

See comments... "Charm offensive" misleads in several places.
Left with a sense of "watch what we say, not what we do.."

F

Google

Anti-ive Non-transparent
Google, Competition and Openness

"Openness" pushed on other businesses (open source, access, internet, handset, spectrum, yaddah, yaddah...
No mention of non-transparent ad auction system, quality score, Google Page Rank, collection/integration /profiling of private user data, ultra-secret Google.org, etc.

Today's Headlines...

These are a year old... Need to update

Google

"One company [is] now the world's chief gateway to information"
(Boston Globe, 6/22/08)

Google Book Search Deal Probed by Justice Dept. Business Week - 4/29/09

"Google, Apple, Intel: The Next Competition Targets?"
(TechDaily, 1/11/08)

Google's Secret New Plan for Google News, Silicon Alley Insider - 4/28/09

"So when do we get over with it and declare Google a monopoly?"
(CNET News.com, 7/22/08)

"...Google believes it will be able to sell premium ads against premium content... Does the NYT make more money from this?... No, Schmidt confirmed."

Data Mining and the Death of Privacy
Google has all your search information. It has all the e-mails you've written. Your tweets are next. PC Magazine - 4/30/09

...Have a Familiar Ring

Google

A decade
~~Just a few years ago...~~

YAHOO!

"The most successful company ever spawned by the World Wide Web. Yahoo! has won the search-engine wars and is poised for much bigger things." (Fortune, 3/2/98)


altavista

"AltaVista was the Google of its era. [...] By 1997, AltaVista was truly king of search." (The Search, 2005)

LYCOS

"For a short period in 1999, Lycos became the most popular online destination in the world." (The Search, 2005)

*Web .5 examples from
a decade ago... Search
in its infancy. No
longer relevant*

The Lesson: *used to be...*

*Search has always been a highly competitive space - and companies
can't get too comfortable* *Now... Google market share 72% (including YouTube)*

Google Ad Server share now at 57%. Microhoo less than 15% market share - "...Google ad serving juggernaut appears secure even if MSFT and Yahoo agree on a deal. Yahoo and MSFT lost significant share.... Now make up less than 15% of the total market."

Attributor.com - 12/08

Claims on DoubleClick deal not born out

Google

Google + double click




Claims made in 2007	Reality (2009)
Display advertising prices will increase	Display advertising prices have dropped <u>53%</u> since FTC approved Google-DoubleClick deal (Source: PubMatic Ad Price Index, January 2009)
Consumer privacy will be harmed (So say EPIC, CDD, USPIRG, Privacy International - real privacy groups... PFF part of Google Policy Fellowship, not a privacy group.)	Ads preference manager hailed as "giant leap for privacy," offering "unprecedented level of choice and control" (Berin Szoka, Progress & Freedom Foundation; Rebecca Lieb, ClickZ)
Consolidation would reduce innovation and competition	New display formats released; AOL's Platform-A leads in display ad reach; Yahoo #2, ValueClick #3, Google #4 (Source: comScore Ad Focus, Feb. 2009)

Comscore 2/09: Google "largest ad network in the world." Reaches 75% of international

users, 76% of U.S. online audience... Jeff Chester blog - 4/30

1993: MSFT comes under DOJ scrutiny...
Revenues at the time... \$3.75bn

~~A Reality Check on Size~~ *doesn't matter* Google

	Microsoft	 at&t	 verizon	 IBM	Google
Revenues	\$60 billion	\$118 billion	\$93 billion	\$98 billion	\$21 billion
Gross Profits	\$48 billion	\$61 billion	\$55 billion	\$41 billion	\$13 billion
Operating Expenses	\$38.3 billion	\$98 billion	\$77 billion	\$85 billion	\$16 billion
Market Cap	\$184 billion	\$148 billion	\$90 billion	\$113 billion	\$99 billion
Employees	91,000	309,050	228,315	386,000	20,123
PAC Donations	\$1.7 million	\$4.9 million	\$1.7 million	N/A	\$287,000
Lobbying Budget	\$6.8 million	\$11.7 million	\$13 million	\$5.3 million	\$2 million

Misleading... Doesn't factor in free campaign tools for candidates, free YouTube channels for campaigns, \$275 million in free AdWord donations to policy groups thru Google.org

Sources: Reuters, 2008 annual earnings reports, OpenSecrets.org

Openness and Competition Principles

Google

LoL...Not working so well for newspapers, publishers, booksellers, search, advertisers, media, etc.

1. Help other businesses be more competitive.
2. Make it easy for users to change.
3. Open is better than closed. *...where we don't already dominate the market*
4. Competition is just one click away.

