

## Title:

Google's Free Phone Proposal

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## Summary:

Google CEO Eric Schmidt made a comment speaking at Stanford's School of Business a few weeks ago that has rattled teacups all across the communications industry. Schmidt commented that he could see a future that included free cell phones provided to users who accept watching targeted advertising.

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## Keywords:

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## Article Body:

Google CEO Eric Schmidt made a comment speaking at Stanford's School of Business a few weeks ago that has rattled teacups all across the communications industry. Schmidt commented that he could see a future that included free cell phones provided to users who accept watching targeted advertising.

His observation was that mobile phones are adopting more and more characteristics that bring them closer to handheld computer status. Their functionality has expanded to text messaging, email and web access. Schmidt referenced research that predicted a rise in cell phone use to as much as eight to 10 hours a day for purposes of talking, texting and using the Web. With a device so thoroughly integrated into personal daily life, advertising becomes a viable form of revenue - and hence, a source of subsidy for free phone distribution.

With a nod to reality, Schmidt observed that mobile phones may never be completely free. He noted that newspapers have had a financial model based on advertising for a century, but have never been free - although they are certainly inexpensive. Actually, some of the more successful newspaper ventures remaining are the free neighborhood weeklies that land on your doorstep. On the other hand, television empires were built on advertising and the networks have never been known to subsidize TV distribution.

Google has been experimenting with providing text and video ads to cell phones with LCD screens. They have developed alliances with some of Japan's telephone networks, where shopping via the cell phone screen has become a reality. According to Schmidt, however, Google has no current plans to give away phones and he is unaware of any effort by phone manufacturers, cell phone service providers or Internet phone services to do so.

However it is a mistake to ever take offhand remarks from Google executives lightly. While the question of phone availability either at low cost or cost free remains an open one, the specter of advertising on cell phones is no longer a question at all. Cell phones will soon be able to provide the targeting data for advertising that computer clicks provide now. When advertisers are able to harness that data, the cell phone advertising market is going to become increasingly enticing.

An analysis of Google's acquisition of YouTube included the observation that with the fragmenting of broadcast television, there were \$67 billion in annual advertising dollars out there in the hands of people who are uncertain where to place them. This particular analysis speculated on the possibility of Google's ability to guide some of those dollars to YouTube.

Google's notion of utilizing the cell phone as an advertising vehicle should be considered in the same vein. It may not be on the radar screen currently, but that doesn't mean that a company with the money, the power and the talent of a Google can't put a major blip on that screen in short order.

From Schmidt's perspective, the market is going to be there. Google's \$9.3 billion in 2005 revenue was derived from the sale of advertising and positioning on its search service. They understand the new advertising platforms better than any other corporate entity in the business. Google has said that one day, mobile phone ad revenue will match computer based ad revenue.