

next tuesday afternoon

february 5, 2008

Now news a few days old, the offer of \$44.6 billion made by Microsoft for Yahoo has settled down in the rank and file of the industry. Nearly everyone's response? Great, who else will do it, but Microsoft can't solve it's core problems by buying what Yahoo can bring to the table, most notably an online advertising market.

Combining the companies won't cause more people to use their search engines and does nothing to address the fragmentation of audiences to smaller Web sites. Also, any benefits would only begin to appear after a long transition period.

As we've seen with other unholy alliances (Time Warner/AOL), they'll spend six months to a year trying to integrate themselves while Google keeps innovating. Many believe it would be 2010 before advertisers saw tangible benefits.

The number one problem area in terms of attracting more advertising? Internet search. Yahoo and Microsoft continue to fade as more users choose Google for their searches. As a combined entity, they would still only have 31 percent of the search market, according to comScore.

What's more, Microsoft and Yahoo! would face the Herculean task of integrating two enormous and fundamentally different companies. Yahoo! is a Silicon Valley icon, with a corporate culture to suit, while Microsoft at its core is a software company. The tone can almost be described as a mixture of Republicans and Democrats, which these days is pretty dicey. When Time Warner and AOL merged, it was a meeting between the suits and the creatives. Let's just say it wasn't very pleasant.

Still, many questions remain not included in the offer letter. Niggling things like will they maintain two brands? If not, how will they combine their many consumer assets, like instant-messaging, e-mail and search? All of this and more remain unanswered. What does the industry see? A giant risk creating a bigger, slower-moving behemoth during a rapidly accelerating marketplace. Just what we need.

I'm Lisa Davis. Let me know if I can help you in any way, please feel free to visit at OneAlliance.com and I'll be back next Tuesday afternoon.

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