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Microsoft, Yahoo Reach Long-Term Search Deal

In an effort to combat Google's dominant market share, Microsoft and Yahoo have announced a 10-year long partnership that will give Microsoft access to Yahoo's search audience, the second largest next to Google.

Even with the partial success of Microsoft's Bing, a new search platform developed to try to compete with Google, the two companies still have their work cut out for them. Google dominates the domestic market at 65 percent and Yahoo and Microsoft combined are used by a comparatively small 28 percent according to comScore Inc. On a global scale, Google's dominance is even greater at 67 percent of the market in search.



The Microsoft/Yahoo deal is being looked at closely by antitrust regulators to make sure the high-tech market remains competitive to insure innovation. The earliest the deal will close is in the first quarter of 2010, and it could take up to two years to get the infrastructure in place.

Yahoo estimates the deal will boost annual profits by \$500 million, while saving the company \$275 million per year in costs to research their own search technology. According to Yahoo CEO Carol Bartz, an unknown number of engineers employed at Yahoo will lose their jobs since the company will be scaling back.

The agreement will allow Yahoo to take 88 percent of all revenue from ads that run next to search results for the first five years and also grants Yahoo the right to sell ads on various Microsoft sites.

Shares for Yahoo slid downward 9.8 percent once investors found that Yahoo would not be receiving any immediate revenue from the deal, while Microsoft's shares rose 14 cents, and Google's shares fell 1.3 percent.

Microsoft has been trying to pen a deal with Yahoo that goes back years, and it will be interesting to see how this new partnership will develop and affect the internet search industry. Many are skeptical that this new deal will have much effect on Google or the search industry as Google plans to roll out its new operating system, Chrome OS, which will compete with Microsoft's various operating systems, including their newer Windows 7, scheduled to debut this fall.

With Google being tightly integrated with websites and online marketing and advertising, it will be interesting to watch future developments. Currently Google dominates the market for website analytics, online advertising, online search, video, and is breaking into other markets like software and cell phones.

Microsoft is counting on its newly developed Bing, and their \$100 million dollar marketing budget, to try and take a piece of the pie from Google. Only time will tell.



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