

# MARKETPLACE

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## Google Tests New Ad Offerings—but Will Advertisers Follow?

By **KEVIN J. DELANEY**

**G**OOGLE INC. has been racing to extend its reach on the Internet and in traditional media. Now it needs advertisers to follow.

Among those it is wooing is Alan Cohen, chief marketing officer of **Gemstar-TV Guide International Inc.** Early last month, Google invited him and about 60 other advertisers to its headquarters in Mountain View, Calif., for a sneak preview of a system it is testing for buying radio ads. Google's chief executive officer and co-founders attended a candlelit dinner for Mr. Cohen and the others. For dessert at lunch the next day, chefs baked large cookies in the shape of each guest's corporate logo. After a day of presentations, Mr. Cohen concluded that "it didn't seem very daunting to do business with Google."

The success of Google's efforts to persuade Mr. Cohen and his counterparts to shift more ad dol-

lars to its new offerings are crucial to the company's success in expanding beyond advertising linked to Web-search results. It's not just big marketers who need to be persuaded—the company will be focusing a good part of its attention on the small- and medium-size businesses that represent the bulk of its ranks of current advertisers.

Many consumers know Google primarily for its popular search engine. But nearly all of its revenue, which some analysts estimate will exceed \$10 billion this year, comes from advertisements it places alongside search results and other content on its own Web sites and those of partners. Thanks to those activities, Google is the largest seller of advertising on the Internet.

Over the past year, Google has dramatically increased the places it distributes ads online, signing pacts with outlets such as **eBay Inc.** and **News Corp.'s MySpace** and paying nearly \$1.8 billion to buy video site **YouTube Inc.** Google is using the

### Here, There and Everywhere

Google is broadening its offerings to advertisers.

#### New sites

- YouTube
- News Corp.'s MySpace
- eBay sites outside the U.S.

#### New media

- Radio (testing)
- Daily newspapers (testing)
- Television (planned)

#### New forms

- Printable coupons
- Click-to-play video
- Click-to-call
- On cell phones
- On online maps

Source: the company

Web to sell ads that appear in more than 50 newspapers as part of a test, and recently it announced it is testing its new system for Web sales of radio ads. On top of that, the Internet company has

begun offering new varieties of online ads, such as video ads, ads that initiate a phone call to an advertiser when clicked on and ads appearing on online maps and cellphones.

Google is attempting to pull the varied media and formats together in its automated Web-based system for selling ads in a way that is still friendly enough for the advertisers to use. As part of that effort, it has been running early tests of the online radio-ad sales with small advertisers and making a push for meetings with advertising agencies and big advertisers to explain its plans.

If you are Google, "how do you get the entire industry to think of you in a different way, to plan in a different way, to do their job in a different way?" asks Jeff Lanctot, vice president and general manager at interactive ad agency **Avenue A/Razorfish**, a unit of **aQuantive Inc.** that helped organize the event for advertisers at Google last

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month. "That's perhaps more difficult than the technical challenges."

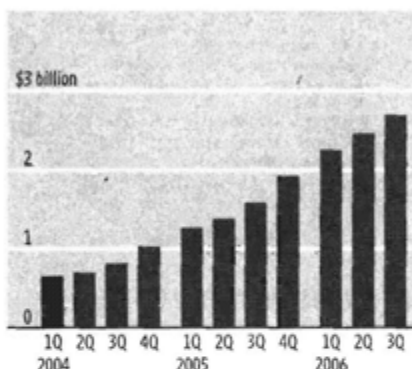
The ultimate goal, Google Chief Executive Eric Schmidt told reporters in October, is to let advertisers buy a broad menu of ad types and distribution through Google's single Web-based interface. "The long-term fantasy is we walk up to you and you give us, say, \$10 million and we'll completely allocate it for you" across different media and ad types, he said in an interview last month. All types of ads can be made more effective, for instance by targeting them to consumers more likely to be interested in them, Mr. Schmidt said. By tackling that problem, Google expects to expand its share of global advertising sales.

