Daniel Colin James
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This Is How Google Will Collapse

Reporting on Google's future with today's facts

Illustration: Mandela Smith

Google made almost all its money from ads. It was a booming business—until it wasn't. Here's how things looked right before the most spectacular crash the technology industry had ever seen.

The crumbling of Google's cornerstone

Back when Google was still just an idea, its founders thought that "advertising funded search engines [would] be inherently biased towards the advertisers and away from the needs of the consumers."

They changed their minds.

With that change, Google became one of the wealthiest, most powerful companies in history. Search was Google's golden goose, as well as its only unambiguous win. So when Amazon rapidly surpassed Google as the top product search destination in 2017, Google's foundations began to falter.

Amazon was fighting Google on its home turf, and it was winning. Even worse, the people turning to Amazon over Google for their shopping searches were from the most important group for advertisers and the future: young people. Advertisers followed them, and Amazon began to siphon away ad dollars that once went to Google search ads. Google's mighty engine had started to sputter.

> Google realized that it was hard to convince people who were used to getting something for free that they should now pay for it.

A shift from search to discovery also started to take shape in the late 2010s: When shoppers weren't searching for things directly on Amazon, things were finding them. Advertisers realized that money previously spent on Google's search ads was better spent either on Amazon ads or native ads in content feeds, like Instagram and Facebook. Google had no engaging content feeds, so it completely missed the wave, just like it had with social media and instant messaging.

Seeing the signs on the horizon, Google tried unsuccessfully to find revenue in areas other than advertising. Google struggled to make money with its hardware, cloud services, and wildly ambitious "Other Bets" categories.

For all its efforts, the money Google earned from its nonadvertising ventures only ever accounted for a mere 15% of their revenue. And revenue from Google's moonshot "Other Bets" didn't even cover a small fraction of the increasingly massive fines the company started to receive from looming regulators.

The war on ads

In late 2015, Apple—Google's main competitor in the mobile space—added a feature to their devices that allowed users to block ads.

Devices running iOS were responsible for as much as 75% of Google's revenue from mobile search ads, which is probably why Google was paying Apple billions of dollars every year to remain the default search engine on Apple devices. By making this move, Apple was simultaneously weighing in decisively on the great ad blocking debate of the 2010s and dealing a substantial blow to the future of online advertising.

This move from Apple reflected the unprecedented mainstream adoption of ad blocking software happening at the time. Having one of the biggest technology companies on the planet standing behind consumers only emboldened the movement.

Well over a quarter of desktop and laptop users in the United States were blocking ads by the year 2018. Those users would soon block ads on their mobile devices, too, as mobile ad block usage eclipsed desktop usage in 2017 and rose even faster.

Source: 2017 Adblock Report/PageFair

Mobile ads were one of Google's biggest areas of growth during its final years of domination, but people started to block mobile ads en masse once they realized that ads and tracking scripts were costing them as much as $23 per month in bandwidth and using up a significant portion of their battery life.

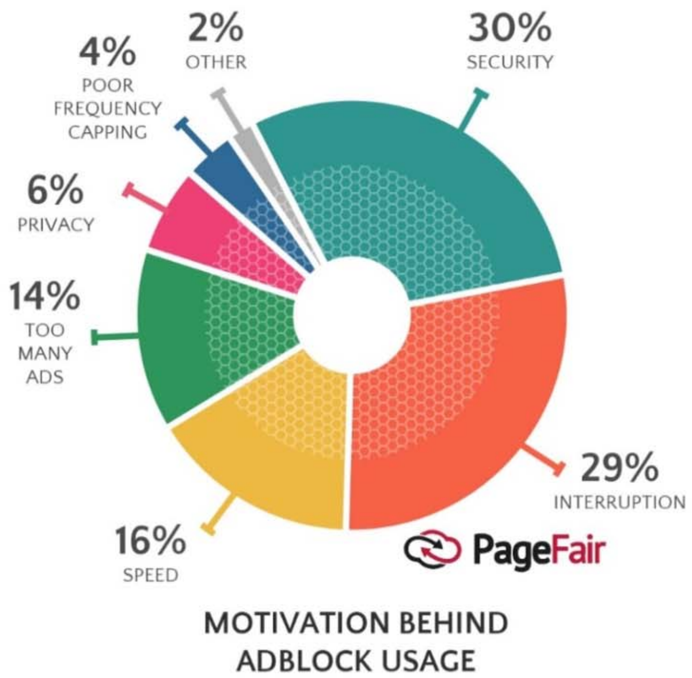
Research showed that 54% of users reported a lack of trust as their reason for not clicking banner ads, and 33% found them completely intolerable. The average banner ad was clicked on by a dismal 0.06% of viewers, and of those clicks, over 60% were accidental.