5. Advertisers pay what a click is worth to them.

Advertisers pay what the black box tells them to pay - there is no transparency

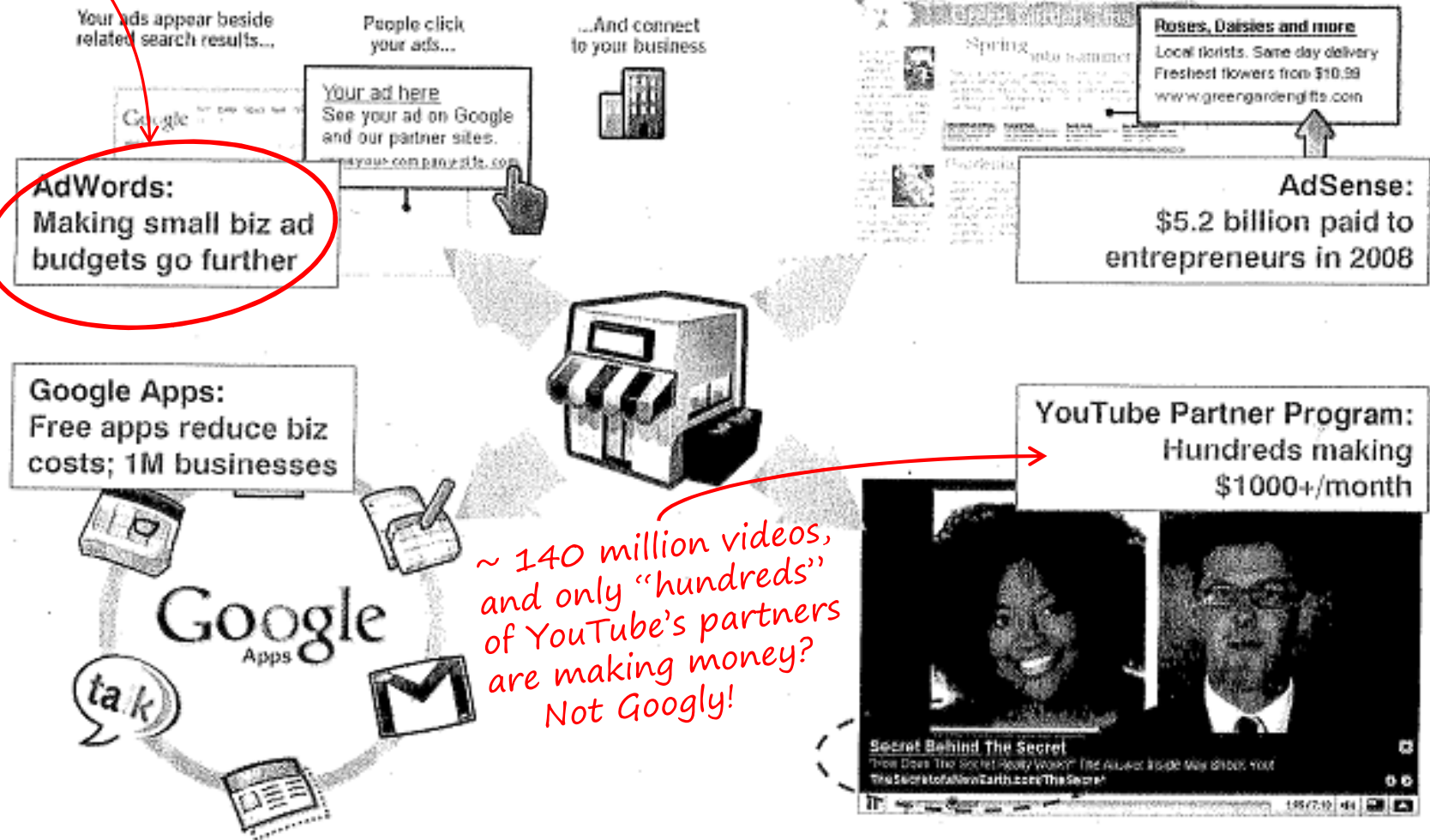
6. Advertisers have many choices in a dynamic

market. "...advertisers are also up in arms. They say they have no bargaining power because Google controls so much Internet search ad real estate—more than 70%, according to the U.S. Justice Dept."
Business Week - Google's PR Campaign, 4/29/09

"Tradecomet.com alleges Google tried to 'starve nascent competition'... Once Google determined TradeComet was a competitive threat, Google raised the price... for many keywords 100 fold. Company says it 'lost 90% of its monthly traffic from Google and millions of dollars of revenue'"

1. Help other businesses compete

Business Week –
Google's PR
Campaign, 4/29/09



It's not easy for users:

- 1) to change status and not be tracked by Google across the web...
- 2) to change and opt out of pervasive collection of private info...

2. Make it Easy for Users to Change

How about a ^{"User"} ~~data~~ ^{"opt-out"} Liberation Front – team of engineers building data export functionality into Google products?

Google



Product	Export Formats
 Google Analytics	PDF, CSV, XML, TSV
 Blogger <small>NEW</small>	RSS, Atom
 Google Calendar <small>BETA</small>	XML, iCal
 Google Checkout	CSV
 Google Docs	HTML, Word, PDF, RTF, OpenOffice, Text, CSV, Excel, Powerpoint
 Google Finance <small>BETA</small>	OFX
 Gmail <small>BETA</small>	POP, IMAP

Product	Export Formats
 Google Groups	CSV
 iGoogle <small>NEW</small>	GadgetTabML
 Google Notebook	HTML
 Google Reader <small>BETA</small>	OPML
 talk	XMPP
 YouTube	MP4 (Currently limited basis)
Web History	RSS



- "Search should be transparent, open and participatory... Internet search plagued by same problems that bedeviled software - lack of accountability, transparency, freedom" - Jimmy Wales

- "Even on Wall Street, many experts describe Google as a giant black box that they struggle to comprehend." - NYT, 6/08

- Advertisers "remain in the dark about what goes on inside Google's ad machine." NYT, 6/08

- "Google closely guards its top-secret formula for ranking web sites, making it impossible for a publisher to know why a site might enjoy front-page ranking one day...and drop to page 100 the next" - SJ Mercury News, 8/07

3. Open is Better than Closed

Open	Closed ???
<ul style="list-style-type: none"> • Enhances competition • Encourages innovation • Interoperable • Source code available to outside developers • User data can be moved 	<ul style="list-style-type: none"> • Reduces competition • Discourages innovation • Not interoperable • Source code locked down • User data trapped
 Mozilla Firefox	 Windows Internet Explorer 7

Google

Sure... For Google's competitors, but not for any Google business that makes money

Open source and open standards

Google

- Google has opened up more than one million lines of code and more than 100 software projects
- Hosting more than 150,000 open source projects developed by non-Goglers
- Chrome: Open source browser
- Android: Open source mobile OS (T-Mobile); 800 apps



Google
Friend Connect BETA



Google Chrome

ANDROID

T-Mobile

GI



"[The U.S. economy will] continually see a problem – potentially with Google" because it already "has acquired a monopoly in Internet online advertising..."

