## Google to dominate online ads?

The spectacular growth of the Internet has been driven by people using it to create communities that serve their own particular interests. It has been financed by organisations looking for a more effective route to market and advertise in places where potential customers congregate. These three elements come together in harmony and into potential conflict on social networking sites, such as YouTube and MySpace. These networking websites were set up to facilitate the exchange of videos, photos and stories and enable users to make connections, but their huge popularity brought them to the attention of much bigger players both from old and new media that realised their ability to attract users. Rupert Murdoch's News Corporation paid US$580 million for MySpace in 2005 and Google used US$1.65 billion of its own shares to buy YouTube in 2006.

News Corporation realised that increasingly young consumers were turning away from old to new media attracted by the user-generated content. Sites such as YouTube and MySpace offered a valuable way of reaching these consumers, particularly as they offered the potentially lucrative business opportunity to sell advertising space placed alongside content.

The problem was that the culture on these sites was not conducive to promoting advertising. Users like the fact that the sites 'break the rules' and are not part of the 'establishment' media. Before being taken over, YouTube had refused to insert adverts that could not be skipped over as they thought they might risk annoying or turning off users. Despite only being in business for 19 months YouTube had become one of the world's most visited sites.

Content included not just self-generated material but also video clips that users found and recorded from television, thereby infringing copyright laws in much the same way that a few years previously, sites such as Napster also infringed copyright by facilitating illegal music file sharing between users. However given the fact that YouTube had not made a profit, television companies had not taken YouTube to court, as there was little prospect of getting a pay-out and every prospect of alienating potential customers.

When Google took over YouTube things were different: suing Google for copyright infringement offered more attractive prospects. After claiming to have had a number of fruitless negotiations with Google, in 2007 Viacom's Nickelodeon, the children's television channel, launched a US$1 billion lawsuit against copyright infringement over Spongebob, a popular cartoon character and other properties. Viacom claimed that YouTube viewers had watched video clips of its shows 1.5 billion times. However, some commentators in the industry suggested that young consumers no longer scanned through television programme schedules, but rather used these sites to find out, and get 'tasters' of programmes, observing that usually the videos posted on the sites were clips rather than complete programmes. Suggestions were that if Nickelodeon material was removed from YouTube the loser would be Viacom. In contrast with Viacom, other media companies such as the BBC and CBS agreed deals with YouTube.

A further problem for potential advertisers was that because of the largely unregulated nature of the content of these sites, they included undesirable and embarrassing content, which advertisers would not wish to be associated with. For some users the illicit material may well provide the main attraction of the sites.

In defence of YouTube, Google claimed that the American copyrighting law covering digital media offered 'safe harbour' protection to online firms that acted quickly to block access to pirated material once they were notified by copyright holders of specific infringements and claimed Google removed material when notified. A senior executive of Microsoft observed that YouTube routinely identified spam and pornography and removed it from the site and it could just as easily do the same with pirated video clips.

As Google faced the lawsuit, News Corporation had taken action with MySpace to avoid the situation. It created its own website in 50/50 partnership with NBC to let viewers watch their material and they agreed to license their content for use on other video sharing sites, including MySpace, Microsoft's MSN, TimeWarner's AOL and Yahoo. Whilst videos were offered free, there would be a charge for premium content and money would be earned through advertising. The content included the Simpsons and other hit NBC shows and an online music shop to rival iTunes.


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### QUESTIONS

1. *What factors are affecting the growth of online global marketing communications?*
2. *What implications does this have for a*
   *a) Google?*
   *b) a global online advertiser of your choice?*

SOURCE: ADAPTED FROM 'GOOGLE'S YOUNG PARTNER', *THE ECONOMIST*, 10 OCTOBER 2006; D. RUSCHE, 'BIG MEDIA STRIKE BACK AT GOOGLE', *SUNDAY TIMES*, 18 MARCH, 2007 AND D. O'CONNELL, 'BIG MEDIA'S CHALLENGE TO YOUTUBE', *SUNDAY TIMES*, 25 MARCH, 2007