

GOOGLE AND ITS CONTRIBUTION TO ONLINE ADVERTISING

V.Thanigairajan* Dr.R.P.Ramesh**

*Head - Department of Commerce, Bharathidasan University Model College, Thiruthuraiipoondi.

**Assistant Professor, Rajah Serfoji Govt Arts College (Autonomous), Thanjavur.

Abstract

Google is an American company founded in 1998, the main remunerated activity of which is the sale of advertisements linked to online searches and contextual advertisements linked to the content of Internet pages. Google remains the undisputed leader of the global online advertising market. It offers a number of products that have helped it maintain its leadership. Some of these main products are Google Search (a search engine), Adwords (an auction-based advertising program), Double Click (infrastructure for serving ads), YouTube (a video platform), and Android (a mobile operating system). These products have helped Google maintain above 30% share in the worldwide digital advertising market.

Google has been called a one-trick pony, but as tricks go, it's got an exquisite one. Google's 'trick' is matchmaking – pairing Internet surfers with advertisers and taking a cut along the way. This cut is substantial – over \$21 billion in 2008. In fact, as Wired's Steve Levy puts it, Google's matchmaking capabilities may represent 'the most successful business idea in history'. For perspective, consider that as a ten-year-old firm, and one that had been public for less than five years, Google had already grown to earn more annual advertising dollars than any media company. No television network, magazine group, or newspaper chain brings in more ad bucks than Google. And none is more profitable. While Google's stated mission is "to organize the world's information and make it universally accessible and useful", advertising drives profits and lets the firm offer most of its services for free.

Keyword: Google, Search engine, Ad word, Sponsored link.

Online advertising and Google

In the 20th century, advertisers diversified their advertising across many mediums – such as TV, radio, print, and billboards – to promote their products or services. This diversification is referred to as a marketing mix. As people began spending more time online, the Internet became another channel via which advertisers can market their goods. Because of the Internet's versatility, it gives advertisers a good way to reach, engage, and interact with people. Advertisers can produce campaigns that specifically target audiences more effectively than traditional advertising efforts. As a result of changing consumer habits and advertiser needs, the vast majority of companies now allocate part of their marketing budget to online advertising.

Successful online marketing campaigns require the application of the three R's of advertising: reach, relevance, and return on investment (ROI). Online advertising, AdWords in particular, has given advertisers new possibilities in these three areas:

- **Reach:** More than 170 million people use the Internet in the United States. Google's network reaches 80% of these potential customers.
- **Relevance:** AdWords shows ads to potential customers who are actively searching for what businesses have to offer.
- **Return on investment (ROI):** Using analytical tools, advertisers can understand more about the effectiveness of their ads (such as who clicks on them).

Google's diversification

Google has diversified its activities, notably in order to strengthen the exhaustiveness of its search system. As such, it is digitizing the documentary collections of certain university libraries and private editors, and offers new specialised search services (or vertical searches) relating to the news (Google News), price comparisons (Google Shopping in beta version in France), maps (Google Maps, enhanced by the development of Google Street View, a service that provides 3-D photographs of streets), videos (after the purchase of YouTube) and directories.

Google also owns the Android operating system for mobile telephones, the AdMob platform for marketing advertisements on mobile phones, the Double Click company (specialising in technologies for managing and disseminating advertisements) and the Internet browser Google Chrome. Finally, it is involved in the development of online applications.

Summary table of Google's various activities



Activities	Description
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Natural referencing	Algorithm that ranks Internet pages according to their relevance relative to the web surfer's query (with no financial consideration).
Sponsored links	Fee-based services offered to advertisers, that involve the appearance, in addition to the natural referencing results, of sponsored links leading to the Internet pages of these advertisers, on the basis of the keywords entered by the web surfer.
AdWords service	Sales of advertising space based on a second price bidding system for the purchase of keywords: advertisers bid on keywords in order for a sponsored link to appear next to or above the natural referencing results the advertiser pays for each click on the sponsored link
AdSense for Search (AFS) service	Supplier of a local search engine on a partner site, that displays search-related advertisements in addition to the natural results (with the earnings from the advertising being shared between Google and the partner site).
AdSense for Content (AFC) service	Display of relevant advertisements according to the words present on a partner site's page (service that serves as the intermediary between the site of the AdSense network's member partner and the advertiser using the AdWords interface).
New Activities	
Search engine strengthening	Digitization of the collections of university libraries and the Collections of private editors. Development of specialized search services (vertical search): ❖ News (Google News) ❖ Price comparisons (Google Shopping) ❖ Maps (Google Maps / Google street view) ❖ Videos (purchase of YouTube with sale of "display" advertising on this site)
Local search	Proposal of services close to the ones offered by directories, by displaying the contact details of local professionals
Development of miscellaneous services and applications	Development of a browser (Google Chromium) and online applications ("Cloud computing") Purchase of DoubleClick, Android, AdMob

Google's role in the development of e-commerce through online advertising.

Google's services contribute significantly to the development of e-commerce, providing businesses with platforms that enable them to reach global audiences easily.

