

Microsoft-Yahoo: Which Products Would Win

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While the chance of a Microsoft-Yahoo merger or acquisition is a remote one, it's still a possibility. In analysis compiled from several PC Magazine staff members and analysts, here's what a merger might mean to the products and technologies directly shared by each company. In each case, we've outlined the strengths and weaknesses of each, and attempted to predict what technologies would survive the backroom planning sessions, and what would be discarded. This story was written by Mark Hachman.

Portal: MSN.com vs. Yahoo.com

Online, Microsoft's face is both MSN.com as well as Windows Live, the latter of which is a search-focused page. MSN's front page is oriented around Microsoft's two key properties, MSN Messenger and Hotmail, and also features My MSN and MSN Directory. Yahoo's current home page design, meanwhile, points users towards its email applications, followed by a vertical column of properties that emphasizes Yahoo's breadth, including its Geocities sites, Yahoo Groups, Yahoo Music, and Yahoo Personals. Both sites allow users to customize and tailor their own look and feel, via My Yahoo and My MSN, respectively. Both of the standard, uncustomized home pages make some effort toward including news, although Yahoo emphasizes world news, while MSN leans toward features.

The numbers: Yahoo and Microsoft are two of the top online properties,

reaching 108 million and 95 million people, respectively, in the U.S. during March, according to Nielsen/NetRatings. By itself, Google also captured 108 million unique visitors. Here's the big one, though: \$6.4 billion in annual revenue for Yahoo, about \$4 billion more than what Microsoft earns through its online properties.

Merger impact? Negligible. In some sense, most of the content (not features) that can be found on Yahoo's front page can also be found on MSN: features on Spider-Man 3 , for example. A merger would have a greater impact on just what features the sites would offer to its viewers. Although it's possible that a merged site could replace one site with the other, it's unlikely, at least in the near term. It just doesn't make sense to remove content.

Search: Yahoo Search vs. Windows Live Search

One of the key metrics, as far as deal valuations are concerned. According to comScore, a combined Yahoo-MSN totaled 38.4 percent of the search market in the U.S. in March. Google, however, was on top with a 48.3 percent share.

Yahoo's search mimics Google: "Web," "Images," "Local," and other categories are all included. However, Yahoo searches videos as well, and MSN currently does not. Instead, it includes a beta feature called "Q&A," where users can ask and answer questions posed by other users. However, John Battelle's SearchBlog reported that Yahoo is testing a new Google-like search results page for its UK users. Microsoft's search is powered by its Live Search engine, which puts relevant information above the search results, such as a list of baseball scores above a search for "baseball".

Merger impact: Civil war. Microsoft seems to be going in the direction of pushing more content in the face of users, while Yahoo's test seems to

indicate a more stripped-down, focused approach. That means someone will have to step in and make a decision as to the direction of a merged company's search efforts. Our bet? Microsoft "wins" here and pushes out Yahoo Search. And, meanwhile, Google keeps kicking butt.

Communication: MSN Web Messenger vs. Windows Live Messenger vs. Yahoo Messenger

Here, Microsoft's fractured branding actually hurts them more than the technologies do. Web Messenger is essentially a Webmail version of IM, while Windows Live Messenger is a standalone application. Yahoo Messenger includes file sharing, photo sharing, Webcam video, and free phone calls, as well as third-party plug-ins; Windows Live Messenger adds alerts and text messaging to the features Yahoo offers.

Merger impact: Détente. A merged company would certainly continue to allow both networks to directly connect to one another, and add Yahoo Messenger and Live/MSN Messenger contacts to lists. Over time, however, Yahoo Messenger could fade away; détente works fine in the online space, but on the PC Ballmer & Co. would undoubtedly push the Microsoft brand first. If they do, this will likely be a mistake, given the strength of the Yahoo brand online.

Still, pointing PC users toward Yahoo via a desktop shortcut would be gutsy, but might pay off. The drawback? Fragmented brands, and the perception that the link might just be another form of "crapware" that comes preloaded on PCs.

Email: Hotmail vs. Yahoo Mail

Google's Gmail was created and has been so successful largely because both Yahoo and Hotmail tiptoed into the email market, agonizingly

adding new features and larger email storage sizes in response to the other. While Yahoo's recent redesign gave Yahoo Mail more of the look and feel of a hosted application, Hotmail still looks like a tired remnant of the 1990s. All three services – Hotmail, Yahoo Mail, and Gmail – all have slightly porous spam filters plus automatic antivirus checking.

Merger impact: Negligible. Consumers typically use whatever email address they're used to, and that their friends have. A merger won't change that. Only a dramatic game-changer (an announcement that email capacities would be increased to 20 gigabytes, for example, and that part of the space could be allocated for Web-based backup of data) will make a difference. And where does Outlook Express fit in?

Content:

Yahoo's content includes Yahoo! Sports, Yahoo! Finance, Yahoo! Music, Yahoo Movies, Yahoo News, and Yahoo! Games. Content is provided by dozens of sources, including Ziff-Davis and its competitors; MSN also has an incredible breadth of content, including partnerships with the MSNBC cable network and Slate Magazine . In terms of the individual categories, both companies at least tick the boxes of the other, even down to pushing videos in front of users.

Merger impact: An iceberg grows. If it's true that the majority of an iceberg sits under water, than it's also true that both MSN and Yahoo hide the majority of content away from the main page, funneling users to it via direct links. Given the user numbers, it's probable that Yahoo does a better job of this: the current layout places far more content "above the fold" (read; without needing to scroll down) than MSN. - next: Mobile, Commerce, Small Business, and Ads >

Mobile: Yahoo Mobile vs. MSN Mobile

Microsoft has a WAP portal mobile.live.com , where they integrate Hotmail, Messenger, Spaces, Local, etc. -- but it's all in an old-school format. Yahoo! Go is far ahead when it comes to providing a glossy, powerful integrated app for a growing range of devices. It's a gorgeous, fun to use, customized, colorful app.

