

## Google in talks to buy mobile advertising network InMobi to counter Facebook's ad dominance

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BENGALURU: Google is in talks to buy mobile advertising network and one of India's earliest startup posterboys, InMobi, the planned acquisition being the US-based Internet search behemoth's first in India and part of a strategy to counter Facebook's dominance in advertising on mobile devices.

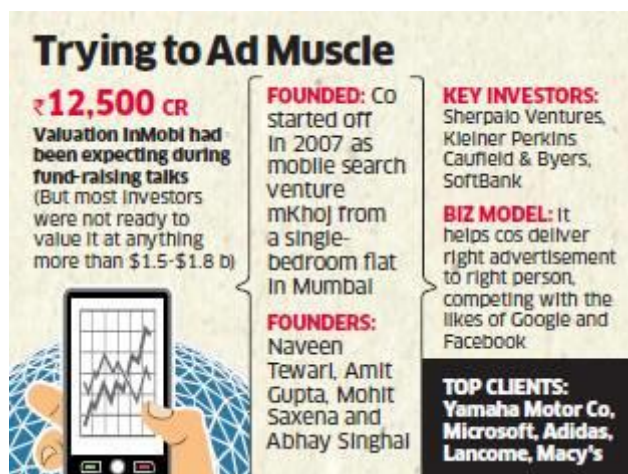
Two sources familiar with the talks said Google would soon initiate a technology due diligence of Bengaluru-based InMobi followed by discussions on commercial terms. Although financial specifics are still to be discussed, InMobi had been looking for a valuation of over \$2 billion (Rs 12,500 crore) in its discussions with investors for its next round of funding.

One person said exploratory talks between Google and InMobi first started last September, went nowhere and had resumed again. "They are now talking formally, the next step is a technology due diligence," said this person. The second source said the impetus for the talks was an increase in competitive intensity, especially from Facebook.

"Things were different last year, both for Google and InMobi. While Google was not facing the amount of heat it's witnessing today from Facebook on mobile, InMobi too was confident of raising another funding comfortably," this person said, adding that Ram Shriram of Sherpalo Ventures, an early investor in both companies, had played a role in the talks. Both sources requested anonymity because they were not authorised to talk about the deal. Google declined comment saying it did not respond to speculation. InMobi too said the same, and an email to its founder and chief executive, Naveen Tewari, went unanswered. Ram Shriram was not immediately available for comment. A deal, if consummated, will make it the biggest transaction so far in India's red-hot startup space that has seen acquisitions by highprofile Silicon Valley biggies such as Facebook and Twitter. In January this year, Twitter acquired Indian mobile marketing startup Zip-Dial for around \$30 million to bolster its capabilities in the mobile ad segment, especially in fastgrowing emerging markets. A year before that, Facebook acquired Bengaluru-based Little Eye Labs, a startup that specialises in analysing mobile data.

### EARLY STARTUP SUCCESS

InMobi, founded by Tewari (37) and fellow IIT-ians Amit Gupta, Mohit Saxena and Abhay Singhal in 2007, is one of India's earliest startup success stories. Having begun life as mobile search venture mKhoj from a single-bedroom flat in Mumbai, it later changed its name, business model and thereafter grew steadily in size and profile, acquiring along the way marquee investors such as Sherpalo, Kleiner Perkins Caufield & Byers and SoftBank.



Its services are centered around helping some of the world's biggest brands deliver appropriate advertisements to the right person at the right time, a data-driven mobile advertising business where it competes with global biggies such as Google and Facebook. It counts a raft of top global brands including Japan's Yamaha Motor Co, Microsoft, Adidas, Lancome and US retailer Macy's among its clients and delivered advertisements from these firms to nearly a billion mobile phones. After growing at a healthy clip for a year, InMobi is seeing headwinds of late. The 'ad tech' space that InMobi operates in has been under pressure globally, with players such as Millennial Media and Rocket Fuel finding it challenging to grow amid competition from Facebook and Google.

Among investors too, scepticism has been rising. InMobi was in talks last year to raise around \$300 million from fresh investors at a valuation in excess of \$2 billion, ET reported last June, but most investors were not ready to offer it a value more than \$1.5-\$1.8 billion.

### **VERY LITTLE DIFFERENTIATION**

"Money is in two sides of the spectrum — the space where Google is, where one explicitly states intent, and the space where Facebook is, where the platform knows about you indirectly. There are a lot of spaces in between where companies are playing. But there is no money in these pockets," said Mohan Kumar, executive director of Norwest Venture Partners, India, a firm that has invested in companies such as Komli Media and USbased Turn. "The differentiation in ad tech is very less. But the real value is showing the impact of your algorithm on conversion rates. That is not easily established. Even if your algorithm is a little better than the next, what's to say the next guy won't come in and displace you?" he said.

Since they first held exploratory talks last year, things have changed for both InMobi and Google.

In January this year, Google, which dominates Internet advertising on desktops, reported fourth-quarter profit and sales numbers that missed estimates because of cut-throat competition from Facebook in the mobile advertising segment.

The average price of ads for Google fell by 3% in the fourth quarter, as time spent by users on devices such as smartphones and tablets increased.

"Facebook Atlas has the promise of disrupting the future of advertising as we know it while most industry players are not even close," said Michael Becker, co-founder of research firm mCordis, and author of the book 'Mobile Marketing Fundamentals'.

Becker was referring to Facebook's potential to address certain imperatives such as changes in consumer behavior, approach to privacy in the data age, understanding the online-offline customer journey touch points, among others.