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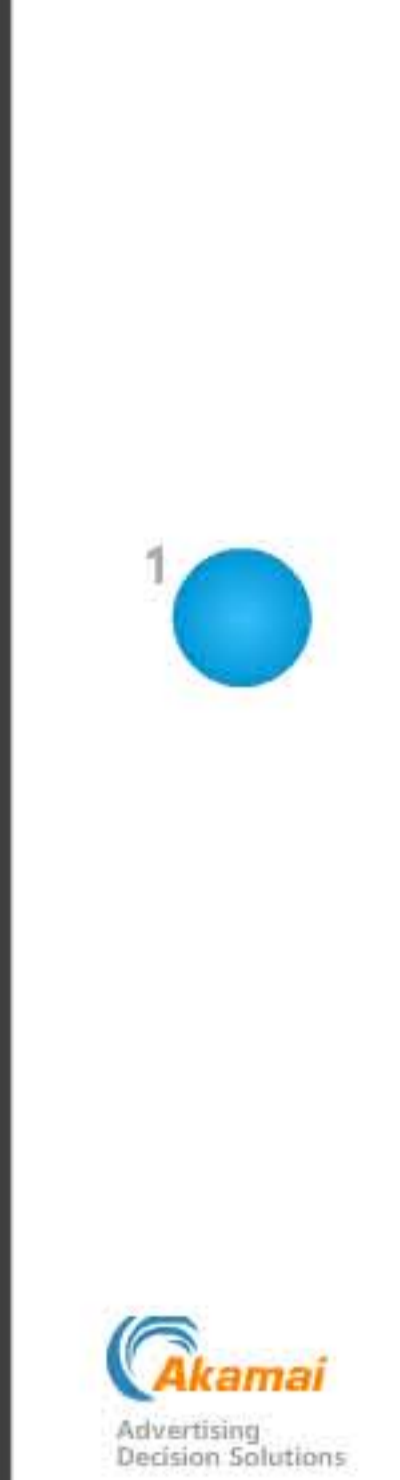
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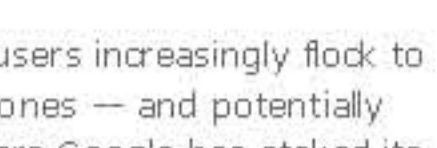
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### Google Finds Way Into Mobile Apps

Protects Search Turf as Mobile Users Flock to Smartphone Utilities at Expense of Web

by Rita Chang

Published: June 24, 2009



NEW YORK (AdAge.com) — As mobile users increasingly flock to the fancy applications on their smartphones — and potentially spend less time on the mobile web, where Google has staked its lead — the search giant had to find a way into those apps. So it is using its contextual ad program to serve up text and display ads inside mobile applications.



Google has been testing its AdSense program with restaurant guide Urbanspoon for months now.

Popularized by Apple's iPhone, mobile applications have become a big hit with users who tap the rich-media utilities for everything from restaurant recommendations to apartment hunting. The iPhone App Store has logged more than a billion downloads since it opened for business last summer.

While Google has been able to translate its lead in desktop search to the mobile environment, owning 47% of the mobile search traffic to Yahoo's 25%, according to ComScore, the web may turn out not to be the de facto entry point for search on the phone the way it had been for wired PCs.

#### A growing market

And there's a lot at stake: According to the Kelsey Group, U.S. mobile search advertising revenue, including mobile web and in-app search, is expected to grow from \$39 million in 2008 to \$2.3 billion by 2013, a compound annual growth rate of 126%.

Meanwhile, the latest data from AdMob suggests that more traffic is migrating to apps: More than 60% of the ad requests in its iPhone network come from applications, vs. 40% from the mobile web.

"Because of the creative energies moving mobility in a whole new direction, if you're not part of this, you miss out on it," said Jeffrey Lindsay, senior analyst at Sanford Bernstein.

While it will be another two to three years before mobile advertising generates meaningful dollars, Mr. Lindsay said "early positioning in this space is critical to longer-term success."

#### Early tests

As it experiments with ways to directly target applications, Google for months now has been testing its AdSense program with a number of app publishers including music sleuth Shazam and restaurant guide Urbanspoon. The company said it is selling its in-app inventory on both an impression and click basis, depending on how advertisers bid on the network. The program is still in beta, and a Google spokesman said he did not know when the full AdSense program for mobile apps would be launched broadly.

The costs to advertise inside apps is generally at parity with the cost of advertising on the mobile web, according to mobile-ad executives. Standard mobile banner ad rates to reach 1,000 viewers, or CPMs, start at \$3 for remnant inventory and \$10 and up for the most premium inventory. AdMob said its average CPM for its iPhone network, which serves predominantly in-app advertising, is \$11.50.

