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A triple threat to take on Google?

Microsoft could pair with Yahoo, Facebook

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Google is so far ahead of the competition for attracting Internet users that some no longer think even a megadeal between Microsoft Corp. and Yahoo Inc. would be big enough to even things up.

On Monday, a day after Microsoft renewed efforts to team up with Yahoo and may even be interested in buying its search-ad business, speculation arose that the software pioneer might need to add another player like Facebook Inc. to better compete with Google Inc.

The notion, raised again after Facebook founder and Chief Executive Mark Zuck-

erberg was asked about becoming part of Microsoft, is based partly on the idea that Google is not only the leader in online search but also the site used as a starting point on the Internet by many people.

Microsoft already has an investment in Facebook, and it could pair that Web site with Yahoo's search capabilities to create a three-headed Web monster that "would have the structure of an organization that could compete against Google," said Brian Bolan, an analyst who follows the Internet's giants for Chicago's Jackson Securities.

The "starting point for going online is clearly what's important," he added, noting that for many users, particularly people in their 20s, Face-

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» MICROSOFT

CONTINUED FROM PAGE 1

book is the starting point.

Zuckerberg, while in Tokyo to introduce a Japanese version of the social networking site, was asked if Microsoft was preparing to buy privately held Facebook. He declined to comment, but his apparently elusive answer had some thinking a deeper partnership may be in the works.

Leading tech bloggers speculated that Microsoft is thinking broadly as it tries to cobble together an Internet entity with the muscle and flexibility to battle the dominance of Google.

Surveys have shown that most Internet sites get upward of 70 percent of traffic from Google searches and that most Web sessions start with the search leader. On Monday, Nielsen Online said Google continued its search dominance, with a 62 percent share of searches in April. Yahoo was No. 2 at 17.5 percent, while Microsoft had 9.7 per-

A combination of Facebook with Yahoo's search technology can "create a viable starting point," Bolan said, as users first check to see what's happening with their friends, then use Yahoo search technology to find other points of interest. Plus, there will be easy access to e-mail from Facebook, Microsoft or Yahoo, and news would be cobbled together from MSN or Yahoo.

This scenario is similar to what Google is building with its iGoogle service, a personalized start page that includes e-mail, news links and applications from sites, including social networking leader MySpace.

All of this speculation comes in the wake of a statement Sunday from Redmond, Wash.-based Microsoft that said it "is continuing to explore and pursue its alternatives to improve and expand its online services and advertising business."

Microsoft, having already tried to buy Yahoo, made clear it is not interested in a

time," but it didn't close the door to that possibility.

Yahoo has remained in play even after Microsoft officially pulled its bid off the table on May 3. Two weeks later, on Thursday, investor Carl Icahn said he has bought 10 million Yahoo shares and wrote a letter to the company's board urging a deal with Microsoft. He also began an effort to oust Yahoo's board of directors.

"An end game is coming," said Scott Kessler, an analyst at Standard & Poor's Equity Research, who reiterated Monday a "hold" on Yahoo shares.

"The issue is simple," he said. "Carl Icahn has injected himself into the equation. By our math, he has become one of the largest shareholders in Yahoo. It went from a diminutive stake at most to one of the largest and most influential at this point."

Because of Icahn's interest, which stems from the board spurning Microsoft's original offer of \$33 a share for Yahoo—a 60 percent premium

for prior to Microsoft's Feb. 1 offer—Kessler believes Yahoo is willing to sell itself.

Microsoft's statement Sunday, saying it was only interested in parts of Yahoo, is unlikely to be approved, he said.

The Wall Street Journal reported Monday that Microsoft floated a proposal to buy Yahoo's search-ad business, through there was no indication whether the offer would be seriously considered.

Michael Camodeca, president of Chicago technology consultant SkyView Technology, said Microsoft wants Yahoo because "it's losing the battle of the Internet. By buying Yahoo, it would essentially be able to become No. 2 behind Google in the Internet playing field."

Kessler said it is "possible" Microsoft could be considering a Facebook purchase because it "makes sense as part of the conversation. But a deal like that would have more associated risk than buying Yahoo outright."