

Chairman: Our next witness is Mr. David Fischer. He's the President of Online Sales and Operations for Google. He is responsible for the company's internet sales channel and operations of its advertising program in North America. Welcome.

David: Thank you. Chairman Velazquez, Ranking Member Chabot and members of the committee, it's a great pleasure to be here to testify about American small businesses, which are one of the most important and dynamic facets of our economy.

Google is committed to helping small businesses prosper on the internet. Indeed, much of Google's success is predicated on the success of our small business customers and partners and we place tremendous value on this relationship with these entrepreneurs. For many of them, their success is fundamentally linked to the continuing growth of the internet. Today, hundreds of thousands of businesses are using Google advertising to reach customers and hundreds of thousands of website owners are generating revenue by placing Google ads on their pages. A significant majority of these partners are small businesses and our tools are helping them compete and succeed in the global marketplace.

In my testimony this morning, I'll first explain how online advertising enables small businesses to connect efficiently and cost effectively with new customers. Second, I'll explore how advertising partnerships provide new sources of revenue for website owners. And last, I'll offer some comments on future trends in the internet economy and important implications for policymakers.

Online advertising enables small businesses to affordably and efficiently find their customers, whether it's a local plumber reaching a new customer down the block, or a niche antique dealer connecting with a collector overseas. Small businesses are using Google's advertising program, known as AdWords, as a sort of matchmaking service for new customers. Through a simple online tool, businesses create short text ads for their products that appear when a Google user conducts a search. For example, a Google search for the word flowers will show you both relevant search results, as well as ads from local and national florists.

We found that our advertising system gives small businesses a level playing field to compete efficiently with much larger companies. Any business can get started with just \$5. Here's one example. Bulb America, a Brooklyn, New York based lighting fixture company got started in 1998 with just two employees. It's grown to over 25 employees with \$6.5 million in total sales in 2007. Today the company attributes about 65% of those sales, or over \$4 million last year to Google advertising. Chairman Velazquez, Bulb America is just one of thousands of businesses in your district and across the US that are finding new sources of revenue through our advertising program.

But Google advertising isn't just helping small businesses find customers more efficiently, it's also helping to find a whole new breed of online entrepreneurs. In 2003, Google created a program called AdSense which pays website owners to place our ads on their pages. Every time someone clicks on one of those ads, the advertiser pays Google and we share a majority of that revenue with the website owner. Our business model enables entrepreneurs, educators, bloggers and others to generate revenue by sharing their expertise and opinions with the world. In many cases, these individuals are able to dedicate themselves fulltime to their websites because of the support they receive from our advertising programs.

In 2007, for example, Google paid out \$4.5 billion to our partners, thousands of whom are small businesses and entrepreneurs. Chairman Velazquez, in the 12th District of New York alone, we paid out more than \$51 million to more than 6,000 AdSense partners last year. AsktheBuilder.com is just one example of a small business success story. Based in Cincinnati, Ohio, Tim Carter delivers practical tips for handymen across the country. In April of 2004, Carter added AdSense to his website and immediately experienced a jump in revenue of 400%. Today, Tim Carter receives a monthly check from Google that averages about \$42,000 and he is just one of 2,000 businesses in the 1st District of Ohio with whom we share a total of 1.6 – we shared a total of \$1.6 million last year. Thousands of small businesses are using online advertising to create new economic opportunities and flexibility. We at Google are very pleased to help support this proliferation of economic activity, free speech and entrepreneurial spirit.

I'd like to conclude with a few thoughts about the future trends we see emerging in the internet marketplace and how they might impact this Committee's work. First, the vast majority of our advertising customers and partners hosting our ads are not *Fortune* 500 companies, but small firms creating niche products for specific audiences. The web allows users with individual tastes to find these niche products and services more efficiently and the economic potential of this content is driving some of the most innovative online businesses today. We believe that the continued growth of small business is dependent on fostering activity among the millions of individual users and companies who make up the vibrant online community. As the Committee continues its important work as a champion of small business, I would encourage you to constantly consider how any new laws and regulations will affect these online entrepreneurs.

Finally, we must continue to preserve the internet as an open platform. Just a decade ago, Google's founders were graduate students at Stanford University when they launched their small business, a new approach to searching the internet. A free and competitive online network and open standards enabled the success of Google's search engine. Preserving this openness online is critical to ensuring the success of a new generation of small businesses. As policymakers interested in promoting small business, I urge you to consider the openness of the

internet as a guiding principle in your legislative work, and as a critical component to ensuring the continued success of American small businesses. We look forward to continuing our partnership with these businesses and to answering any questions you might have about our efforts. Thank you.

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