Even those who weren't blocking ads had trained themselves to ignore them entirely. Researchers dubbed this phenomenon "banner blindness."

The people most likely to block ads were also the most valuable to advertisers: millennials and high earners. Young users are a strong indicator for future trends, and they were heavy users of ad blocking software. Internet users had spoken, and they hated Google's ads.

The ad blocking epidemic presented significant threats to Google's business: People were getting used to using the internet without seeing ads, and Google was losing money every time their ads were blocked.

In early 2017, Google made the desperate, confusing, and legally questionable decision to add its own form of ad blocker to Chrome, but it did nothing except attract more antitrust regulation. It would quickly become clear to Google that even though ads were getting slightly better, ad blocking numbers would continue to rise.



Source: 2017 Adblock Report/PageFair

Later, in 2019, Google tried to make it harder for users to block ads in its then-dominant Chrome browser. All while Google was paying huge sums of money to let its ads through the most popular ad blocking software.

Google wasn't willing to acknowledge the problems people had with the system they helped create, and it was clear that the company had no idea what to do when people started rejecting it. Too many people had become accustomed to a web without invasive banner ads following them around and slowing down every site they visited. Internet users had waged a war on ads, and Google was losing.

An unprofitable behemoth

A key platform where Google served ads was YouTube, which it bought in 2006 and quickly turned into one of its biggest entities. But even with a sixth of the world visiting this video-sharing behemoth every month, YouTube never became

While attempting to coax big brands and advertisers onto the platform in the hopes of finally turning a profit, YouTube misunderstood, alienated, and downright angered the creators and communities that had turned the platform into a global phenomenon.

In an attempt to combat the effect of ad blockers, Google launched an ad-free subscription model in late 2015, but the subscription numbers were underwhelming, and eventually, Google realized that it was hard to convince people who were used to getting something for free that they should now pay for it.

YouTube ads were interruptive and annoying to users, and the video-sharing site never proved to be as effective for brand awareness advertising as Google needed it to be. Global ad spend continued to move online from traditional media, but it wasn't going to Google's platforms.

The turning tides

Google's products were free, innovative, and used by billions of people. In order to get access to these free products, people had to give up their personal data and their valuable attention. Google's ads weren't something its users wanted—they were simply a tax for accessing the Google ecosystem.

Google was enticing people into trading their privacy, data, and attention for the convenience of its amazing free products and services, some of which had no good alternatives. However, scandal after scandal after scandal proved that the trade might not be worth it, and people started to question what they were giving up by clicking "I agree."

> Every word uttered to Google Assistant, every action in any of Google's numerous apps, and every data point about every one of their billions of users was stored and analyzed in the name of more accurate advertising.

And it wasn't just Google's users questioning the trade-off. Regulators and decision makers also finally started to understand how free internet products and services made money, and the companies behind them soon faced a long-awaited reckoning.

With its golden goose getting old, ad blocking rising, public opinion shifting, regulation closing in, and all of its ambitious bets on the future failing to make money, a lot was riding on Google's next moves.

