



Google Stops the Presses on Print Newspaper Ads

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Summary: Google decided earlier this week to abandon efforts to place advertising in print newspapers. The program, which launched in November 2006, let advertisers purchase ad inventory across 750 print newspapers with which Google had partnered. Ad campaigns were initiated and managed through its AdWords search marketing product, and tied to similar distribution efforts in television and radio. The company claims the newspaper program was not performing as it had hoped, while television and radio remain strong. Google will continue to facilitate ads across these media, as well as emerging media such as mobile. So what, if anything, will this move mean for Yahoo's Newspaper Consortium, and how does it reflect on the state of the newspaper industry?

Turning the Page

On Tuesday, an entry was posted on Google's "Let's Take it Offline" blog announcing that the company will abandon its print newspaper program.

According to the post by Spencer Spinnell, director of Google Print Ads:

"While we hoped that Print Ads would create a new revenue stream for newspapers and produce more relevant advertising for consumers, the product has not created the impact that we — or our partners — wanted. As a result, we will stop offering Print Ads on February 28. For advertisers who have campaigns already booked, we will place their ads through March 31."

The program, which began in November 2006 with 50 newspaper partners, more recently expanded to 750 nationwide papers, including The New York Times, the Los Angeles Times, the Chicago Tribune and the San Jose Mercury News.

Its goal was to provide advertisers with an alternative

channel from which to purchase and manage print newspaper ads. The campaign management was integrated directly into Google's pervasive AdWords pay-per-click ad platform.

Google sought to appeal to a nontraditional set of newspaper advertisers, including those already running online AdWords campaigns. Some of the print program's larger advertisers included Sur La Table, ServiceMagic, Hotel.com, Covad and Blue Nile.

The company also hoped the measurability the program provided would appeal to advertisers seeking more concrete return on investment than that traditionally offered by offline media. Google Print Ads included AdWords analytics that correlated offline media performance to online traffic. It also featured embedded calls to action that directly tracked print ad performance, including metered phone numbers, coupon codes, SMS codes and special Google search terms (see TKG Advisory "Google's Next Frontier: Traditional Media").

Ad With Experimental CRT vs. Traditional Ad

SOURCE: GOOGLE (2009)

With CRT

Traditional

Signs of the Times: Why Did It Fail?

For the newspaper industry, is this yet another blow? Anecdotally, is Google’s directional shift emblematic of the medium’s current state?

Google remains verbally supportive of the industry.

“We believe fair and accurate journalism and timely news are critical ingredients to a healthy democracy,” wrote Google’s Spinnell in Tuesday’s blog post. “We remain dedicated to working with publishers to develop new ways for them to earn money, distribute and aggregate content and attract new readers online.”

More than the newspaper industry’s overall health, Google’s move this week was likely driven by the dynamics and performance of its specific partnerships.

In many cases there were inventory issues. Particularly with the larger newspapers and publishers with which it worked, the inventory available to Google and its advertisers was mostly of the remnant variety.

These papers primarily used the program for selling small amounts of inventory that their direct ad sales could not fill. These were sold at below market rates — one of the very sources of appeal to AdWords bargain hunters. However, these low rates meant that Google and newspaper partners would have to split already negligible margins.

What About Yahoo?

Aside from a statement about the health of the newspaper industry, could this also have implications for Google’s cross-town search rival Yahoo and the considerable investments the latter has made in working with newspapers?

If there is a statement here, it would be a general one, pointing only at the vote of confidence tech giants should or shouldn’t have in the newspaper industry. On a more specific level, Yahoo’s work with newspapers — known as the “Newspaper Consortium” — is much different from Google’s.

Rather than a source of print advertising inventory, Yahoo is utilizing newspapers as sources of editorial content and direct sales channels. Its work with consortium newspapers involves content flowing in the opposite direction — from offline to online.

Newspaper partners populate Yahoo’s vast content network with editorial content and advertising, while Yahoo provides its tech knowledge and online features to the newspapers’ online properties.

Newspapers also get an incremental online distribution for their advertisers, thus creating appeal in a cross-platform offering. Most recently, Yahoo launched the APT advertising platform, which will be a single place for media buys across its own content network and the 782 online newspapers in the consortium.

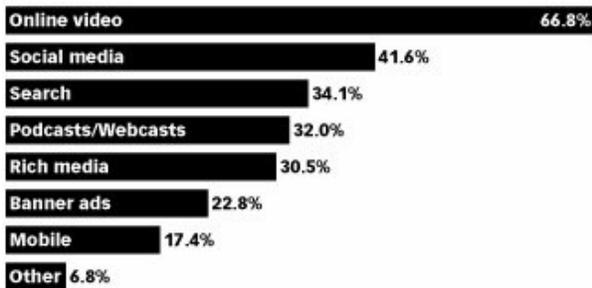
Overall, the model is much different from Google’s foray into the newspaper world. It has been the subject of considerable investment and development for Yahoo, and will likely continue to be.



Online Video Top Marketing Choice for 2009

SOURCE: EMARKETER (2009)

Tactics on Which US Marketers Plan to Focus Their Online Marketing Budget in 2009 (% of respondents)



Source: PermissionTV, "Online Video Survey Results," December 17, 2008
100583 www.eMarketer.com

The Remaining Pieces: TV and Radio

The Print Ads program didn't stand alone. It was housed under Google's Traditional Media division, which helps advertisers place ads across other offline media, such as television and radio.