Christine Varney,
US DOJ Antitrust Chief

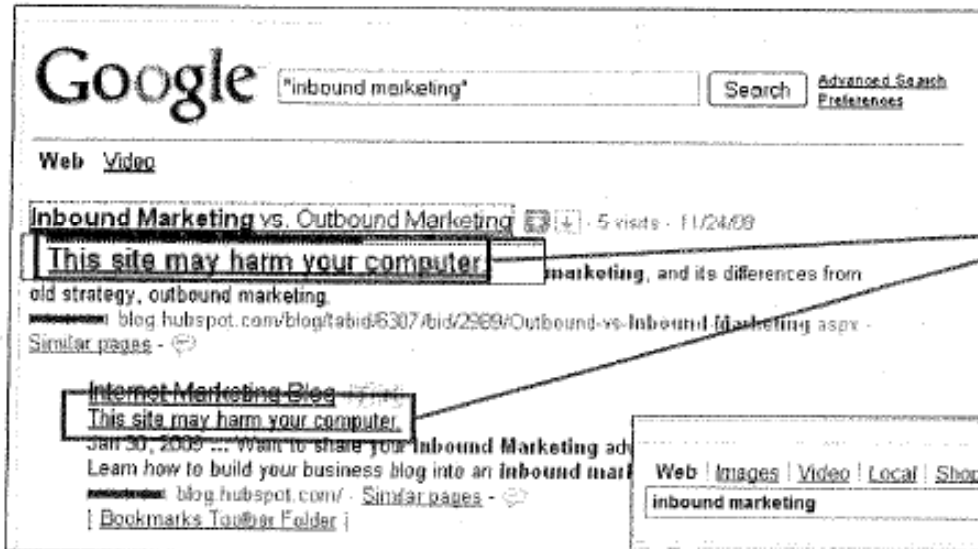
4. Competition is One Click Away

Google

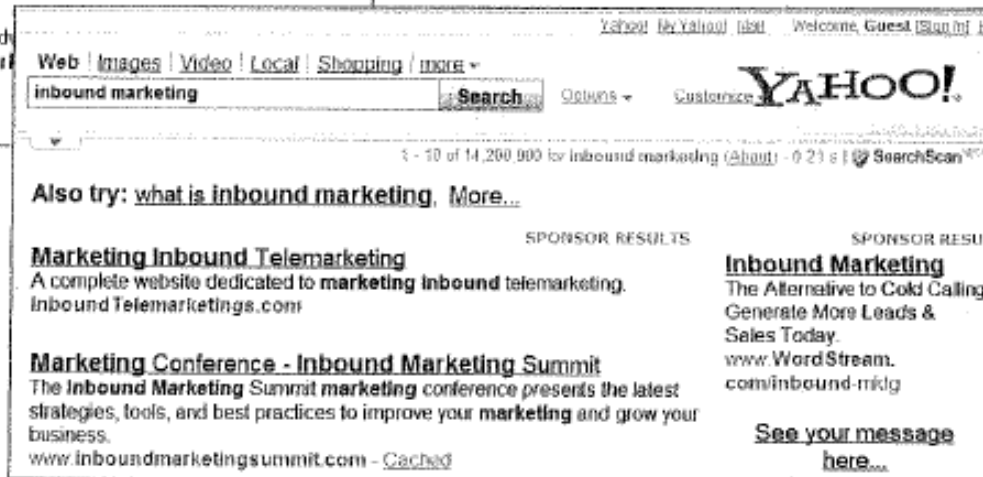
DOJ Doesn't Agree...

- Jan 31 Malware incident: Yahoo! queries doubled over normal levels during Google search error

Justice Dept. Opens Antitrust
Inquiry Into Google Books Deal
NYT – 4/28/09



Google coding error,
affecting all search
results



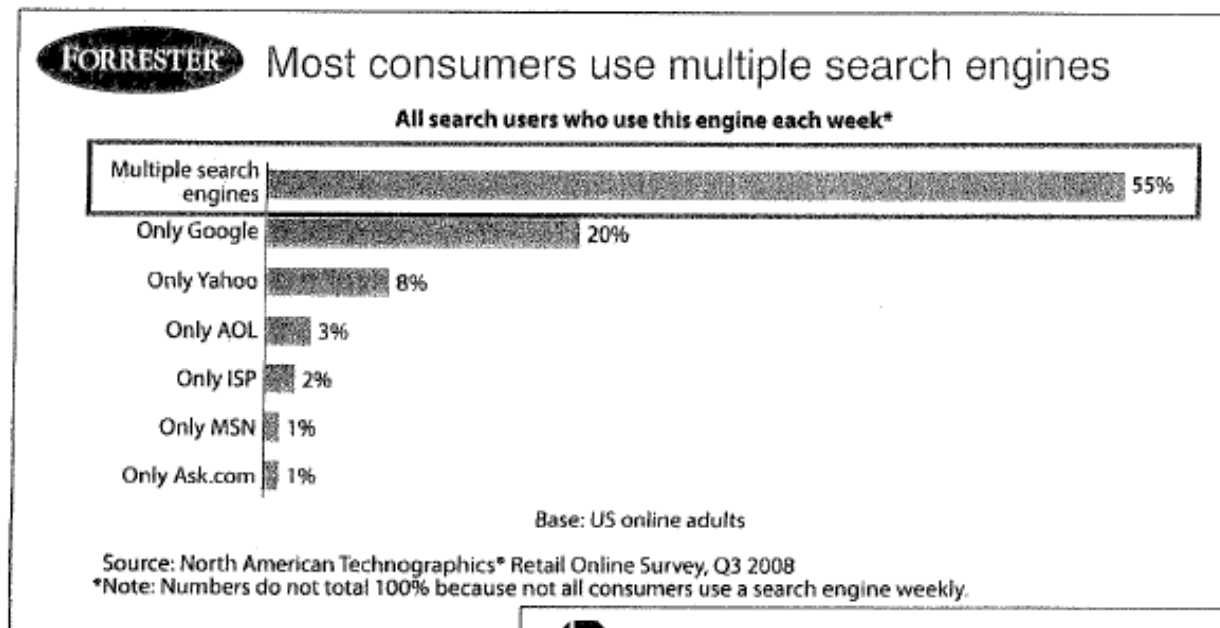
On G/Y! DOJ
complaint:
"[Complaint] would
have ended up also
alleging that Google
had a monopoly and that
[the advertising pact] would have
furthered their monopoly" – Sandy Litvack, DOJ
AmLawDaily 12/08

Diversionary tactic - Changes the subject...

