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What Makes Google Click

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MOUNTAIN VIEW, Calif. -- The Google campus, an hour south of San Francisco off the unlovely U.S. 101 freeway, conforms to every stereotype of the techno wonder company. The offices are littered with lava lamps and beach balls and massage chairs and motorized scooters; the billionaire founders are 31 and 32; the workforce has doubled to around 3,500 over the past year, and a constant flow of job applicants passes through the lobby. Yet the real essence of Google is not stereotypical at all. The company has defied the conventional wisdom surrounding an earlier generation of Internet stars, which is why it stands a fighting chance against the internal contradiction in its business model.

The contradiction is that Google's famous search engine empowers consumers by putting product information at their fingertips, so blunting advertising's power; yet 99 percent of Google's revenue comes from advertising. Google is part of the reason why four in five of Ford's American customers arrive in the showroom having researched car options online, exuding nothing but contempt for Madison Avenue's expensive pitchmen. But Google's own stock price has doubled since its flotation last August, because investors apparently believe that the firm's own ad revenue, which jumped more than 20-fold between 2001 and 2004, will continue to skyrocket.

Have investors lost their minds? The dot-com bust proves this is entirely possible. But the case for the Google boom is that this isn't advertising of the old kind; it's a reinvention of the business. Old advertising was predatory, militaristic almost: There were "campaigns" to "target" passive consumers; the objective was to score "hits" on them. Googletising is an altogether gentler art. Ads aren't directed at consumers. They are directed *by* them.

To understand this change, remember that the early Internet ventures attempted no such revolution. America Online and its competitors -- such as Microsoft's MSN -- embraced the business model of television and the print media: Lure customers with news and entertainment; do everything possible to keep them on your own pages; sell advertising space that's priced according to how many eyes will see it. This model encouraged advertising that clamored rudely for consumers' attention -- banner ads equipped with catchy tunes, videos that pull your eyes away from static text and those infuriating pop-ups.

Google is entirely different. It offers no news or entertainment, and its Web site isn't cluttered with features designed to keep Web surfers on its own pages. Instead, it is a study in Zen minimalism, and its search engine transports visitors to other people's sites as fast as possible. Google is not interested in prolonging consumers' visits, for one powerful reason. It isn't trying to make people sit still so that banner advertisements can be beamed at them.

Instead, Google uses the information typed into its search engine to find out what customers may want. If you enter "Washington Nationals," Google's software may figure that you're in the market for tickets, or maybe for shirts with the team logo, and it will display classified ads for those products to the right of your search results. Because these ads have been chosen specially for you, they are less annoying than some random pop-up ad. Moreover, they are small. They do not beep or wink. They can be ignored painlessly.

Google has structured its own financial incentives to ensure that its ads are as useful as possible to consumers. Advertisers do not pay Google for posting their pitches; they pay according to how many consumers click on them. Ads that attract lots of clicks get displayed prominently on Google's search results; ads that get no clicks are dropped altogether. In this way, consumers themselves help decide which ads they see. They are no longer passive figures to be "targeted."

So Googletising is a way for companies to reach exactly the consumers they want and to pay only when those consumers demonstrate interest by clicking on their pitches. It is a way for producers to banish the old marketing cliché -- I know I'm wasting half my advertising budget; I just don't know which half. This starts to make Google's share price comprehensible. As a chart in the Economist recently showed, in 2003 Americans spent roughly the same amount of time surfing the Internet as watching television, yet nine times more advertising dollars were lavished on TV -- suggesting huge room for growth in Internet ad revenue.

Of course, plenty could go wrong. Rival search engines are as good as Google's now; the firm's easily searchable e-mail service has fewer users than Yahoo, AOL or Microsoft; Web surfing may migrate to cell phones. But, whatever happens to the Google share price, the firm's innovation is a glorious thing. The Internet has already allowed firms to reach customers without the cost of establishing a bricks-and-mortar store; now Googletising has reduced the need to spend start-up millions on unfocused image-building ad campaigns. With each click of those mice, start-up companies' barriers to entry are falling. The world will be more prosperous for it.