

## **Behemoth Battleground – AOL being sought by Google and Microsoft?**

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Google and Microsoft appear to want many of the same things.

Two years ago, when Microsoft saw that Google was threatening to dominate the Internet in much the same way Microsoft dominated the desktop, Microsoft began to move mountains to get into the search field. Since MSN released its own search tool earlier this year, the two firms have viewed the other as its chief rival and the competition between them has been tremendous. This summer, Google and Microsoft have been waging multiple battles across several fields from the courting of business in China to the courtrooms of King County. This week, a new battleground may be opening, this time in the Manhattan offices of Time Warner, the owner of AOL.

A September 15 New York Post article fueled speculation that Microsoft might be interested in acquiring a part of AOL and integrating it into MSN search. Today, rumours are circulating that Google is working to either block or outspend Microsoft's bid. Compared with the other battles being waged between the two firms, the fight to own AOL could be a turning point for both companies.

It has been nearly six years since AOL purchased the Time Warner media empire for billions worth of stock certificates and just over five years since the bottom fell out of those stocks. Since that time, AOL has been the poor cousin in what had become the AOL Time Warner chain, performing so badly that the board of directors voted last year to remove the letters AOL from the corporate name.

In many ways, AOL has been synonymous with "second ran" for much of its existence. Its proprietary web browser, Netscape was all but destroyed by Microsoft almost ten years ago. Its user base, while still enormous, has been shrinking for several years. As an Internet Service Provider, most long-term web users liken AOL to training wheels for new-users. AOL has had few major successes in the past five years. The most obvious is the development of Firefox by the Mozilla Foundation, which AOL fostered but spun off two years ago. Another success, the reach of AOL's advertising arm, is seen as the real prize being fought over by Microsoft and Google.

AOL provides Internet services to over 27-million people around the world. One of those services is a search-service and like most modern search services, AOL's includes sponsored or paid advertising. Google provides search results and sponsored ads to AOL in an arrangement that supports about 12% of Google's annual revenues. Google has long benefited from their partnership with AOL and will likely do whatever it takes to keep it.

Microsoft is very worried about the growth of Google and is determined to do whatever it can to emulate its success while hindering, slowing or stopping Google's progress in key areas. A purchase of AOL would provide Microsoft's MSN search division with two very powerful assets, the first being their own proprietary contextual advertising network, the second being a partnership of some sort with Time Warner (the world's largest media conglomerate). The added bonus is the destabilizing effect of losing AOL on Google's bottom line.



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MSN needs to bulk up on its users if it is to be successful in paid-search. Gaining access to 27-million AOL members, along with millions of ICQ subscribers, CompuServe clients and AIM users, is a good way to very quickly increase an auditable user-base to serve paid-advertising to. Being able to tell potential advertisers that their ads might be viewed in the online editions of some of the world's most popular print-magazines is a good way to boost advertising sales. Eating your competition's lunch in the process is a priceless component to the deal that has obvious value in the long run.

In what might appear to be one of the highest stakes games of Monopoly ever played, AOL represents one of the few remaining high-power areas in which deals can be made, at least in the current configuration of the search game-board. Both Google and Microsoft would both see great benefits from an acquisition of AOL, including the virtual hobbling of the other.

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