*Most advertisers can't switch... Antitrust/monopoly problem is with search advertising and search ad syndication, NOT search engines...
- See DOJ Statement*

Most consumers willing to switch
advertisers unable

Google



Source: Shar Van Boskirk, Forrester, 2/3/09

JPMorgan

Would you consider switching search engines?

All Users	Google Users
38.2% No	37.5% No
61.8% Yes	62.5% Yes

Source: JP Morgan survey, January 2009

It's not about search, it's about advertising, but if you want to talk search, Google also engages in a kind of bundling where Google also organizes search for sites like Ask & AOL.

Search: Innovations and Investments

Google

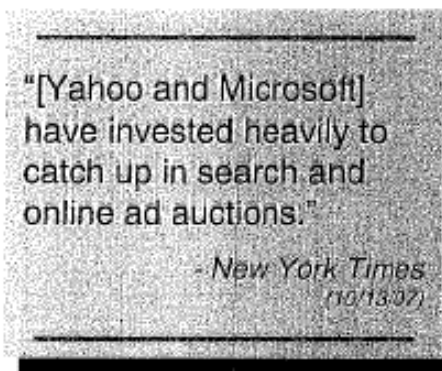
YAHOO! SEARCH

- SearchMonkey (open developer platform)
- BOSS (Build Your Own Search Service)



Ad links on its pages outsourced to... Google

- Planning \$100M ad campaign to promote search engine
- Jan. 2009 syndication deals with Dell, Verizon Wireless
- Cash back service to increase traffic
- Acquired Powerset, startup in semantic search



AOL

- 3-D search, other innovations in search results
- TV advertising campaign

How to explain Google's success in search Google

Economies of scale?

- Increased competition in data centers
- Search improvements based on 1% of queries

Network effects?

- Value of a search engine doesn't depend on # of people using it (like fax machines)

"Learning by Doing"

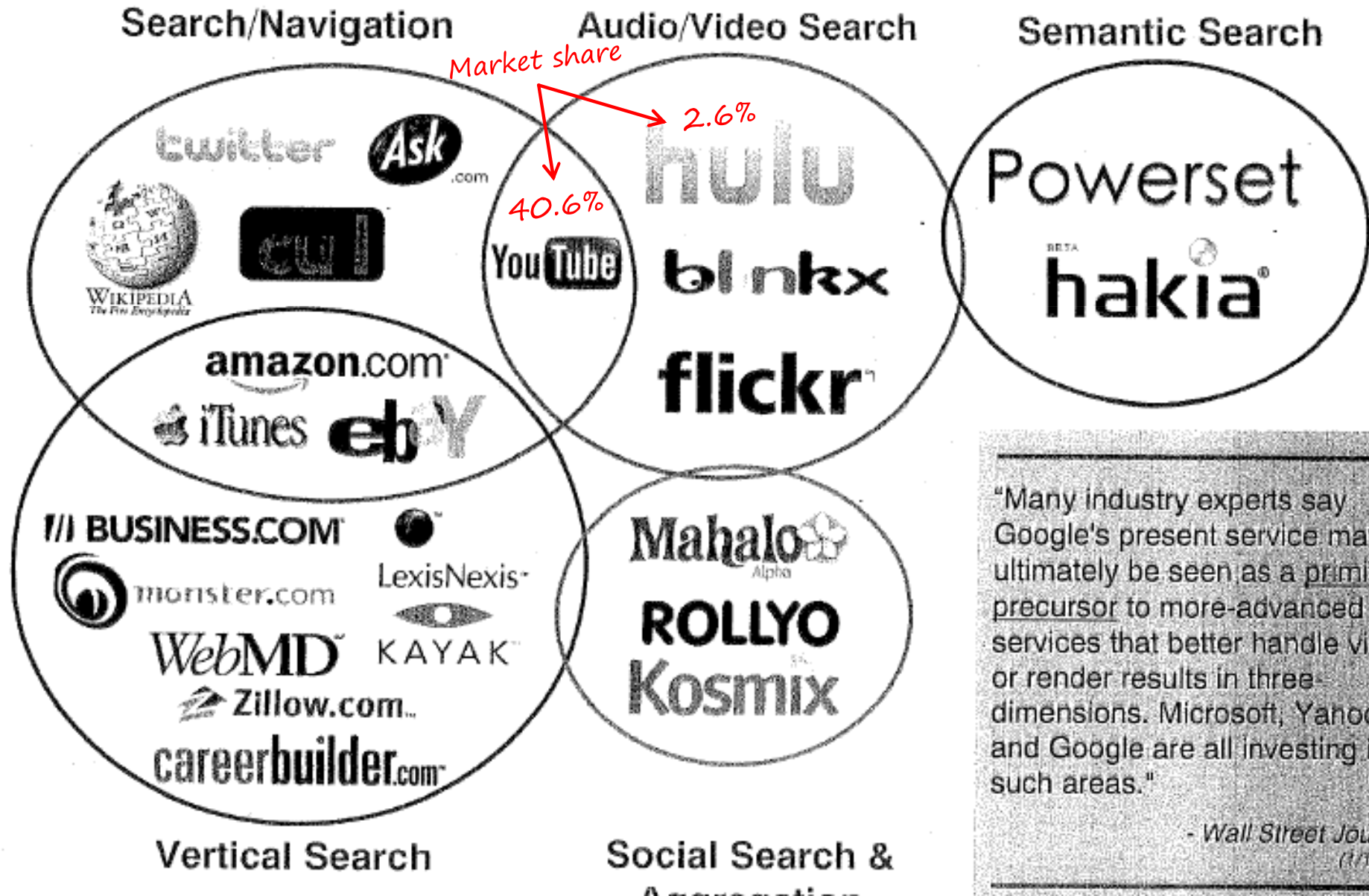
- Economic theory developed by economist Kenneth Arrow in 1962
- The longer a company has been doing something, the better it gets at doing it
- Google has been doing search for 10 years, constant experimentation and improvement

