

Google sharpens aim on mobile marketing with AdMob

December 27 2009, By MICHAEL LIEDTKE , AP Technology Writer

(AP) -- Four years ago, Omar Hamoui was just another ineffectual entrepreneur trying to spruce up his resume in graduate school. Now, he's poised to become Google Inc.'s newest weapon as the company aims to extend its dominance of online advertising from computers to mobile devices.

Google is buying Hamoui's expertise in a \$750 million acquisition of [AdMob](#), a network for ads on iPhones and similar gadgets. He launched the business while struggling to support his wife and children as a student at the University of Pennsylvania's Wharton School.

Hamoui, 32, changed his life by setting up a system for advertising on mobile devices. Though that sounds simple, it was a breakthrough because Hamoui's network got around stifling controls that [wireless carriers](#) had imposed on the content their customers could see on their phones. The crack that AdMob opened in the carriers' "walled gardens" made it easier for independent programmers to profit from applications planted on mobile phones.

"It took a lot of guts because (the carriers) were the gatekeepers of the industry," says Rich Wong, an AdMob investor and board member who is with Accel Partners. "Back then, it was sort of like if you said no to the Godfather. Bad things could happen."

More than a year after Hamoui ignited the fuse, Apple Inc. blew up the status quo with the June 2007 introduction of the iPhone - which created

a platform for applications chosen by users.

That has spawned more than 100,000 mobile "apps" for doing everything from bird watching to cooking poultry. The revenue from AdMob's ad network is one of the main reasons application developers can give the programs away or just charge a few bucks.

"Omar was absolutely the tip of the spear in this mobile media revolution," says Jason Spero, general manager of AdMob's North America operations.

If Google's proposed acquisition is approved by the U.S. [Federal Trade Commission](#), Hamoui thinks he and AdMob's 150 employees will be in an even better position to turn mobile phones into moneymaking magnets.

[Google](#) is banking on it.

Drawing upon the more than \$20 billion in revenue that it generates from Internet ads, Google has been investing aggressively in mobile technology. The Internet search leader has developed a free software system, Android, that runs mobile devices and is experimenting with its own phone, called Nexus One, that could be sold directly to consumers.

Google believes explosive growth in mobile advertising will justify its spending. For now, the market remains relatively small, with U.S. mobile advertising revenue expected to reach \$416 million this year, according to the research firm eMarketer Inc.

AdMob has delivered nearly 140 billion ads on mobile Web sites and applications since its inception. That has helped AdMob double its revenue this year after tripling it last year. Hamoui won't be more specific, leaving it to analysts to estimate that AdMob's revenue this year

will range between \$45 million and \$60 million.

That's less revenue than Google generates in a day. Nevertheless, AdMob's early lead in mobile advertising could trouble antitrust regulators already concerned about Google's growing power. The Federal Trade Commission has asked for more information about the deal - a sign that regulators want to take a closer look at how it will affect competition in the mobile ad market, which is expected to quadruple in size during the next four years.

Only two of Google's acquisitions have been bigger than the proposed AdMob deal. Regulators quickly approved Google's \$1.76 billion acquisition of the Internet's top video channel, YouTube, in 2006 but took a year before signing off on the \$3.2 billion purchase of another Internet ad service, DoubleClick Inc., in 2008. (By coincidence, AdMob is headquartered across the street from where YouTube started in San Mateo, Calif.)

Google contends its AdMob acquisition won't hurt competition. Among other things, Google points to other mobile ad networks from rivals such as Jumptap, Mojiva and AOL and argues that mobile ads still don't generate attract enough spending to be considered a distinct market.

Hamoui started AdMob out of frustration a few months after he enrolled in graduate school. He was building a phone-friendly Web site to make it easier for people to share photos with their family and friends, but he couldn't seem to attract much traffic.

To get the word out, Hamoui bought ads that would appear alongside certain search results at Google, Yahoo and other engines. That ended up costing him about \$30 per referral, which he couldn't afford. So Hamoui decided to try advertising his site on other mobile Web sites, which are specially designed to work with the small screens and technological

restraints of mobile phones.

Hamoui found a mobile Web site willing to run his ad for dramatically less money and wound up paying just 10 cents per referral. The experience resonated with Hamoui's studies on efficient markets, and inspired him to build a network that would make it easier to advertise on mobile devices.

If nothing else, he thought he might be able to turn the ad network into a project that would let him get out of having a conventional internship during his summer break in 2006. As it happened, AdMob created enough buzz that Hamoui dropped out of Wharton in the spring.

One key element of his system is that it lets programmers specify when and where ads can show up while their apps are running on a phone. Advertisers, which range from mass merchants to other app makers, can aim their messages widely - for instance, to everyone with an [iPhone](#). Or ads can be aimed at a particular demographic. An ad for the movie "Fast and Furious" might show up on a mobile game such as "Tap Tap Revenge" that's popular among young men. The targeting frequently hits the mark: Users tend to click on mobile ads five to eight times more often than they do on PC ads, Hamoui says.

Jim Goetz, who joined AdMob's board after his firm, Sequoia Capital, put up the first \$4 million of the \$47 million in venture capital raised by AdMob, likens Hamoui to some of the other successful entrepreneurs that Sequoia has backed. That group includes Apple's Steve Jobs, Yahoo co-founders Jerry Yang and David Filo, and Google co-founders Sergey Brin and Larry Page.

"Omar is a lot like them," Goetz says. "He has the ambition, the intelligence and that special sparkle."

By selling his startup to a larger company, Hamoui is doing something those other entrepreneurs didn't. His investors say he didn't do it for the money - AdMob still had plenty in the bank, and Hamoui doesn't seem to be driven by striking it rich. He still drives a lime-green Toyota Camry that elicits good-natured gibes around AdMob's offices. When he splurges, he does so frugally. AdMob's holiday party is being held next month when the prices are cheaper.

"It just seemed like we would be able to do the things we want a lot faster and a lot better with the resources we will have at Google," Hamoui says. "We already have achieved a big part of what we wanted to do - getting [mobile advertising](#) going and making it possible for people to start a mobile company without having to do a deal with a carrier first."

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