Both offer local search and customization, although Yahoo on March 20 revamped its mobile search to offer "instant answers", or what it calls OneSearch, providing a list of actual information instead of just search listings. Yahoo claims over 100 million or 85 percent of the total mobile phone market can access its phones.

However, the elephant in the room is Windows Mobile with its dominant position in U.S smartphones. Windows Mobile 6 has new hooks into the Live.com services, which should bump up Microsoft's position in mobile content. But Yahoo is going for a broader strategy with their mobile services, supporting lots of feature phones and Symbian phones, which are thunderingly popular outside the US.

Merger impact: Microsoft takes over. Yahoo has some great products and ideas. They're just in search of someone to guide the ship. Their mobile offerings, and even Web offerings, are all over the place, without a coherent strategy.

Commerce: Yahoo Shopping, Yahoo Autos, Yahoo Auctions, and Yahoo Travel vs. MSN Shopping, MSN Autos, MSN Travel

Perhaps the key here is Yahoo's use of auctions, which are highlighted on Yahoo's main page; Microsoft keeps its hidden on its MSN Shopping page. Microsoft's online business recorded \$623 million for its most recent quarter; it's unclear how much money Yahoo received from ads

versus transactions, but it's almost certainly more than what Microsoft rakes in.

Yahoo's pages are also more geared toward separating the consumer from his dollar; just compare MSN Autos and Yahoo Autos. MSN provides information on new cars, Yahoo pushes consumers to make a buying decision. There's a big difference. Ditto for Yahoo Travel and MSN Travel ; Yahoo forces users to scroll down past the big box encouraging users to price tickets; MSN segments theirs into a densely-packed box on the right, while big, grabby flash features provide info on pitches on vacations.

Merger impact: MSN gets returned. There's nothing here that MSN couldn't do, but Yahoo clearly gets it. In case of a Microsoft-Yahoo merger, expect MSN Shopping to point to Yahoo pages.

Small Business: Yahoo Domains, Web Hosting, Merchant Solutions vs. Microsoft OfficeLive

Yahoo Domains, Yahoo Web Hosting, Yahoo Merchant Solutions, Yahoo Business Email, and Yahoo Store are all part of Yahoo's small business efforts. Does MSN even have a small-business focus?

Microsoft itself certainly does, but that requires SMB customers to start shifting away from Microsoft's online properties and onto its software and services domains: Microsoft SMB Server, for example. Shift over to Microsoft's OfficeLive domains, however, and the familiar mix of services becomes apparent: Web hosting, online applications, etc. It's the latter that Yahoo lacks; Microsoft has done a decent job tying its applications to the Web, but had a tougher time pushing Web users onto its hosted applications.

Google still wins here; the company's lean and mean approach has won

fans. Microsoft and Yahoo obviously have the technical savvy to start pushing Web apps in front of SMB (and consumer) audiences. But would they? It's doubtful. There's too much of a tradition of fixed-media apps. Microsoft's "services" plan is all about DVD-sized content on your hard drive, and paying something each year to patch and upgrade it.

Merger impact: Yahoo marketing plus Microsoft tech equals big win. Every Google app seems to carry a perennial "beta" tag attached to it, and recent maintenance upgrades in calendaring apps and . One of Microsoft's juggernauts is Office; one of Microsoft's bugaboos is perpetually clunky marketing. Combine Yahoo's marketing with Microsoft's technology and you've got a powerhouse. Danger! Microsoft code plus Yahoo ads equals bloat: death for small businesses. Make it lean and mean, or Google (or, more likely, no one) will eat MSYahoo's lunch.

Ads: Yahoo Search Marketing vs. Microsoft adCenter

Yahoo! Search Marketing provides services such as Sponsored Search, Local Advertising, and Product/Travel/Directory Submit that let different businesses advertise their products and services in the Yahoo network. Yahoo! Publisher Network is an advertising tool for online publishers. Yahoo upgraded its ad network in May 2006 to add features like geotargeting, test ads, and campaign forecasting.

Microsoft's adCenter offers similar features, also on a pay-per-click basis, but also offers custom ad solutions through the design of custom buttons, ads, or content for tools like Live Messenger. Microsoft bought DeepMetrix Corp., a privately held provider of Web analytics and business intelligence tools, to provide more analytics. Formerly named MSN adCenter, Microsoft removed the "MSN" logo in 2006. Technologies like AdWriter sound suspiciously like Google's own technologies for examining the content on the page and developing text

ads.

Merger impact: Product placement. In some ways, this will be determined by (and if) Yahoo and Microsoft come together. A merger will mean that the two combine properties, probably with minimal debt load. If Microsoft buys Yahoo, though, it will likely have to finance part of it with debt; Microsoft "only" has \$7.6 billion in the bank, probably not quite enough to buy Yahoo, depending on the valuation. That, in turn, means that there will be some expectation that the online properties will have to shoulder the load and deliver profits.

Given the saturated U.S. market, expect both online ad networks to push further overseas, and onto phones and devices like the Xbox. But let's face it: Google's thin text-based ads dominate search. Microsoft and Yahoo would be trying to trade horses in the middle of a race they're losing to Google and its ad house, DoubleClick. But DoubleClick only gets on the Xbox Live service if Microsoft lets them.

Editor's Note: PC Magazine wishes to credit Wikipedia for some of the basic product categories and structure used by this article.

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