USA Today: "What's your take on why Google keeps growing, while your competitors have such a hard time catching up?"

Eric Schmidt: "...We get more users, and that gets us more advertisers. More advertisers give us more cash, more cash gets us more data centers, more data centers means we can get engineers who want to build even bigger data centers..."

USA Today - 5/07

Many competitors in search and navigation Google



"Many industry experts say Google's present service may ultimately be seen as a primitive precursor to more-advanced services that better handle video or render results in three-dimensions. Microsoft, Yahoo, and Google are all investing in such areas."

- Wall Street Journal
(1/16/09)

Technology models evolve quickly ...We buy them even quicker!!!

Dial-up



Broadband



?

Friendster



Facebook



?

Directory model



Search / PageRank

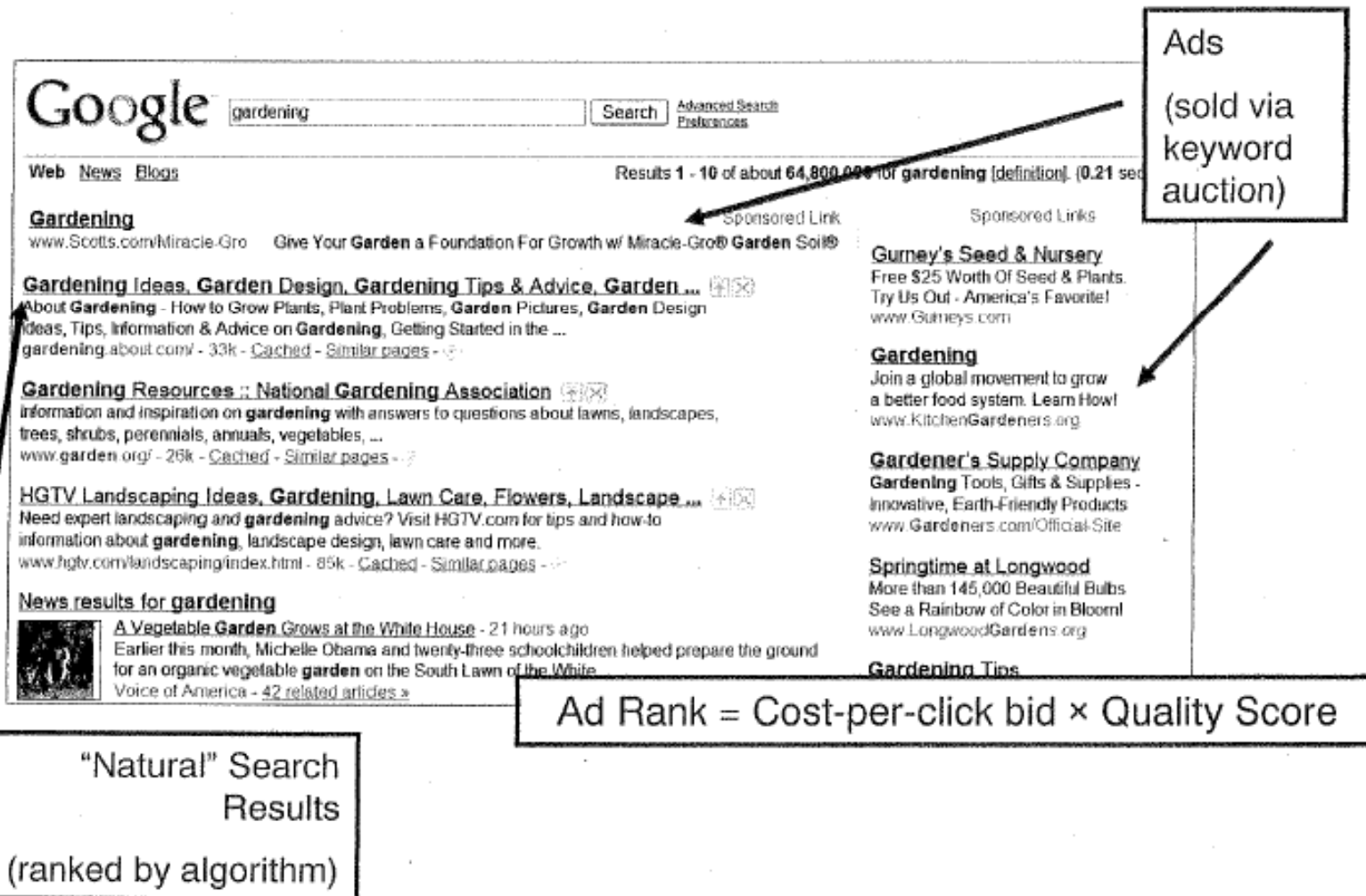


?

- YouTube
- DoubleClick
- Grand Central
- Picassa
- Keyhole
- Blogger
- Feedburner
- Baidu
- dMarc
- Orion
- JotSpot
- AdScape
- Jaiku
- Postini
- Etc. Etc...