The goal is to create a one-stop shop for facilitating media buys with the distribution partners in each of these channels. Distribution partners include Dish TV, NBC Universal and Harris Corp. for television and Clear Channel for radio.

Because these disparate campaigns are managed in one place, the thought is that they are more measurable — both in isolation and in their impact on one another. Television ads, for example, include analytics that track what ads were watched and when (using Dish TV's metered set-top boxes).

The positioning of Print Ads within this trilogy of offline advertising programs raises the question of how these other media will be affected by Google's abandonment of print. According to Google representative Elisabeth Diana, with whom we spoke on Tuesday, it shouldn't at all: Stepping away from

newspaper ads is an isolated move, based on the dynamics of the medium itself.

"We made the decision to stop supporting Print Ads based on the impact the product was having for our partners and advertisers. We weren't having the impact we wanted," Diana said. "With regards to radio and TV ads and how those tie in, we've made excellent progress with adding inventory from NBC Universal and the Hallmark Channel, and the Audio Ads program is doing well with more than 1,600 radio stations."

Based on our view of these programs and their recent performance, Diana's statements appear to have some veracity. Google TV Ads is compelling, given the overall popularity of video advertising online, Google AdWords' reach, and the falling barriers of video production (see TKG Advisory "U.S. Local Video Forecast: Market Overview and Outlook").

Video production is being led by a host of vendors that offer self-service dashboards for video creation. Google this week solidified a partnership with one such company, SpotMixer, which plugs its video creation engine directly into the TV Ads dashboard.

Previously the TV Ads service only offered an ad creation marketplace that connected video advertisers with professionals who could work on the creative elements of their video campaigns (the method it currently uses for Radio Ads).

After videos are created, users can go through a step-by-step process in the TV Ads dashboard to place them with Google TV's distribution partners. For existing AdWords advertisers, this includes recommending placement and targeting options based on existing PPC campaigns.

The distribution options will grow beyond the networks mentioned above as Google utilizes its reach and brand strength to sign more partners. As a result, appeal will grow for the TV Ads program.

But like the aforementioned inventory issue that plagued the Print Ads program, Google could face challenges as cable and television networks wish to preserve the margins of their premium inventory.

Radio meanwhile might not have as much promise as television — both for Google and in the broader market. But it has some potential, based on the directions Google can take it, and the degree to which it can be integrated with other properties.

This includes TV and search, as mentioned, but also Google's additional audio channels. As Google continues to develop mobile local search products based on voice (iPhone voice search, GOOG-411, etc.), there could be more potential to form an ad buying marketplace across a variety of media that will rely on audio advertising.

Google currently isn't monetizing its voice search products in order to support their traction and branding. But it could integrate ads in the future and thus boost its audio ad distribution, which currently comprises of 1,600 terrestrial FM and AM radio stations and the top 10 stations in 25 U.S. markets.

Final Thoughts: Going Mobile

For Google and many others in the online media world, mobile technologies will see a great deal of growth in data consumption, search volume and ad inventory. This goes beyond voice search opportunities to a host of ad formats that are conducive to the mobile device's portability and location awareness.

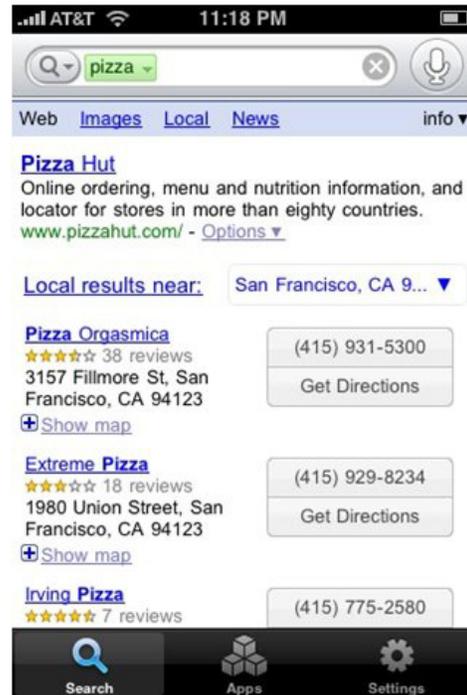
One such format will be location-targeted mobile search marketing. As the mobile Web becomes more and more like the online Web — thanks to devices that can render HTML Web pages — much of the online product leaders' success and market penetration will carry over to the mobile world.

Search will be no exception, which bodes well for Google and its dominant market share of online search. Based on this, Google has already begun to integrate PPC advertising in AdWords that specifically targets mobile searchers on devices such as the iPhone and the Google Android-based G1.

These efforts will continue, and Google will stake its claim of growing search volume and data consumption (tied to increasing smartphone penetration, according to TKG data). As it does so, mobile could

Google Search on iPhone

SOURCE: GOOGLE (2009)



effectively take the place of Print Ads in the trilogy of distribution options, alongside radio and television.

Mobile not only is a growth area, but it also possesses many of the traits that will make it a welcome addition to the AdWords family. It contains the trackability that is at the heart of many of these efforts, potential reach (228 million mobile phone users in the United States), and the spirit of bundling and cross-platform advertising that is managed all in one place.

Google's Spinnell implied as much in Tuesday's eulogy for the ill-fated Print Ads program:

"As we grow, it is important that we focus on products that can benefit the most people and solve the most important problems. By moving resources away from projects that aren't having the impact we want, we can refocus our efforts on those that will [reach] millions of users." **ILM**