There have been some hiccups. Mr. Schmidt said in October that in tests of print-ad sales, "the first iteration didn't work." Google executives have given the system a major overhaul since then, giving publications more control than in the initial version and focusing on those that publish frequently, such as daily newspapers. A major initiative Google launched in 2005 to sell display ads, such as banners, on partner Web sites hasn't had a significant impact in that market, according to industry executives. However, Google says sales of such ads are rising, and its display-ad initiative attracted some big advertisers to Google and provided it with a platform for rolling out other types of ads.

Some question how effective Google's automated online systems will be for selling ads in other media, given that such sales traditionally involve personal relationships and negotiations by advertisers and their agencies. At the same time, some on Madison Avenue fear that Google's ultimate goal is to get large advertisers to bypass them and plan and buy all types of

## Digital Dollars

Google quarterly revenue, in billions



Source: the company

advertising directly through Google. But Google says the worries are unwarranted. "Five years from now there will be more work done by those agencies," says Google Advertising Sales Vice President Tim Armstrong, though Mr. Schmidt predicts some types of work ad agencies do could change.

One key to Google's latest efforts will be its success in wooing small- and medium-size businesses. The company won't say how many advertisers already buy online ads through its system or break down its advertisers by company size. But it disclosed last year as part of a lawsuit that it had more than 400,000 advertisers who bought online ads using its system. Roughly 85% to 90% of Google online ads are bought by advertisers that aren't members of the Fortune 1000 grouping of biggest companies, according to John Aiken at Majestic Research Corp. in New York.

Many of the small- and medium-size

businesses that buy the bulk of Google ads haven't traditionally spent much on TV, radio, print or Google's other new areas because of the expense and hassle. For most Google online ads, advertisers pay only when a consumer clicks on them. The price per click, which analysts estimate at 60 cents on average, is set through an automated online auction system. Google executives say their data show advertisers of all sizes would spend a lot more money on ads brokered by Google if given the option.

"If we build a product that works and that's measurable and that's targeted and efficient to use, I think there's latent demand for targeted advertising, huge demand for it," says Sheryl Sandberg, vice president for global online sales and operations.

The new ad offerings include some elements that simple text-only search ads don't have: For instance, with its radio-ad test, Google is offering a directory of specialists who can help advertisers create the spots, writing scripts and recording and delivering the audio files. However, Ms. Sandberg believes an important step in getting small- and medium-size advertisers to buy new types of ads through Google is designing and building an updated Web-based ad-buying system they want to use, something Google is working on.

That resonates with some Google advertisers. "If it's complicated, I won't be involved," says Dennis Soltis, owner and CEO of grill parts supplier **Barbecue Renew Inc.** in Destin, Fla., which spent its entire marketing budget of \$24,000 so far this year on search-related advertising—the ads that show up when a consumer uses certain key words in a search—the majority of it with Google. Mr. Soltis, whose company has about \$1.8 million in annual sales, says he isn't especially inter-

ested in new ad offerings from Google, though he doesn't rule out trying them.

Some bigger advertisers especially like the idea that Google can help them track the effectiveness of not only ads on the Web but in traditional media. At the meeting for advertisers last month, Karen Crow, a director for Google ad sales business, presented Google Trends, a service that allows users to view the relative volume of queries for a given keyword consumers are searching for, such as "Nintendo," over time. She said the company was working to measure consumer response to ads in TV, radio and print. In one test, Google cross-referenced print or TV promotions for a product with activity on the Web. "Every single time they did an offline promotion you could see an immediate impact" on search query volumes, Ms. Crow told the attendees.

"It's added a whole level of science to the marketing decisions you make as a CMO," says Gemstar-TV Guide's Mr. Cohen. But he views Google's new offerings in radio as a way to fill out a brand's overall radio-ad buying rather than a venue for the core ad purchase.

"I'm going to be able to buy in smaller increments based on various niches and hopefully be able to know if it's working for me much more quickly and be able to adjust my marketing media mix based on these results," says another attendee, Alexandra Aleskovsky, general manager of **Weight Watchers International Inc.**'s **WeightWatchers.com** division. **WeightWatchers.com** already buys Google search ads, and will likely use the service to advertise on radio, Ms. Aleskovsky says.

And the giant logo cookies Google distributed during the event were a hit even at **Weight Watchers**. "I brought them back to the office," Ms. Aleskovsky says. "Everyone enjoyed it."