5. Advertisers pay what a click is worth to them Google

Anatomy of a Google search result page



The image shows a Google search result page for the keyword "gardening". The search bar at the top shows "gardening" and the search button. Below the search bar, the results are displayed. On the right side, there are several sponsored links (ads) for gardening-related products and services. On the left side, there are "Natural" search results (ranked by algorithm) including links to Gardening Ideas, Gardening Resources, and News results for gardening.

Ads (sold via keyword auction)

Ad Rank = Cost-per-click bid × Quality Score

"Natural" Search Results (ranked by algorithm)

Google gardening Search Advanced Search Preferences


Web News Blogs Results 1 - 10 of about 64,800,000 for gardening [definition]. (0.21 sec)

Gardening
www.Scotts.com/Miracle-Gro Give Your Garden a Foundation For Growth w/ Miracle-Gro® Garden Soil®

Gardening Ideas, Garden Design, Gardening Tips & Advice, Garden ...
About Gardening - How to Grow Plants, Plant Problems, Garden Pictures, Garden Design Ideas, Tips, Information & Advice on Gardening, Getting Started in the ...
gardening.about.com/ - 33k - Cached - Similar pages -

Gardening Resources :: National Gardening Association
Information and inspiration on gardening with answers to questions about lawns, landscapes, trees, shrubs, perennials, annuals, vegetables, ...
www.garden.org/ - 26k - Cached - Similar pages -

HGTV Landscaping Ideas, Gardening, Lawn Care, Flowers, Landscape ...
Need expert landscaping and gardening advice? Visit HGTV.com for tips and how-to information about gardening, landscape design, lawn care and more.
www.hgtv.com/landscaping/index.html - 85k - Cached - Similar pages -

News results for gardening
 A Vegetable Garden Grows at the White House - 21 hours ago
Earlier this month, Michelle Obama and twenty-three schoolchildren helped prepare the ground for an organic vegetable garden on the South Lawn of the White House.
Voice of America - 42 related articles »

Gurney's Seed & Nursery
Free \$25 Worth Of Seed & Plants.
Try Us Out - America's Favorite!
www.Gurneys.com

Gardening
Join a global movement to grow a better food system. Learn How!
www.KitchenGardeners.org

Gardener's Supply Company
Gardening Tools, Gifts & Supplies - Innovative, Earth-Friendly Products
www.Gardeners.com/Official-Site

Springtime at Longwood
More than 145,000 Beautiful Bulbs
See a Rainbow of Color in Bloom!
www.LongwoodGardens.org

Gardening Tips

- "Google sets reserve prices and other parameters that substantially determine prices. Contrary to Google's claims, Google's auction does not fully determine prices; Google's actions and policies export and copying of advertisers' campaigns, further hinder competition in Internet advertising -without any countervailing benefit whatever..."

Benjamin Edelman, Harvard Bus. School
House Judiciary Testimony 8/08

How the Ad Auction Works

Google

really →

- Google's ad prices are set by competitive auction, ensuring that prices are market-driven

1

Create an ad

Nike Shoes

Shop Nike Shoes at Footlocker
Nike Shoes. Casual, Retro, & More!
www.FootLocker.com

2

Choose keywords

Nike shoes
Nike sneakers
Sports equipment
Running shoes

3

What is the most you would like to spend, on average, per day?

The daily budget (??) controls your costs. When the daily limit is reached, on average, your ad will stop showing for that day. (The budget controls the frequency of your ad, not its position.) Raise or lower your budget as often as you like.

Enter your daily budget: \$ 50

[How will my budget affect my ad performance?](#)

4

What is the maximum you are willing to pay each time someone clicks on your ad?

You influence your ad's position by setting its maximum cost per click (CPC) (??). The max CPC is the highest price you're willing to pay each time a user clicks on your ad. Your max CPC can be changed as often as you like.

CPC bid: \$ 1

- No exclusivity
- No fixed duration
- No minimum budgets
- Can export campaigns to other platforms
- Pay the price of next highest bidder

[Video]

Non-transparency = "Black Box"

Quality Scores and "First Page" Bids

Google

Quality Scores

Keyword Analysis: pr jobs washington dc

Ad showing? ☒ Yes
For details on specific criteria for this test, click the following link.
[Details and recommendations](#)

Quality Score: ☒ OK (7/10)
[Details and recommendations](#)

- Reflects predicted click through rate
- Ensure that users see most relevant ads -- not just the highest bidder
- Google, Yahoo! and Microsoft all use quality scores
- Algorithmic score reflects consumers' preferences
- Allows smaller companies to compete

Click through rate

- Historical CTR of ad and keyword
- CTR for entire account

Relevance

- Relevance of keyword to ads
- Relevance of ad and keyword to search query
- Ad's performance in geographic region

Landing page quality

- Relevant and original content
- Transparent about nature of business
- Easy navigation

Capitalizes on dominance to organize industry ad biz around model at which only Google succeeds... No other advertiser has scale of private user information necessary to make "pay per click" model fully succeed.

None others profitable but Yahoo - hence G's attempt at Y! acquisition.

Cost per acquisition, not cost per click

Google

- Cost per click less important to advertisers than the cost of acquiring a new customer
- Example:
EvesAddiction.com
(Raymond Galeotti)

EVE'S ADDICTION.com
Exquisite Sterling Silver Jewelry

Home Rings Earrings Necklaces & Pendants Bracelets Tiffany

1-800-679-EVES Phones OPEN!
Sign up for a FREE Catalog

Free Shipping!
Orders over \$75

Free Gift 30 Day R Free Poll

SEARCH Keywords or Item #

Sterling Silver Jewelry
www.EvesAddiction.com/SilverJewelry High Quality At Discount Prices! Free Sh

Clearance Sale
Valentines Jewelry

Save

	Last Year	This Year (Using Google ad targeting and analytics tools)
Bid	\$0.50/click	\$0.80/click
Sales conversion	2 new customers per every 100 clicks	4 new customers per every 100 clicks
	$\frac{\$0.50 \times 100}{2}$	$\frac{\$0.80 \times 100}{4}$
Cost of acquiring new customer	\$25	\$20

“Google has a huge new moat,” [Berkshire Hathaway Chairman Charlie] Munger said. “In fact I’ve probably never seen such a wide moat of a company refers to how difficult it is for rivals to compete in the same business...”

