

>: Google Going Offline

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The recent success of many of these next-generation (Web 2.0) companies is unarguably due to a more advanced advertising infrastructure that has developed in recent years.

Google (Nasdaq: GOOG) has definitely played a major part in this. AdWords and AdSense help new businesses quickly and easily market their services and help other companies effortlessly monetize their traffic.

While I hate to use the phrase, "it's different this time" because it never is REALLY different, this latest advertising boom is definitely a bit different than what we saw last time around.

- Large networks that run CPM-based ads (advertisers pay by the number of people who simply "see" the ad) aren't dominating the market anymore.

- There are efficient markets in place to allow advertisers to limit the amount they spend on ads.
- There are more CPA-based (Cost-Per-Action) systems now than there were before.

With all of these factors combined, we've witnessed a transition from an "experimental" marketplace to a truly efficient market for serving ads and monetizing ad inventory.

The one thing I've heard a lot of talk about over the last 10 years, but not a lot of follow-through on, is the convergence of offline and online advertising. Meaning, how can one tie in the efficiency of online ad platforms with offline experiences?

It's quite difficult, and only very few companies are beginning to experiment with it.

Google began allowing certain advertisers to book print ads and will soon be experimenting with radio spots. But I'm talking about taking it a step further, for example, could we get a billboard thrown up for one of our web sites on a valuable piece of New York City real-estate quickly and in a cost-effective manner?

Well, normally I'd say, "Heck, no." It takes a long time to design a billboard, and it costs a pretty penny to put one up, as well. Furthermore, you'd have to go through somebody like Clear Channel in order to even access these outdoor advertising solutions.

But what if there were another way?

What if there were a way to put billboards up on valuable real-estate in any city in the world and get it done quickly and cheaply?

Well, that's exactly what I think Google and Microsoft (Nasdaq: MSFT) have just allowed us to do.

Both companies have been working tirelessly on enhancing their mapping offerings, and while it seemed like Microsoft was staying ahead of the pack, Google just launched "Google Street View" today.

Now when you look up a location on Google Maps, you can literally view that location as if you were standing in the middle of the street in front of it. You can turn around, zoom in, and even walk into the buildings and grab a cup of coffee (just kidding about the last part.)

This may seem like a novel feature and would be more for fun than for profits, but let's get back to my "billboard" question.

Let's say I'm looking for a certain restaurant or trying to find a new office here in New York. I'll use Microsoft's Live Maps or Google's Street View and get a full panoramic view of the area.

In that case, what would prevent Google or Microsoft from showing ads on these "virtual buildings"?

The answer: NOTHING! So that's probably what these companies will do.

So now companies can offer extremely targeted ads to people based on the precise geographic location they're browsing in at a fraction of the cost of traditional billboard ads. It would truly be remarkable to look up a particular location for a new office, stand in the middle of the street and see competing office ads hanging from every window.

How much easier would that make things for me, and how much more money would that make for companies like Microsoft and Google?

Google, having the superior ad infrastructure and technology, seems like the likelier bet in this space, but it's difficult to write Microsoft off. The

company has been innovating like crazy and the software giant may still have a few tricks up its sleeve.

But once these companies start offering ?offline? ads online, you can bet that it?ll give a tremendous boost to revenue and profits.

So keep your eyes peeled!

A handwritten signature in black ink that reads "Wayne Mulligan". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Wayne Mulligan
Chief Investment Officer

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