and his deputies demonstrated new features they hope will achieve that end, including one that lets visitors use photos to search for nearby retail products or find any item in the physical world with the click of a camera. And on Tuesday, the company unveiled a feature that lets people go from merchant listings on Google search to their checkout pages in one click. Raghavan hopes the various initiatives will persuade millions of people to click buy, prompting sellers to purchase many more Google ads.

For Amazon, which built a booming business by essentially renting its digital real estate to small sellers, the risk is that Google could give those brands a pathway to thriving outside its marketplace. That in turn could force the Seattle-based company to more aggressively court sellers with discounts on fees, advertising or logistics services.

Still, Amazon remains a formidable rival, and Google confronts daunting challenges. Its renewed push into e-commerce coincides with a slowdown in online shopping as consumers revert to their pre-pandemic habits. Amazon and EBay Inc. both recently reported slowing growth and weak profit outlooks. Moreover, Google has always sought to make its technology fade into the background. Turning the site into a shopping destination risks wrecking the experience and alienating visitors. Ahead of the I/O presentation, Raghavan took pains to say shopping on Google would be "super smooth." If the concept works as advertised, he said, shoppers won't have to think: "Am I doing a search? Am I on Amazon or Google?"

Raghavan is the first Google executive to oversee the technical operations behind both search and the ads division since Sundar Pichai did in 2014, shortly before he became CEO. Raghavan is also one of the company's best compensated executives, pulling down \$28.6 million last year in salary and stock grants. As such, he has the clout

to set an ambitious e-commerce strategy and, at least theoretically, get people who traditionally operated in silos to collaborate instead.

Those who have worked with Raghavan point to his technical mastery and operational shrewdness—an unusual combination of attributes at a company that has so often coasted on its inventions and profits. "Google is violently allergic to strategic thinking," said Sam Ramji, a former executive who worked with Raghavan on Google's cloud products. "He's the man who brought strategy to Google." Adds Martha Welsh, Google's director of commerce strategy: "He really takes a holistic view of the business."

Since Raghavan's promotion in mid-2020, he has torn up Google's e-commerce playbook, scrapping the fees the company levied for online purchases and shuttering the delivery service. He has tried poaching merchants irritated with Amazon, reshuffled the leadership ranks, and overhauled Google's payments operations by dropping its banking plans and narrowing the focus. He even tasked his search division with catering to people making heady commercial decisions, like buying a home or picking a college.

"He's willing to make bold moves," said Bill Ready, Google's president of commerce, who joined in 2020 as one of Raghavan's top deputies.

Boldness is required. While Google's advertising operation continues to print money, the model is under siege from regulators and privacy clampdowns, including Apple's ban on targeted marketing messages. Due in part to these headwinds, the growth rate of the ad business is destined to slow, and Google isn't the only one jumping into e-commerce to goose revenue; Meta Platforms Inc. and TikTok are as well.

Meanwhile, even as Google tries to build an [online shopping](#) destination to complement its ad business, Amazon has done the inverse: created a robust advertising operation on top of its enormous online bazaar. Google's success is hard to gauge because it doesn't break out e-commerce sales or retail ads. Amazon's is easy to see; its ads business posted 23% growth in the first quarter.

"That seems to be working way better for Amazon than it is for Google," said Mike Ryan, a portfolio strategist for Smarter Ecommerce GmbH.

Raghavan has tied Google's main revenue and profit drivers—search and ads—more tightly to its e-commerce efforts than ever before. That's all put more pressure on him to deliver on his strategy.

Shopping express

Google's last big e-commerce push involved going at Amazon head-on. In 2013, Google launched Shopping Express, a delivery service with a nifty app and a promise to ship many items on the same day. Google had huge retail partners on board, including Target Corp. and Walgreens, and planned an annual subscription model a la Amazon Prime. Back then, when quick e-commerce delivery was a novelty, Google's service looked like a natural Amazon contender.

But it never was. Shopping Express expanded to a few cities outside of the San Francisco Bay Area, but had little appeal for consumers. Google's "Shopping" site, accessible as a tab on its homepage, aggregated listings from online retailers with paid ads at the top, but attracted relatively few visitors compared with the main search page. Former Google employees say managerial indecision and an unwillingness to invest heavily in the margin-thin business undercut the strategy. Then in 2015, Europe hit Google with a massive anti-monopoly suit that argued the search engine unfairly promoted its own shopping service over others. That forced the company to spin off the European business and move more cautiously.

Google brought in consultants from BCG to assess a specific e-commerce strategy, but didn't follow the firm's recommendations. The company shortened the delivery service's name (to just Express) and revamped it to center on its digital voice-assistant, another Amazon competitor. That effort fizzled, too. "For the past 15 years, Google has been trying to figure out commerce," said Rick Watson, the head of RMW Commerce Consulting. "And they've never really executed."