Google's main business of charging companies when people click on their ads after running an Internet search is ‘incredible,’ he added... ‘I don’t know how to take it away from them. Their moat is filled with sharks.’”

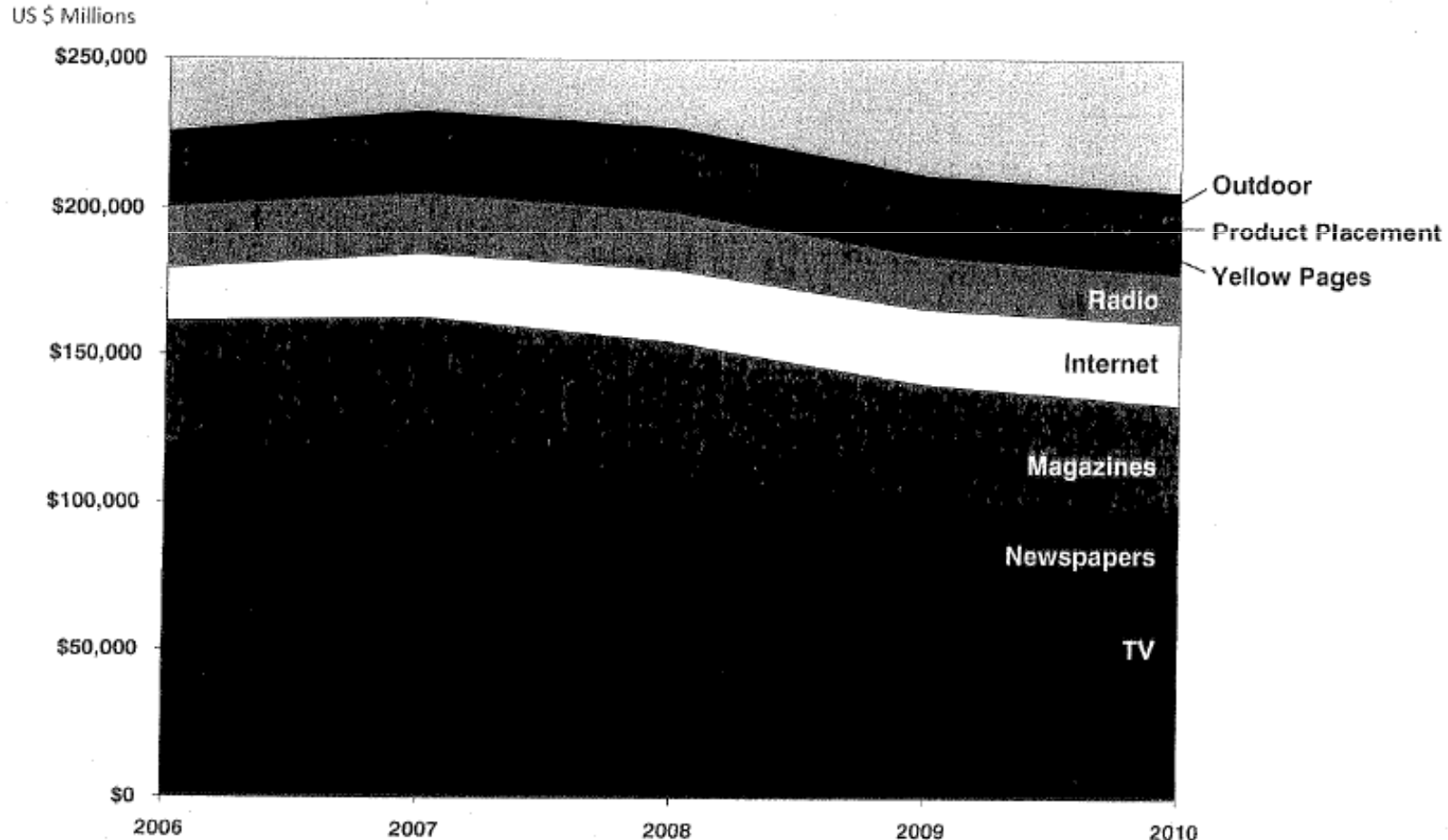
CBS Marketwatch - 5/3/09

6.

Advertisers have many choices

Google

U.S. advertising spending by medium, eMarketer



Two Points:

- 1) While ad revenue is plummeting in virtually all categories, Google's revenue share continues to rise dramatically – even in a tough economy.
- 2) Among the big 4 (G, MSFT, AOL, Y!) Google takes home 65% of online revenue

