



...and the tail wagged

Google™ & the destruction of the media agency

Bharadwaj Ramesh

National Tactical Planning Director
MindShare China



A Thesis..

Google has revolutionized the internet search function and search marketing

Google's purchase of You Tube is the first step towards creating an online video pool that can be optimized and served to viewers and advertisers

Google will become the Electronic Program Guide of choice when it comes to video-accessed either on TV or on the internet

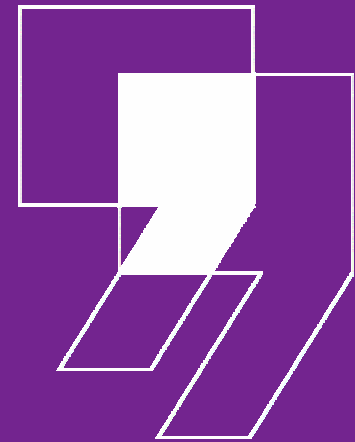
Google on TV (apart from internet & mobile) will render media agencies irrelevant





**Any advanced technology is
virtually indistinguishable
from magic**

Arthur C. Clarke



Internet is Magic

- Internet combines all forms of previous media-video, text, audio, and more...
- Internet is interactive, e-mail, blogs, BBS etc
- Internet, like TV, is a distribution medium defined by its content
- The sea of content, unlimited choice, user-participation needs a guide
- Search engines are the guide that make internet manageable and accessible
- And Google is synonymous with Search

Google Redefined Internet Search

■ Tagging

- All possible because Google bots crawled the web and index billions of pages
- Creating a database that can be readily accessed and utilized in delivering most relevant search results

■ Intent based

- Kept search pure, unalloyed by commercial interests
- Changed the rule of the search game by only showing truly relevant, important, and popular sites

■ Page-rank

- Mob-sense used to identify and serve truly relevant sites

Google Redefined Internet Advertising

■ AdWords

- Allows advertisers to buy key words that direct traffic to the advertisers web-sites
- Completely **transparent** and **dynamic** pricing key words

■ AdSense

- Allows sites to be used as part of the Google's advertising network
- Tagging & indexing of the web allowed Google to serve ads. based on relevant web content and user interest
- Pages with words 'java' and 'coffee' display coffee ads, and not ads for computer software associated with programming language Java

■ Analytics

- Provides campaign statistics directly to advertisers
- Eliminates middle-men, third-party providers etc

Google's Redefining Video Serving

- Google's core strength has been the ability to manage content- tagged, searchable and ready to serve
- Google will now refine this specifically for video. Video content can be indexed, tagged, appended, filtered, searched, and served to specific audiences based on their interest and intent
- This is where the You Tube purchase becomes important
- Google has also syndicated video content from various sources to be served on a network of sites- an extension of it's AdSense program



**Apparently unrelated
things become interesting
when we start
fitting them together**

**John Kouwenhoven
Mathematician**



TV's slowly but surely moving from Push to Pull

TV remains by far the most widely watched medium, and hence the most widely used medium by advertisers

This medium is poised for change from a one-way push medium to a two-way interactive medium

And many factors are driving this change

- Online video
- Telcos vs. cable operators
- TV sets with internet access

Online Video - Decreasing broadband costs

- Increasing broadband penetration
- Lower prices
- More bandwidth
- Richer content

Online Video - Falling hardware prices

- Hardware prices are decreasing leading to better and faster computers available
- Consumer electronics like video cameras, mobile phones, TV is falling



- Many people are now empowered to create and enjoy high speed internet and content, across the globe

Online Video -File sharing and open source software

- Rise of software and services to manage streaming/video - Brightcove
- Rampant file sharing thanks to BT/Limewire/Napster
- Global reach and difficulty in IPR enforcement

Digital TV's becoming a reality in many markets

- Compression technologies have improved dramatically
- Niching of mass media
- Rise of subscription TV
- Government drives implementation
- Race between telecom and cable providers
- TV manufacturers already have internet-ready TV

Telecom triple play to increase ARPU

- In most countries, particularly in developing markets, telecom is governed by a different Govt. ministry than media/TV/content
- Telecoms pursuing triple play aggressively but lack content
- Telcoms quickly run into regulatory barriers as they seek to distribute TV or content over their pipes
- Hurts the development of digital and mobile TV (South Korea for instance)
- Telcos have to pay for content, build a content library
- Telcos will start acquiring content ((China Mobile picked up stake in HK's TVB)

Telcos vs. Cable Operators

Competition to provide these services means that roll-out of enhanced or advanced TV services will be faster, the product offerings will continue to get better, and cheaper

The search to improve the viewing experience and convince users to adopt one of these providers will lead to innovation and the search for a competitive edge

Opportunity for Google

Google Gets on to TV

- Google has the ability to provide navigation in the interactive/digital environment for video
- Google, restricted to computer screens, doesn't have distribution yet – TV screens still dominant
- Google will choose sides/partners with Telcos/cable operators and become an EPG of choice
- Google will get into the TV screens. Turbo-charged version of TV Guide
- The real race is between EPG providers vs. Google
- Google will win

TV opens up

- Digital TV, with bandwidth provided by telecom or cable company
- Open to the 'internet' via set-top box or TV itself. Not a walled garden
- Google controls the interface
- Google will gradually build a 'video pool'
- Google manages the thousands of video downloads that are available, tagged and ready
- Google also allows for file-sharing between different set-top users- a viewer can log into his friend's set top box and download stuff- happens with BT already on computers

Google Gets Interactive

- Google will get heavily involved in interactive television. May perhaps even buy into some telecom companies
- Google already runs a free wi-fi network in Mountain View, CA
- Telecom companies will start buying/investing in content companies. The same applies for cable operators though in many markets, most of them have a strong content operation
- Interactive TV will be open, and not contained in a walled garden. Access to 'internet' possible
- Interactive TV users will have a menu of TV choices- conventional TV, special interests, user-generated, etc etc.