Online search: Google offers localized search results in more than 55 countries and in 132 interface languages. Every day, we see more than a billion searches for information, images, books and news, and over a 90 day period, at least 20% of queries are new. Search is often the starting point for Internet users looking for information about products they would like to buy, services they require or content they would like to access. A TNS study of 2008 found that 63% of Internet users had researched a product online before buying it in the past month. Web search is now also being “location-enabled”, allowing users easy access to businesses offering the products and services they are looking for, in their local area, via Maps and mobile phones.

Google offers a variety of advertising products online, through a model allowing international firms as well as SMEs to advertise their product and services:

AdWords presents consumers with advertisements that are relevant and useful for them, triggered by the query that is typed into the search engine. For businesses, and especially for SMEs, AdWords enables the promotion of products and services in a way that is financially accessible and highly measurable. AdWords is available in 41 languages and across 190 countries. In addition to these sponsored links, Google directs many potential customers to businesses for free via its search results. The economic value report of 2009 (www.google.com/economicimpact) conservatively estimated that for every \$1 a business in the United States spends on AdWords, advertisers receive an average of \$8 in profit through Google Search and AdWords.

AdSense offers websites (“publishers”) the opportunity to maximise online advertising revenues by displaying ads supplied by Google on their own websites. The advertisements are tailored to the content of the site, and website owners can choose to have text, image and video advertisements displayed on their websites. The ads generate revenue that is shared with the website owner, who receives the majority of the revenue.

Google AdSense generates billions of dollars of revenue for publishers and website owners every year. In each of 2008 and 2009, Google paid out more than \$5.5 billion to its AdSense publisher partners, and in the second quarter of 2010 alone, Google paid out \$2.06 billion to AdSense publisher partners. (See <http://investor.google.com/financial/tables.html> and look for the line item “Traffic Acquisition Costs” for further information.)

Online content services: One of the key challenges for the future development of the Internet is to develop ways to monetise creative and cultural content. In recent years, Google has continued to innovate in this area, both technologically and through partnerships with content providers, to develop new and beneficial business models for content distribution.

YouTube garners more than 2 billion global views every day and 24 hours of video content are uploaded to the site every minute. It is a user-driven community where people can express themselves by creating and sharing videos. YouTube is used by thousands of professional partners and major media companies around the world to make their content available online through branded channels, including hours of footage of cultural, political, news or sporting events.

It is also a responsible online platform with clear Community Guidelines that set out what is and is not acceptable, and clear policies for dealing with inappropriate videos and potential copyright infringing material. We make it easy for users to flag content they believe violates YouTube Terms and Conditions - and we remove any videos that do not comply.

To help video and music rights holders better manage their content on YouTube, we have developed the Content ID system, a unique rights management tool that gives rights owners the ability to determine for themselves how to manage their material on YouTube. After uploading a reference copy of their content, the Content ID system automatically detects matching material, and allows them to choose to:

- Block user-uploaded videos;
- monetise their content by placing ads next to videos wherever they are uploaded; or
- track, i.e. Acquire statistics about access and decide later what to do.

The majority of Content ID partners have preferred the monetisation option. 90% of all videos claimed through Video ID have created revenue for the owner, and over a third of YouTube's total monetised views come from Content ID. Content ID offers different solutions for those rights holders who want to keep benefiting from the wider dissemination opportunities of the web.

Google Books: Today, Google has successful partnerships with more than 30,000 publishers and authors worldwide. We are also about to launch paid access models for books, with an open, cloud-based platform for e-books. Google wants to develop a digital book ecosystem to be opened for everyone - publishers who are looking for additional ways to sell their books,

retailers who want to expand into e-books but may not have the resources to do so, and readers who want to access their digital books from anywhere.

Google's future book services will enable consumers to preview books from participating publishers, and then to purchase those books from Google or one of our retail partners. The Google digital book will live on the consumer's online bookshelf and can be accessed from multiple devices -- whether it's a PC, a smart phone, a net book, or a dedicated reading device.

Open platforms and services: Google contributes to the development of open platforms and services supporting e-commerce and online advertising.

Mobile devices are fast becoming the world's favourite way to access digital information. The Android Platform is a free, open source mobile platform that any handset manufacturer can use to create a mobile phone, and any developer can use to create and sell applications. Android was originally designed by Google and we continue to invest in the development of the platform, but it is a fully open source project managed and developed by the Open Handset Alliance, a grouping of more than 75 companies in the mobile industry.

As of September 2010, more than 200,000 new Android-powered phones are activated every day, and independent software developers have created more than 80,000 applications which are available for free and for sale via the Android Market - an online applications store. The Android marketplace is unique in that it supports open platforms, and allows any developer to post any application. Developers can distribute their applications via the marketplace after completing just three simple steps: register as a merchant, upload and describe their content and publish it. Ad developers can monetise their applications by selling them, but also through the ad supported model which is enabled through Google mobile platform. The Android Market is available in 44 countries and is enabled for e-commerce (i.e. for application sales) in 32 of those countries.