It made the wrong ones.

How Google missed the chance to pivot

If losing a major portion of their audience and annoying the rest wasn't bad enough, Google also failed to get ahead of one of the biggest shifts in the internet's history.

Google's strategy since day one could be summed up as "aggregate and advertise," as George Gilder put it in *Life After Google*. Every word uttered to Google Assistant, every action in any of Google's numerous apps, and every data point about every one of their billions of users was stored and analyzed in the name of more accurate advertising.

Google's business model was built on the foundational belief that in order to serve ads accurately, it had to collect and analyze as much data as possible from as many people as possible. This belief led the entire advertising industry to turn the web into a monstrosity of tracking and surveillance.

The holy grail of accurate advertising is perfect targeting and perfect attribution: getting an ad in front of the right people, knowing exactly when and where someone saw an ad, and being able to prove where credit is due when they make a purchase.

The entire industry was spinning its wheels chasing this vision, but eventually realized that its approach to the problem was completely backward. A vast, seedy, unfathomable landscape of tracking tendrils spanning the entire web would only ever overcomplicate things, ruin the user experience, and enable a staggering amount of ad fraud.

True attribution and accurate targeting used to be rocket science, black magic, and nearly impossible.

The breakthrough was this: If everything from interest matching to ad placement happened inside the user's device, it would be possible to show the user ads they would actually find relevant and understand exactly which ads they interacted with and how, all without the user's private data ever leaving the device.

It turned out that ads didn't need to broadcast a user's private data into the ether in order to be accurate, nor did they need to slow down websites and cost the user their bandwidth and battery life in order to fund good content.

> Treating people as people turned out to be a winning strategy — not just for advertising or the bottom line, but for society.

As Google's revenue grew, so too did consumer awareness of how Google was profiting from our data and attention. We became increasingly unwilling to exchange privacy for convenience. We stopped clicking "I agree," a trend that only accelerated when the company was forced by regulators to be more transparent about its business model. A perfect storm was brewing.

Early signs of Google's demise became clear toward the end of the 2010s, as its revenue growth began to slow and hardly anyone even noticed as the company's foundational principle was quietly proven false by the creator of JavaScript (ironically, one of the very tools that had been weaponized by the dark side of online advertising).

Brendan Eich created JavaScript while he was working at Netscape. After Internet Explorer killed Netscape, he co-founded Mozilla and restarted the browser wars to take down Internet Explorer with Firefox. Several years later, when Google dominated the web with Chrome, Eich created Brave to fundamentally change the economics of the internet.

The companies that thrived were the ones that understood that people are not pawns in a game of corporate chess, bids in an infinite automated auction, data points in a sea of categories, or correlations in obscenely large data sets. People are people. And treating people as people turned out to be a winning strategy— not just for advertising or the bottom line, but for society.

From the Social Decay series on Behance by Andrei Lacatusu

Google wasn't forever

At its peak, Google had a massive and loyal user-base across a staggering number of products, but advertising revenue was the glue that held everything together. As the numbers waned and the competitors circled, Google's core began to buckle under the weight of its vast empire.

Google had been a driving force in the technology industry ever since its disruptive entry in 1998. But in a world where people grew to resent being tracked and profiled, Google's business model was not innovation-friendly, and it missed several opportunities to pivot, ultimately rendering its numerous grand and ambitious projects unsustainable. Innovation costs money, and Google's main stream of revenue had started to dry up.

In a few short years, Google had gone from a fun, commonplace verb to a reminder of how quickly a giant can fall.

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Disclaimers: The author owns a small number of Basic Attention Tokens (the utility token that makes Brave's model possible). This article was updated on May 5, 2019. The original version as mentioned in Life After Google *was originally in the* Hacker Noon *publication and can be found here. The Brave download link above is a referral link, and I'll earn a little bit of BAT if you use the browser.*

Daniel James (@dcwj) | Twitter

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