In early 2020, Google reset its strategy.

Management recruited Ready from PayPal to lead the commerce unit and realigned the search, payments and maps divisions to work more closely with his. To run that entire portfolio, Google picked Raghavan, a veteran of its enterprise division who was put in charge of ads in 2018.

Before joining Google in 2012, Raghavan spent years at tech research labs and in academia, where he became an expert on web search technologies just as they began taking off. He speaks five languages and still carries himself more like a professor than a senior executive. While discussing Google's decision to emulate the visual, rapid-fire features of TikTok, he said, "It behooves us to also start thinking about those paradigms." He once requested classical music to accompany his entrance onstage at an event before a staffer interceded.

"He's always surprised when he gets more responsibility," said Jayshree Ullal, a longtime friend who runs Arista Networks Inc. "You can never tell he's a high-powered number-two executive at Google."

Still, Raghavan made his e-commerce ambitions clear during the first year in his new role. Google, he told colleagues, should think of users being on "journeys"—not simply coming to Google.com for information but to research and, hopefully, buy something.

He and Ready quickly decided to pull the plug on Express. They dropped the commission Google took for sales on its properties and the fees it charged merchants to list items on its shopping site, a signal to the industry that it wanted to be an open marketplace, not a competitor. "We're not trying to put boxes on doorsteps," Ready explained. "What we're trying to solve is the information part of the problem."

By that, Ready meant making it easier for consumers to find desired products, deals or brands—even those that haven't bought an ad. Search results now identify discounts and loyalty programs, while new widgets list the shipping costs and hidden fees on specific purchases. Google cut deals with Shopify Inc.,

Block Inc. and other commerce companies to make it more compelling for businesses to sell on Google properties.

Those features are designed for buying products like sneakers and cooking pans. But the company is also experimenting with items that aren't on most e-commerce sites—helping consumers buy NFTs via image search or research such big-ticket purchases as real estate. The company has noticed that searchers in the market for a home, college or car will often return to Google more than 60 times with similar queries before making a decision. The idea is to customize the search experiences for these use cases in ways Google hasn't before.

Google has already done that with certain categories, creating unique features for people searching for jobs or hotels. Companies like Yelp and the online travel industry have complained that these changes buried their sites and forced them to buy more ads to get clicks. Google's search team has been quietly working on adding more topics. Under the project, codenamed Mercury, the search team has ceded to the advertising group such areas as "shopping, real estate, mortgages, etc," according to a memo reviewed by Bloomberg. The authors of the document prioritized boosting traffic for merchants and creating "oh wow moments!" that would lure searchers back to Google.com and, eventually, a purchase. Google declined to comment on the project, but executives have said the ads division doesn't influence unpaid search results.

Raghavan said the company has no plans to rival real estate brokers like Redfin. And, so far, Google has resisted using the search history of repeat visitors to tailor results. That's largely to avoid violating people's sense of privacy, he explained. "Can you, in these situations, offer the user more support in a long-running journey, without in any way creeping them out?" Raghavan said his teams were still exploring if they could.

Some in Silicon Valley have blasted Google for filling search results with too many ads. Raghavan said increased demand from advertisers during the pandemic probably drove the recent uptick in advertising, and he expects it to cool off amid

easing restrictions on travel and events.

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Early success

There are signs that Raghavan's strategy is starting to pay off. Earlier this year, Google revealed that e-commerce advertising was a leading contributor to a 43% bump to search revenue in 2021. Google also said last year that over a billion people shop on its properties every day, though it hasn't updated the figure. In the fall, Morgan Stanley research showed that consumers were using Google and YouTube to research products and price-shop more often than they used Amazon, EBay or Walmart. In April, the bank reported that 59% of survey respondents who are Amazon Prime members said they started researching products on Google, up from 50% in the fall.

Talley & Twine, an independent watch brand based in Virginia, started getting serious about Google in the past two years and has sometimes seen a fivefold return on its ad spending. "It's been a saving grace for us," said President Randy Williams. The other benefit, he added, is that the search engine sends customers to his web store. "That's the roadblock we have with Amazon," Williams said. "Amazon's customers are Amazon customers."

Still, some industry insiders say Google's biggest moves to create a marketplace—cutting commissions and listing fees for merchants—have yet to attract significant numbers of shoppers. When those changes were announced, some merchants braced for a big uptick in traffic and sales, said Ryan, the [e-commerce](#) strategist. "Then nothing happened," he said. "I would describe it as nice, but low-impact."

Kirk Williams, head of the online agency Zato Marketing, said Google's fee adjustments didn't alter consumer behavior enough to lure in more merchants. Not many more people visited Google's shopping site, and most eyeballs remained on the search page, where merchants still feel they have to buy ads to get in front of consumers. "It hasn't been anywhere near the traffic volume that they were hoping to see," Williams said.

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