

# Google Age 10: Growth Amplification or Growth Attenuation

Microsoft's Steve Ballmer suggested that Google was a one-trick pony. Google won its crown with online advertising. Since the day when Google's founders made the decision to enter the online advertising business, Google changed from a quirky search engine to a revenue powerhouse.

Today, few remember that Google was not motivated by money grubbing. In fact, only a handful of people realize the extent of "influence" Yahoo's Overture system had on Google. Finding information about the agreement between Google and Yahoo about this "influence" takes some effort. Shortly before the Google initial public offering, Google and Yahoo settled on this "influence" matter. Google then proceeded to run the table in online advertising. Yahoo was not able to keep pace with Google's online advertising juggernaut. What's interesting to me is that Google's money machine is, in effect, a better Overture (formerly GoTo.com, the company that put the pay-for-clicks business on the map).

Google has released a large number of products and services since 2004 when it became GOOG, the publicly-traded company. I can no longer keep track of Google's innovation fire hose. Despite its flaws, I turn to Wikipedia's list at [http://en.wikipedia.org/wiki/List\\_of\\_Google\\_services\\_and\\_tools](http://en.wikipedia.org/wiki/List_of_Google_services_and_tools). Some of Google's most significant products such as the OneBox API don't appear on the list, and I find searching Google for its products and services requires numerous queries and poking around the innards of Google's site.

The listing of some new products and services at the Google Labs's Web page is must reading for anyone interested in search in general and Google technology in particular. You can find a number of intriguing new products and services at <http://labs.google.com/>. The page features a list of "graduates of Labs". These are new products and services who have moved to "beta" or "real" status. One of the most significant of these graduates is Google Maps.

Google Maps has diffused rapidly into the consumer and commercial mainstream. In Washington, DC, for example, US government agencies have called Google and asked to license the Google Maps' technology. Google has responded, letting Google Maps "pull" other for-fee products and services into certain Federal agencies. Indeed, Google's success in the US Federal sector is a counter argument to Mr. Ballmer's one-trick pony metaphor.

The uptake of Google Maps and its sister product Google Earth provide a useful window into how Google's non-advertising products are sold. Google pushes a test out the door of its Labs. If the preview attracts attention, the fledgling product is moved to "graduate" status. At that point the graduate must learn how to fly on its own.

Google's approach is to rely on enthusiastic early adopters who tell their friends and colleagues about the service. Google Maps and Google Earth moved from me-

too products to planet busters in less than a year. Google took its own technology and grafted it to Keyhole Corp., which Google acquired in late 2004. The acquisition was a very clever one. Not only did Google get the sizzling hot technology to display satellite imagery, Google snagged technology that Microsoft was using for its mapping product. Microsoft had to regroup. Google got its enhanced mapping product into the market in less than six months. Once Googlers made Google Maps and Google Earth available, viral marketing made the products revenue drivers. One can argue that the \$350 to \$400 million in estimated enterprise revenues owe much to Google Maps and Google Earth's pull-through marketing. Google, true to form, won't answer my questions, nor does the company break out its revenues by product.

The approach used by Google is almost the opposite of the innovation technique at Microsoft, for instance. Microsoft tries to set a release date for a product such as Vista. Microsoft then markets the product using a variety of tactics. When the product becomes available, Microsoft ships it to customers either as an upgrade or an outright new purchase. Microsoft uses classic "push" techniques for innovation and revenue generation.

Not Google. Google diffuses products and services. If users are "pulled" to one of these, great. If not, the product just hangs there. Google management learns from user actions. Not surprisingly, Google doesn't fit into existing cookie cutter shapes for creating new products, selling them, and measuring their success by units sold. The approach might be called amplification. Each new Google product and service strengthens the company's reputation for innovation (a good thing) and then adds thrust to Google's viral marketing engine (a better thing). When one of these Lab grads attracts significant attention as Google's expanded APIs have for Google Apps and Google Docs (the best thing), Google woos Wall Street "that old time religion"—more ways to make money.

But, in terms of revenue, Google is dependent on one source of revenue—advertising. The ads come in different flavors, and there are many types of ads. These range from overlays on YouTube.com videos to the ubiquitous text ads on Google search result pages or the ads that appear on other Web sites. The ad revenue generates 99 percent of Google's revenue. If it walks like a duck and talks like a duck, then it's duck. Google is an advertising outfit to number mavens on Wall Street.

I don't want to suggest that Google's indirect, viral, and techy approach to innovation is not excellent. Google is one of the most innovative outfits in the search and retrieval game. The problem is that the dependence on ad revenue focuses attention on ad revenue. Anything that hints of a downturn in ad has grim implications for Google.

