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The Next President: Sponsored By Google

by Chris Copeland, Friday, Aug 10, 2007 1:15 PM ET

WHAT BUSINESS IS GOOGLE IN? That question has been debated as much in the past two years as war strategies and national budgets. We stand just over 15 months from the election of the next U.S. president, and one thing is clear. Regardless of the debate around Google's business, it is clear that Google is in the political business right now.

Much was made over the recent Democratic Candidate debate, presented on CNN in conjunction with the Google property YouTube. It was hailed as a breakthrough in connecting the almighty "youth" segment with the political process. But, why Google and YouTube? Clearly those companies exemplify the new wave of innovation and entrepreneurialship that is once again driving the markets and our culture, but is there a method to Google's madness here?

There are three areas that show why The Manchurian Candidate may be alive and well -- but this time, could the presidency be directly decided by an agenda that is all about Google?

The 'Air' Wave of Change

There is a pending 700 MHz spectrum auction being overseen by the Federal Communications Commission. This is the space that large carriers like Sprint and Verizon play in and are after in order to expand their own mobile networks and the profit-generating content they provide. Google has stated an interest in being a part of this auction and was striving to have the rules of what is required of winners in the auction changed.

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Google has stated it will bid the requisite \$4.6 billion to participate if it is required that the winner lease access to the airwaves at wholesale rates. Google and others believe that if this were to happen, it would open up competition in the mobile application space, which has lagged behind other developed networks, especially those in Europe. FCC Chairman Kevin Martin has said that if Google's changes are incorporated into the process, it may make others "less willing" to build out that network. His proposal is that the winners be allowed -- but not required -- to lease at wholesale rates.

Last week the final rules for auction were approved. Martin's proposal was approved, and the new system will require winners to allow all parties to use any device or application on their networks in the purchased band, with certain conditions. This means that Google and the whispers of its new GPhone and its enormous development team can turn their attention to application developments to expand its reach in the mobile space, more so than ever before. So, while Google did not get the full extent of its request approved, it certainly marks an important development in an area where Google aims to be a significant player going forward.

A Multi-Party System or a Monopoly

While Google looks at spending potentially \$4.6 billion on the wireless auction, it has another multi-billion dollar matter it would like to have settled. That, of course, is its acquisition of DoubleClick. Announced in April, the deal has been met with significant backlash and questioning from all corners. Currently the deal awaits Federal Trade Commission approval. At stake is potential control of the Web advertising ecosystem. A marriage of Google & DoubleClick creates a clear pecking order for all advertising online -- an order that would once again put Yahoo and Microsoft in a trailing position.

While Microsoft's acquisition of Aquantive and Yahoo's purchase of Right Media have swiftly moved through the FTC oversight process, the Google deal lingers. Why? Many say an acquisition of this nature makes Google an online monopoly. Scott Cleland, president of telecom consulting firm Precursor LLC, released a white paper in which he suggested, "With [about] 60% share of each of their respective technology platforms, search and display, technologies which are mutually-reinforcing, the combination would enable a horizontal merger to monopoly, which would harm users, advertisers and

content providers with higher prices and less choice." And if the FTC review wasn't enough, the European Commission has also opened up an investigation.

Beyond the monopoly issue sits an even greater concern for many groups around privacy and data retention. While Google has made noted commitments recently, groups such as the Electronic Privacy Information Center and the Center for Digital Democracy have urged the blocking of the acquisition unless Google can present a plan to comply with previously established standards for online advertising conduct. The groups stressed that the increased collection of personal information of Internet users by Internet advertisers poses far-reaching privacy concerns that the FTC should address.

All of this adds up to the greatest challenge to-date for the Golden Empire that is Google. Where Microsoft and Yahoo have failed in their attempts to compete and succeed against Google, now Google finds government regulations and watchdog groups barking loudest and presenting the most real hurdle to long-term success beyond the confines of search activity.

Buying an Election

A *USA Today* story from 2005 detailed the burgeoning impact that a growing company, flush with IPO riches, could have in the political spectrum. During the 2000 campaign Google employees contributed a whopping \$250 to political campaigns. By the 2004 campaign that number was up to \$207,000. When compared to the \$3.1 million contributed by Microsoft employees, it was clear that Google had yet to flex any political muscle.

But, where it gets interesting is when you look at the updated details and who is getting the money. As measured by the Center for Responsive Politics, companies classified in the Computers/Internet sector contributed 54% of their dollars to Democrats in 2004, and 52% in 2006. By contrast, Google contributions skewed much more Democratic, with 99% of contributions going to Democrats in 2004, and 91% in 2006.

It is expected that the eventual presidential nominees coming out of the two parties will need to have raised half a billion dollars to reach the finish line of this race. To date, Google employees have

out-contributed Microsoft employees toward the 2008 presidential candidates -- a stark contrast to the 10:1 contribution margin that existed in 2006. Google has also lost one of its early employees to the presidential campaign of a prominent Democratic campaign, and overall contributions are firmly maintaining the 90-10 Democrat/Republican split. Of final note, neither Larry Page nor Sergey Brin has contributed directly to a presidential campaign since starting Google.

The Net Gain for Google

It is a well-established fact that any change in commander-in-chief, like a change in Congress, has a dramatic and substantial impact on companies in all sectors. As Google tries to rewrite the rules on how advertising is done and expands its reach into all spectrums of communications, the importance of Washington will only grow. Over the past two years Google has grown its Washington lobbyists base from 0 to 12 (a sizable number for a technology company), hosted four 2008 presidential candidates on its campus (three Dems, one Republican) and established its own political action committee that has already out-raised its 2006 total.

So, will the next president be hand-picked by Google? No. But the money and interests of Google and its employees will most certainly influence who becomes the 44th President of the United States and how Google develops its business in the next four years.

Chris Copeland is senior partner/managing director for Outrider, a search marketing firm headquartered in St. Louis and a GroupM company. Contact him at Chris. Copeland@outrider.com.

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