Google's program will allow developers to control when and where an ad is served in their application. For example, some developers could allow Google to serve an ad deemed relevant to a user-supplied search term. Others may allow the ads to appear when users are simply browsing, say, as they scan a list of restaurants or movies.

As Google moves into the app space to cover its bases in mobile, it's unclear if its foray will be successful.

#### Large pool of advertisers

"What Google potentially brings is a large pool of advertisers, which, because of their volume, offer potentially more contextually relevant matches with publisher content," said independent search analyst Greg Sterling. "But Google doesn't necessarily have the same competitive advantages in mobile with a range of established mobile ad networks [that are] specifically focused on the segment."

Given the cramped real estate on mobile, some advertisers could take issue with the letter 'G' that appears with every Google-served display ad.

"We're a bit challenged by the dominance of 'G,'" said Jamie Wells, director of mobile at OMD's Ignition Factory. "I don't necessarily want to share the real estate I'm paying for with Google."

Mr. Wells also noted that because none of Google's relationships with the app developers are exclusive, there's nothing to prevent advertisers from going directly to an Urbanspoon to get a better deal — or any number of ad networks, like Quattro and AdMob, which also serve in-app advertising.

Google spokesman Eric Obenzinger said its test publishers have been happy with the program. He said the company is continually trying to increase the ad's relevance, noting that, generally, the ads are relevant to the user's location and the application's content. Mr. Obenzinger said he has not been able to get developers to discuss the extent of their take in the ad revenue.

#### App-adoption accelerates

Either way, apps are gaining traction, particularly among users of smartphones who can download utilities, games and entertainment right from their phones. And, it's a sure bet that they will draw more eyeballs, particularly as Apple recently lowered the price on its first 3G iPhone to \$99 and sold more than a million units over the weekend of its new iPhone, the 3GS, following its Friday release.

Regardless of how Google's entry into in-app advertising shakes out, some say it's almost guaranteed to spur the popularity of apps.

"This will give new and existing developers more reason to come out with apps with additional ways of monetizing their apps," said Phuc Truong, managing director of U.S. at Mobext. "More developers making great apps will give reasons for more people to use apps on their mobile phones."

1 Comment

By Rodney33 | FRISCO, TX June 25, 2009 12:57:29 pm:

Mobile will soon be the #1 way that the US accesses the internet, given smart phone penetration and the fact that cell phones outnumber computers 3x in the US.

Google knows that. That's why they launched Android. That's why they're pushing for the release of the 700 Mhz spectrum which would be super-high speed and virtually everywhere, and is now available due to television's migration to HD. Google is also asking for an open platform on that spectrum where the consumer can decide at a moments notice who their connection provider is, making wireless connections a low rung commodity that everyone can afford.

An omni-present spectrum that's always on, at super-high speeds, that's low cost and everybody has access too wherever they are, will lead to a plethora of video based, rich media web content on your mobile device.

Apps like Deal Chime, that offer customers coupons and savings based on geo-based location and retailer specificity have their place. As do video tools like Klickable, that allow customers to click on items they are viewing in a video for links and more information. These and other specialty tools will all play an important role in the high speed hand held driven web.

But, with all the added content, always available, Google will be needed more than ever and it's dominance will continue into the mobile world.

Rodney Mason, CMO  
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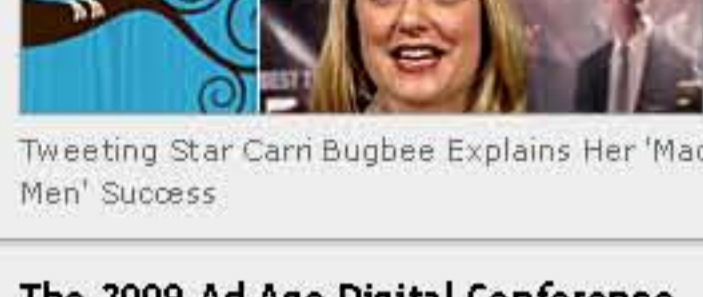
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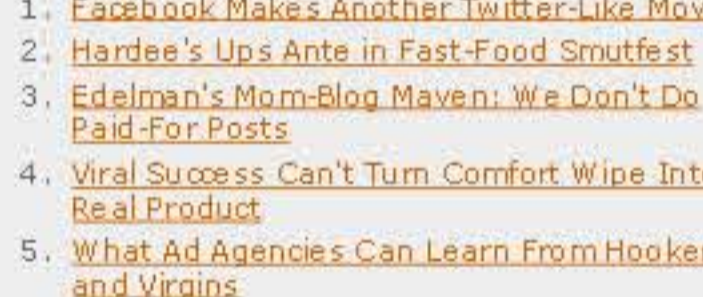
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