Google Dis-intermediates

- Consumer switches on TV. Google interface with PVR
- Access to video feeds tailored to his interest
- A mixture of regular conventional television, recorded programs, and feeds from the internet video pool
- Ads in conventional TV channels are continued to be sold by channels to advertisers (though that'll diminish rapidly)
- Google serves ads. on the EPG, the internet video pool, recorded programs, and on regular TV breaks
- TV channels will lose, not just viewers who will now watch from the video pool, but also revenues – as advertisers will start dealing directly with Google
- Google will become a long-tail aggregator of video content



Disruption is a process, not an event

Clayton Christensen
Author
Seeing What's Next



What would this mean?

- Consumers TV experience is shaped by Google that aggregates, tags, filters and serves millions of amateur and professional content of various lengths, tastes, genres etc
- The same consumer will use Google on his PC to search for information regarding products he intends to buy, or topics of his interest
- Google will serve ads to the consumer on PC and TV based on geo-demographic targeting, psychographic profile built of viewing tastes, and purchase intent (searching for mobile phone brands online means that this consumer will be served ads. related to this category)
- Google also has a network of print advertising and classified space with a targeted focus-extending a digital medium's reach into an off-line media

Googling towards Extinction

- **So, if Google controls the ad serves and optimizes campaign deliveries, with clear transparent pricing, what will the media agency do?**
 - Clients can buy from Google directly
 - Trading with Google on currencies for different consumers, geography etc.
- Advertisers will buy this consumer on a combination of exposure and effectiveness metrics- clearly, a person searching for mobile phones online is more valuable to Samsung than to Unilever
- Google provides **the** link between advertising on mass media (TV) and ROI

Delivering Mass Media Personally

- Google's accelerating a trend towards effectiveness, not just efficiencies
- Media agencies are sandwiched between the three
 - We don't understand consumers as well as creative agencies
 - We cannot be as efficient as Google or other automated trading and ad serving systems
 - We don't have a culture on working on return on investment like direct marketing agencies

Media Agencies vs. Creative Agencies

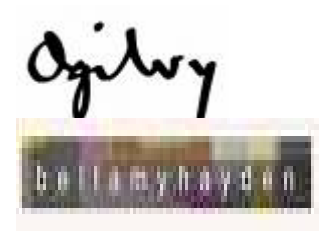
- Advertisers will continue to need creative agencies to create a compelling brand story- though an advertiser may have numerous such agencies vs. a media agency
- Creative agencies are perceived at being truly good at understanding consumers, and having great insights (how else do they come up with great commercials?)
- Most large creative agencies also have a direct marketing division –Ogilvy One
- Google will personalize mass media making it possible to treat audience as individual consumers
- Direct marketing agencies (like Ogilvy One) have an incumbent advantage in this environment vs. media agencies- who are used to efficiencies, not effectiveness

Barbarians@Gate

Formalizing budgets
Allocating budgets
Market prioritization
ROI

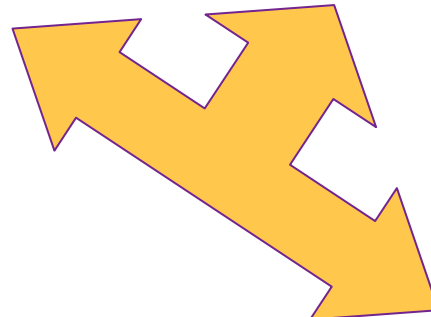


Understanding consumers
Generating ideas



Channel selection
Campaign optimization

Deals/Costs



Giving Legs to Media Agencies...

1. Hire and beef up direct marketing expertise
2. Move all clients to a clear ROI model
3. Wrest control of client relationship from the creative agencies through clear demonstration of consumer insights & big ideas
4. Invest in people from a 'servicing' background. We have no idea of how creative works but creative agencies possess people and talent who know how media works
5. Put TV people in-charge of handling enhanced, interactive, & online video. This's currently controlled by the interactive divisions of media agencies. Very myopic

Giving Legs to Media Agencies...

6. Work with and invest with companies that are testing/trying out interactive technologies on TV in local markets
7. Start linking media vendors/TV stations transaction systems into your own media administration platform and create a trading intranet- raising a entry barrier to an external automated and online inventory system
8. Conventional television will be bought and sold conventionally to reach certain mass/less affluent/illiterate/rural audiences and markets. Own knowledge of poorer consumers. Expand into developing markets
9. Retrain your media buyers
- 10. Remember, Google is not a search engine**



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2 August 2006

IPTV Guide FREE DOWNLOAD
iptv-report.com

Google recruits OpenTV chief technology officer

Google has hired the chief technology officer of interactive television company OpenTV. The online search and advertising company has been recruiting to develop its capabilities in interactive television with a view to the cable market and emerging IPTV or internet protocol television networks.

Vincent Dureau was a founding member of OpenTV over a decade ago after working in research and development for Thomson Consumer Electronics. He was responsible for many aspects of the OpenTV interactive television middleware and more recently has been advancing addressable advertising technology.

OpenTV says it does not plan to name a successor in the chief technology officer role, but David McLaren has been promoted to senior vice president for advanced digital television engineering.

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