

Google snaps up Waze to add to mapping service (Update)

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In this May 30, 2007 file photo, a Google sign is seen inside Google headquarters in Mountain View, Calif. Google is buying online mapping service Waze in a deal that keeps a potentially valuable tool away from its rivals while gaining technology that could improve the accuracy and usefulness of its own popular navigation system, the company announced Tuesday, June 11, 2013. (AP Photo/Paul Sakuma, File)

Google is buying online mapping service Waze in a \$1.03 billion deal that keeps a potentially valuable tool away from its rivals while allowing

it to gain technology that could improve the accuracy and usefulness of its own popular navigation system.

The acquisition announced Tuesday ends several months of speculation as Waze flirted with potential buyers interested in its rapidly growing service. Waze blends elements of a social network into its maps to produce more precise directions and more reliable information about local traffic conditions.

Google Inc. is believed to have trumped two of its fiercest foes, Facebook Inc. and Apple Inc., in the bidding for Waze, which is based in Israel but also maintains a Palo Alto, California, office near all three of the Silicon Valley giants.

"We evaluated many options and believe Google is the best partner," Waze CEO Noam Bardin wrote in a Tuesday blog post.

Financial terms of the deal weren't disclosed, but The Associated Press confirmed the sale price with a person familiar with the negotiations. The person, who spoke on condition of anonymity, was not authorized to discuss the matter. Google isn't expected to disclose the price until it discusses the transaction in a formal regulatory filing.

Waze ranks as the fourth most expensive acquisition among the more than 240 deals that Google has completed in its nearly 15-year history. The only bigger purchases are Motorola Mobility Holdings for \$12.4 billion last year, DoubleClick for \$3.2 billion in 2008 and YouTube for \$1.76 billion in 2006.

The price underscores the increasing importance of digital maps as people frequently check navigation services on their smartphones and tablet computers to help steer them in the right direction. The reliance on mobile maps creates more opportunities to show money-making ads,

particularly those from local merchants. Google can also link the navigation systems to other applications to help generate more revenue.

Forrester Research analyst Julie Ask expects maps to become a main gateway on mobile devices, much like Internet search engines have been on personal computers for the past decade. "A growing percentage of time will be spent discovering, accessing and engaging content within maps," Ask predicted.

Google is the leader in the field, but both Apple and Facebook would like a bigger piece of the market.

Those ambitions are likely a key reason Google scooped up Waze, said University of Notre Dame management professor Brian Proffitt, who specializes in technology issues. "If Facebook had gotten Waze, they clearly would do something in the mobile market with it," Proffitt said. "Getting Waze is like a billion-dollar remedy to a potential headache for Google."

Apple also has been trying to improve the quality of its maps since the debut of its own navigation system last year. The maps, which replaced Google's technology as the built-in app to get directions on the iPhone and iPad, misplaced landmarks and misguided users, prompting a public apology from Apple CEO Tim Cook, along with vow to get better.

In a blog post, Google said the Waze deal had already closed. The deal didn't require government approval before it could be completed because of Waze's relatively small size. Although Waze doesn't disclose revenue, it only has about 100 employees.

But Waze has been gaining a foothold in the digital mapping market. Waze says nearly 50 million drivers in 190 countries use its mapping app to avoid traffic jams and find the fastest way to their jobs and other

destinations. The service figures out the most efficient routes by drawing upon real-time information shared by about 70,000 members who help edit the maps and even provide other helpful tips, such as where to find the best gasoline prices.

In an interview during an April technology conference presented by All Things D, Waze's Bardin described his service as "the only reasonable competition" to Google in mobile maps.

Even though Google already has assumed ownership of Waze, government regulators could still review the deal to assess its effects on the mapping market.

None of Google's previous acquisitions have been blocked by regulators, although a few underwent reviews that lasted nine to 12 months.

Most of the previous regulatory inquiries have centered on Google's dominance in Internet search—a service closely linked to maps—and online advertising.

For now, Google will allow Waze to operate independently and maintain its main offices in Israel. Google, which is based in Mountain View, California, is taking the same tack with Motorola Mobility, which operates autonomously in Illinois.

"We're excited about the prospect of enhancing Google Maps with some of the traffic update features provided by Waze and enhancing Waze with Google's search capabilities," Brian McClendon, a Google vice president who oversees maps, wrote in the company's blog post.

Waze's sharing tools also could help Google improve its own 2-year-old social networking service, called Plus, as it tries to lure traffic away from Facebook.

In his blog post, Bardin said Waze decided it made more sense to tap into Google's vast resources instead staying on its own and eventually facing the distractions of an initial public offering.

"Choosing the path of an IPO often shifts attention to bankers, lawyers and the happiness of Wall Street, and we decided we'd rather spend our time with you, the Waze community," Bardin wrote.

Google's stock shed \$10.41, or about 1 percent, to closed Tuesday at \$879.81. That decline was roughly in line with the broader markets.

Waze, which started five years ago, is the latest mobile startup to blossom into a billion-dollar baby. Last month, Yahoo Inc. agreed to buy Tumblr, a blogging service started in 2008, for \$1.1 billion.

The acquisition also could help Israel's efforts to stamp the country as a wellspring of innovation.

Faced with limited natural resources, Israel has excelled in technology and fostered a vibrant high-tech culture. The country is a popular destination for global venture capital funds seeking to capitalize on Israel's entrepreneurial spirit, as well as expertise honed in universities and advanced technology units of the Israeli army.

Technology is now viewed as Israel's main economic engine, accounting for roughly half the country's exports. Israel is even promoting itself as "startup nation."

The Waze buyout ranks among the largest company sales in Israeli history. Chromatis Networks was sold to Lucent Technologies for \$4.5 billion at the height of the dot-com bubble in 2000. Lucent wound up closing Chromatis a year later. Last year, computer networking gear maker Cisco Systems snapped up Israeli video software company NDS

Group for \$5 billion.

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