



Stanford eCorner

How Does Google Actually Make Money?

Larry Page, *Google*; Eric Schmidt, *Google*

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Video URL: <http://ecorner.stanford.edu/videos/1081/How-Does-Google-Actually-Make-Money>

Google makes money through selling targeted advertising on its site, which is more effective than broad-based advertising. In addition, they receive revenue from providing search capabilities to other companies, says co-founder Larry Page. Surprisingly, the model used today is remarkably similar to the original business model presented to venture capitalists.



Transcript

I do have a question for you Larry. Did you just sort of stumble into the way we make money or was it part of a brilliant vision when the company was founded? That's an excellent question Eric. I'm actually serious because my impression is that the company sort of invented it after like years. We are actually remarkably accurate to our original business plan we presented to the venture capitalists and it was probably an accident more than our real vision on our part could. We did have this idea that people when they did search, it would be a good place to advertise to people; that will be one thing and the reason for that is when someone does a search, let's say they search for golf clubs you know exactly what they're looking for. Chances are pretty good that they're going to buy some golf clubs. It's not 100% but it's a lot higher than you know if I pick one of you in random and say, "Are you going to buy golf clubs?" So advertising once you know exactly what someone is looking for is a very effective thing and it's very much unlike traditional advertising where you are just targeting everybody or very broad groups of people. So we had a pretty strong notion that that will be valuable. We also note that search was going to be a hard thing that people cared about and as people spend a lot of time searching and that's just go up because there is more and more information and more value from searching that information. And so there's clearly going to have value to other people as well and we've made lots of significant money providing search to other companies such as Yahoo and now AOL with our announcement today.