But there's a counter to amplification. That's attenuation. Consider these items:

ITEM. Silicon Alley Insider

([http://www.alleyinsider.com/2008/3/ex\\_googlers\\_launching\\_startups\\_to\\_attack\\_mother\\_ship](http://www.alleyinsider.com/2008/3/ex_googlers_launching_startups_to_attack_mother_ship)) ran on March 29, a list of Googlers who have left the company and become Xoglers; that is, former Googlers. One or two staff changes are of little interest in today's wacky work world. Henry Blodgett provides a list of more than a dozen high-profile Googlers who have quite the company recently. One name I recognized was Anna Patterson, inventor of a series of methods that allow Google to understand the nuances of unstructured tense. More startling is Mr. Blodgett's assertion that she has teamed with Google super-wizard and founder of

AltaVista.com to create a new company using software called a “twiceler”. I have no idea what it is, but it’s not Google’s technology.

ITEM. Ad sales at Google no longer climb like a scrambled F 22 Raptor. “Estimates” of click activity vary widely. Data from ComScore and other stat gatherers suggest that Google’s ad growth has slowed. Google has asserted that any flattening is due to its actions to improve the quality of clicks on ads. Business Week on March 31, 2008, starts its story with six words that make some investors’ blood run cold, “As investors fear falling ad revenue.” To be fair, those six words bring tears of joy to eyes of Microsoft AdCenter executives. The reality is that Google’s remarkable revenue growth seems to show some of the recalcitrance of a 10-year old. There’s a future there, but maybe—just maybe—junior will go off the rails.

ITEM. I received a telephone call from a friend who works at a well-known media company. “Google,” said my friend, “is not responding to my email and not returning my telephone calls. What can I do?” The issue involved removing a particular story as a result of a legal action. No big deal to me, but it was an ulcerating moment for my friend. I’ve heard that Google has had partners set up meeting and then, without warning, not attended, asking the partner “to cover”. I ran into the tough skin of Googzilla when my partner asked me to contact the company about Google’s work for the State of Tennessee. I expect Googzilla to ignore me, but these other examples hint at an administrative issue. Annoy enough partners, prospects, and journalists; and some may see Google suffering from colic—maybe something much more debilitating?

Let’s hypothesize. First, about amplification and next about attenuation.

Amplification means that Google’s “beta spray” approach to innovation works to stimulate demand for its product and services. Ad revenues continue to flow, providing the nutrients for Google Labs. A feedback system develops, which over time, allows non-ad revenues to grow organically and slowly. Ad revenue can flatten over time, but as long as there is a couple of percentage points of growth, Google remains the undisputed champion of cloud-based services. A downturn can be rectified with some prudent cost control. After all, is it necessary to have Tony Bennett serenade employees in the Google cafeteria? A financial nanny with knowledge of the word abstemious will quickly replace Mr. Bennett with an iPod and ear buds. Green lights flash green. Google is off to the races able to challenge anyone in a digital shootout.

Attenuation means that Google’s aging process changes the chemistry of the company. The 10-year-old has different notions of what’s fun and what’s important. Mothers learn than precocious 10-year-olds don’t listen except to what they want to hear. Their energy level remains high, but attention can become an issue. With change, some of the precociousness of the bright six-year-old becomes less cute. Some adults are baffled by 10-year-olds who veer from acting beyond their years to the behaviors of the terrible twos. More disturbing, attenuation can alter the nature of the child. If an organization suffers attenuation at a critical age—for the sake of argument—of 10, the risk is that the glories of the earliest years are lost. In Google’s case, the loss translates to billions and billions of dollars and the stability of the online advertising business and beyond.

I plan to watch Google’s behavior in the next few months. Will the Xooglers develop companies that “surf on Google”; that is, expand Google’s reach. Or, will the Xooglers create companies that compete with Google in an effort to out Google

Google. What will happen if Google's ad revenues continue to erode? Will Microsoft marginalize Google first in the enterprise and then in the online advertising space? Will newcomers in search like Powerset or Radar Networks move from the shadows into the sunlight? Will companies like Autonomy have renewed opportunities in behind-the-firewall search with Google out of the picture? Will search engine optimization consultants have jobs if Google belly flops? Will AT&T and Verizon be able to continue their fierce competition once the pesky Google and its Android starve without adequate resources?

Google may be approaching an inflexion point. Will it be amplification (cheers from Wall Street) or attenuation (groans from employees and investors with polite applause from Autonomy-Microsoft-Yahoo)? An interesting scene in the Google drama is about to appear on stage. Let's watch.

Stephen Arnold

File name: google-earth-window.jpg

Figure caption: Bowdoin College uses Google Earth to help students, faculty, and visitors identify key buildings. Google's interest in making its technology available for universities provides insight into how the company is building awareness of Google technology in tomorrow's professionals.