Google share of all ads and online ads



Google Has <3% of Total Ad Revenue

Share of All U.S. Ad Revenue, 2008

Google 2.66%

Other Online 6.24%

Online 41.10%

Newspapers
Magazines
TV

Radio
Outdoor
Direct Mail

↓ 25% Q1 '09

↓ 26% Q1 '09

↓ 9% 2008

↓ 6.3% Q1 '09

↓ 15% Q4 '08

↓ 2% 2008

Google Has ~30% of Online Ad Revenue

Share of Online Ad Revenue
(Owned and Operated Properties), 2008

Google 30%

Other Sites 23%

Newspapers 13%

Small Media 6%

Social Networks 4%

Microsoft 5%

AOL 5%

Yahoo 12%

↑ 6% Q1 '09

↓ 13% Q1 '09

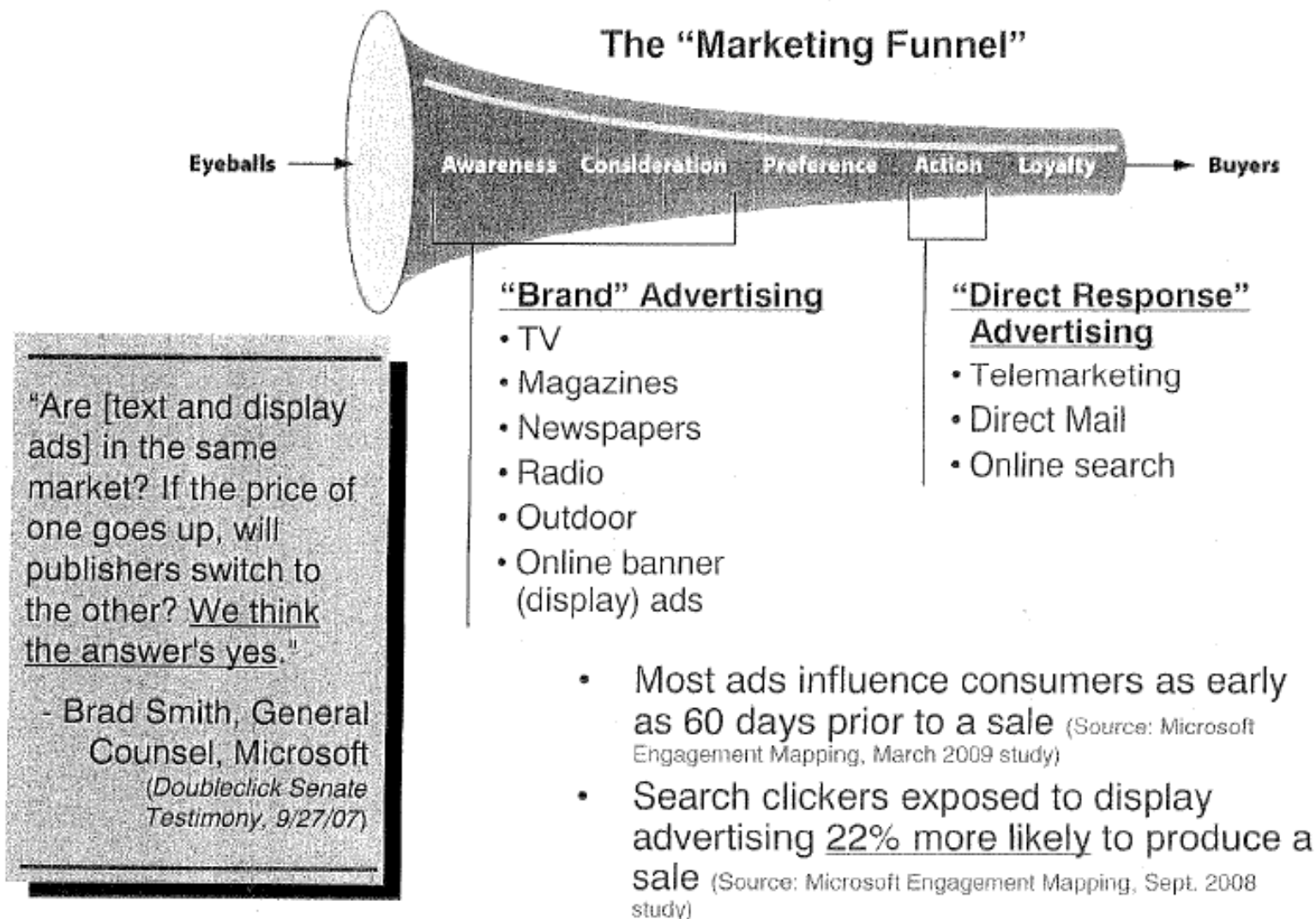
↓ 16% Q1 '09

↓ 20% Q1 '09

Source: Cowen & Co. report, 1/09

Smart ad campaigns have many components

Google



^ a monopoly

Online advertising is dynamic

Google

Major Media Firms Acquiring and Launching Ad Networks

Acquisitions

 Advertising.com TACODA quigo MindSpringMedia buy	 m right bluelithium
 double click FeedBurner	 aQuantive AdCN
 24/7	 jumpSTART  click & drag network

Launches

 TIME WARNER CABLE CABLEVISION Comcast COX	 YAHOO! BELLOCOX LEE ENTERPRISES
 Food and lifestyle Ad Network apartment therapy	 Business and Financial Blog Ad Network Xconomy Talking the News TWANDBLES
 Parent Content and Music Ad Network PARENTS CONNECT Blog & Music World great	 Tech & Fashion Ad Network W I T E D STYLE.COM THE SARTORIUS
 Political & Women- Orientated Ad Networks POLITICAL VOICE NEWS, POLITICAL America's State Agenda	 Business, Tech, Money, Travel & Environment Blog Ad Network blogroll

Charm offensive doesn't match actions...

-Competition: All for it when DOJ believes you're anti-competitive and seeking to extend monopoly, but different tune when marketing advertising dominance of AdWords, Page Rank, etc.

-Openness: Pushes "open" on competitors, but not itself... Among the most non-transparent on ad auction system, quality score, Page Rank, use of private user data, Google.org, etc.)

Conclusion

Google

- Google welcomes competition because it stimulates innovation, makes us all work harder, and provides users with more choice

-Privacy: Silence is deafening... No discussion here at all of privacy record, despite practices being high on FTC/Congress agenda and privacy groups (e.g. Privacy Intl.) ranking privacy practices the worst in the world.

"I think Google's competition will come from the same place Google did. It will sneak out of nowhere... It will come from someone small enough, visionary enough, obsessive enough and ballsy enough to still do great things, without those great things being picked to death at the boardroom table."

- Gord Hotchkiss, Search Engine Analyst
(Enquire Blog, 5/15/08)