

Microsoft finally fueling Yahoo's search engine

August 24 2010, By MICHAEL LIEDTKE , AP Technology Writer

(AP) -- Microsoft Corp.'s technology is now processing all the search requests on Yahoo Inc.'s website in the U.S. and Canada, completing a long-awaited leap that creates a more formidable challenger to Google Inc. in the most lucrative part of the online advertising market.

Tuesday's shift marks the biggest step yet in a partnership that [Microsoft](#) and Yahoo forged 13 months ago after spending years trying to catch up to [Google](#) on their own, only to fall further behind.

Microsoft eventually will fuel Yahoo's search engine throughout the world, but the transition in other countries won't occur until next year and 2012. The technology in the U.S. and Canada will only field requests made in English for now, with other languages expected to be added in the next few weeks. The deal doesn't affect Yahoo Japan Corp., a separately run company that plans to rely on Google's [search technology](#).

Since regulators approved their alliance six months ago, Microsoft and Yahoo have been scrambling to get their systems to work cohesively in the U.S. so that they would be able to capitalize on the advertising blitz that heralds the holiday shopping season in November and December. Now that Bing is powering Yahoo's search requests, Microsoft's next challenge is getting its marketing service ready to serve up ads alongside Yahoo's search results before the holidays. Yahoo is providing the ads for now.

By leaning on Microsoft's Bing search engine, Yahoo plans to

dramatically lower expenses and focus on other products as it tries to snap out of a financial funk that has depressed its stock price.

Yahoo will sell some ads initially and will use Microsoft's technology to display them. During the first half of the 10-year [partnership](#), Yahoo will get 88 percent of the ad revenue from search requests on its website. After that, the commission could fall to as low as 83 percent or as high as 93 percent, depending on which company handles sales with the top search advertisers.

Microsoft tried to take advantage of Yahoo's problems in 2008 when it offered to buy its rival for \$47.5 billion, only to withdraw the bid when the two sides kept quibbling over the price. That's a decision that Yahoo investors and even the company's current CEO, Carol Bartz, have lamented, with Yahoo's stock price trading far below Microsoft's last offer of \$33 per share. Yahoo shares fell 18 cents to \$13.47 in Tuesday's afternoon trading while Microsoft shares declined 14 cents to \$24.14.

As it picks up more traffic from Yahoo, Microsoft hopes to get a better understanding of people's search requests and establish Bing as a more compelling alternative to Google. If it can pull that off, Microsoft will be in a better position to finally start making money in its online division, which has lost \$4 billion combined in the company's last two fiscal years alone.

Combined, Microsoft and Yahoo hold a 28 percent share of the U.S. search market, still far behind Google's 66 percent, according to comScore Inc.

Even though Microsoft will be powering Yahoo's [search engine](#), [Yahoo](#) says its search results won't look identical to those at Bing. That's because Yahoo's engineers can still tweak the results to serve up unique twists, such as different pictures or suggestions, developed by the

company.

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Citation: Microsoft finally fueling Yahoo's search engine (2010, August 24) retrieved 25 April 2024 from <https://phys.org/news/2010-08-microsoft-fueling-yahoo.html>

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