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Steve Ballmer

Steve Ballmer: 5 Reasons Why a Yahoo and Google Marriage Is Bad

For Microsoft

Yahoo never said no to an unsolicited marriage proposal from Microsoft dating back to February 1, 2008, instead it just wanted a bigger dowry. After initially asking for over \$40 per share, namely in excess of \$60 billion, Yahoo would have joined up with Microsoft for as "little" as \$37 per share or "just" \$55 billion. Microsoft agreed to pay just \$34 per share, and not a dime over \$50 billion according to Chief Executive Officer Steve Ballmer. As a direct consequence, Microsoft got its advertising and search engine balls and went home, leaving Yahoo to play well with Google on the web playground. The reason why Microsoft decided not to initiate a proxy fight designed to replace Yahoo's leadership with a more favorable board of Directors is because CEO Jerry Yang threatened to outsource its advertising infrastructure to Google. "We regard with particular concern your apparent planning to respond to a 'hostile' bid by pursuing a new arrangement that would involve or lead to the outsourcing to Google of key paid Internet search terms offered by Yahoo! today. In our view, such an arrangement with the dominant search provider would make an acquisition of Yahoo! undesirable to us for a number of reasons," Ballmer stated. Microsoft's CEO then enumerated a total of five reasons why a Yahoo and Google marriage would be a bad idea. Ballmer started with the fact that such a partnership "would fundamentally undermine Yahoo!'s own strategy and long-term viability by encouraging advertisers to use Google as opposed to your Panama paid search system. This would also fragment your search advertising and display advertising strategies and the ecosystem surrounding them. This would undermine the reliance on your display advertising business to fuel future growth." Ballmer commented that such a move from Yahoo would automatically result in losing key engineers working on the Sunnyvale company's advertising systems. Microsoft was reported to have had a \$1.5 billion plan designed to retain Yahoo's top talents. "In addition, it would raise a host of regulatory and legal problems that no acquirer, including Microsoft, would want to inherit. Among other things, this would consolidate market share with the already-dominant paid search provider in a manner that would reduce competition and choice in the marketplace," Ballmer added. In Microsoft's vision, a combination between Yahoo and Google would effectively lock the Sunnyvale Internet giant out of any additional partnerships on the search engine market, and make it dependent on the Mountain View company. In the end, it all comes down to the monopoly issue. "This would also effectively enable Google to set the prices for key search terms on both their and your search platforms and, in the process, raise prices charged to advertisers on Yahoo. In addition to whatever resulting legal problems, this seems unwise from a business perspective unless in fact one simply wishes to use this as a vehicle to exit the paid search business in favor of Google," Ballmer said.