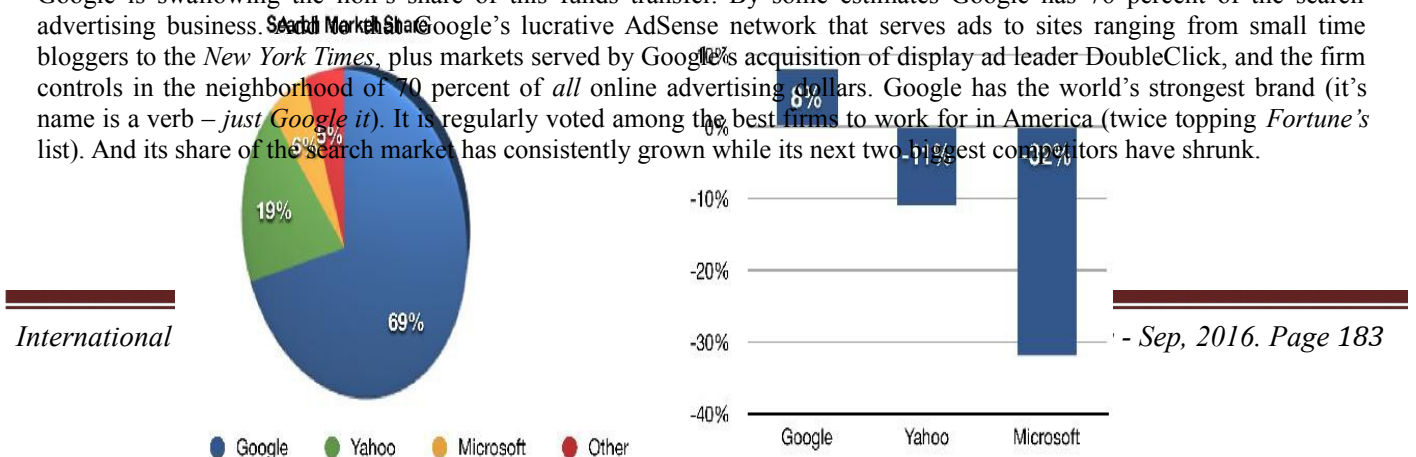
Google Maps - over 80% of people look to search engines for their local information, more than any other source, and 20% of searches on Google.com are related to location. Google Maps allows users to search for information, such as specific businesses or services, and to view the results in their geographic context. Google Maps is a free, open platform that allows businesses to market themselves for free by creating their own profile within Google Maps via our Place Pages services. At present, there are 50 million Place Pages in Google Maps and local search. By claiming a listing in Google Places, business owners can ensure that potential 6 customers have access to the most accurate, up-to-date information available about their businesses.

Businesses can also use Google Maps technology - such as route descriptions, Street View and Google Earth Viewer - in their own websites, to make it easier for customers to visit them in person.

Finally, Google continues to experiment with new advertising formats in Google Maps and local search. We recently rolled out a new ads feature, called Tags, in the United States. Small businesses who have claimed a listing in Google Places can pay a flat fee of \$25/month to enhance their listings when they appear on Google.com and Google Maps. This gives small business owners the opportunity to highlight the aspects of their business that they think are most important or unique to potential customers.

Google believes that this consultation on the e-commerce Directive is crucial to ensure that Europe achieves the full potential and economic benefits of the digital single market. If the current Directive has created the basis for e-commerce to emerge, it is vital to ensure that the European legal framework keeps supporting openness, consumer confidence and provides the level of incentive and legal certainty for new businesses and services.

As more people spend more time online, advertisers are shifting spending away from old channels to the Internet; and Google is swallowing the lion's share of this funds transfer. By some estimates Google has 76 percent of the search advertising business. Google's lucrative AdSense network that serves ads to sites ranging from small time bloggers to the *New York Times*, plus markets served by Google's acquisition of display ad leader DoubleClick, and the firm controls in the neighborhood of 70 percent of *all* online advertising dollars. Google has the world's strongest brand (it's name is a verb – just *Google it*). It is regularly voted among the best firms to work for in America (twice topping *Fortune's* list). And its share of the search market has consistently grown while its next two biggest competitors have shrunk.



Wall Street has rewarded this success. The firm's *market capitalization* or *market cap* (the value of the firm calculated by multiplying its share price by the number of shares) makes Google the most valuable media company on the planet. By early 2009, Google's market cap was greater than that of News Corp (which includes Fox, MySpace, the *Wall Street Journal*), Disney (including ABC, ESPN, theme parks, Pixar), Time Warner (*Fortune*, *Time*, *Sports Illustrated*, CNN, Warner Bros.), Viacom (MTV, VH1, Nickelodeon), CBS, and the New York Times – *combined!* Not bad for a business started by two twenty-something computer science graduate students. By 2007 that duo, Sergei Brin and Larry Page, were billionaires, tying for fifth on the Forbes 400 list of wealthiest Americans.

Conclusion

Studying Google gives us an idea of how quickly technology-fueled market disruptions can happen, and how deeply these disruptions penetrate various industries it is due to its tremendous contribution to the online advertising world. We'll also study the underlying technologies that power search, online advertising, and customer profiling. We'll explore issues of strategy, privacy, fraud, and discuss other opportunities and challenges the firm faces going forward.

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