

Google profits fall as ad revenue declines

SAN FRANCISCO, USA: The rise of smartphone use to access the internet has slowed the number of clicks on advertisements and cut into profits earned by Google in the third quarter of the year. revealed.



Widespread use of smartphones has seen Google's profits fall in the third quarter in response to the lower-priced ads offered on mobile services. Image: AdamR [Free Digital Photos](#)

Google says while its overall revenues had risen, its underlying performance suffered from a buying spree spent on recruiting top talent, resulting in its profits being slightly lower than they were last year.

Net third-quarter profit fell 5% to \$2.8bn, while revenue grew 20% to \$16.5bn.

Paul Ausick at the finance blog [24/7 Wall Street](#) said Google's revenue fell short of expectations, and that revenue from "paid clicks" from online ads was also disappointing.

A key indicator for the market, the number of clicks on ads on its sites rose by 17.0% on a 12-month comparison, but this was sharply down from growth of 28.0% in the second quarter. Each click generates a payment by the company which has placed the ad.

The market also pays close attention to another indicator, the average price of each click. This fell by 2.0% after a fall of 9.0% in the previous quarter, in line with a falling trend for two years.

Lower price ads for smartphones

Analysts say it reflects the increase in the use of smartphones on which companies can run ad campaigns at lower cost.

Google's expenses were also higher, led by some \$2.4bn spent on building new data centres.

Chief Finance Officer Patrick Pichette said, however, that the company had a strong performance this quarter, adding that Google is excited about the growth in its advertising and emerging businesses.

Pichette said expenses were higher because of aggressive hiring that saw about 3,000 jobs added to bring the company's headcount, bringing it up to 55,000.

"We continue to attract and hire the best talent from the best colleges and universities around the world," Pichette said in a conference call. "It's very clearly an extraordinary quarter from a hiring perspective."



Google's Patrick Pichette confirmed that profits for the company were down partly as a result of lower advertising revenue generated by the widespread use of smartphones.. Image: [WordStream](#)

While Google has been the undisputed leader in online advertising, it is facing new challenges, notably from firms like Facebook.

According to the research firm eMarketer, Google is expected to boost its market share in online advertising to 32.4% this year, while Facebook will hold around 8%. But eMarketer says that in the US, Google is losing market share.

Google last week upgraded its Nexus line of devices, adding a new tablet and smartphone, and unveiling its revamped Android software, dubbed "Lollipop".

It also announced the launch of a streaming media player for music, movies and videos, which allows users to play games via an Android TV device.

The new devices give Google and its Android partners a broader portfolio to compete against Apple, which launched two upgraded large-screen iPhones last month and unveiled new iPads last week.

Omid Kordestani, who was officially named Chief Business Officer at Google, said the company showed continued momentum in its core business and exciting innovations in other areas.

Source: AFP via I-Net Bridge

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