

Last Week was More Interesting than it Seemed

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It was a truly interesting week. On top of the Search Engine Strategies Conference in San Jose, the past five days provided search marketers a front-row view of international economic development, the growth of a media empire, the internal disruptive influence of corporate culture shifts, and a colligate game of "mine is bigger than yours." While a happy family obligation kept me away from San Jose, the week had several profoundly powerful sleeper stories that show how serious, ironic and silly the world of search is.

China is the largest emerging market on the planet and it is coming of age more rapidly than anyone could have predicted. While the Chinese paid-ad sector was worth only \$148 million in 2004 according to Shanghai based iResearch Inc., international business advertising targeting the Chinese market is expected to grow exponentially while the online economy of China matures over the coming years.

Google, Yahoo and Microsoft are all heavily invested in the growing Chinese tech world. Google and Yahoo both made major moves this month in relation to their interests in China, the most public being Google's hiring of former Microsoft executive, Dr. Kei Fu Lee. Google and Microsoft are now engaged in a bitter legal dispute over Google's hiring policies. The decision in this case could have far reaching implications on how major tech firms recruit employees as well as on Dr. Lee's role in heading Google's efforts in China.

Google also announced it was retaining the services of three large Chinese firms to represent its AdWords advertising for the Google China site. On Tuesday Google named [China Enterprise](#), China Source and [Hotsales](#) as authorized Google AdWords resellers and they will provide training and support to the three firms. Google was moved to hire and train experts in their bid to remain competitive with newly public rivals Baidu.com, and Yahoo's newest partner, Alibaba.

Late last week, Yahoo acquired 40% of Chinese ecommerce and business vertical search tool [Alibaba.com](#) in a \$1 billion stock purchase. This makes Yahoo the largest investor in Alibaba.com, a position it is expected to use to push the Yahoo brand in the world's largest emerging market. The deal gives Alibaba control Yahoo's China business network while giving Yahoo effective control over Alibaba's overall activities.

Following on the smaller heels of fellow media giant Barry Diller, Robert Murdoch announced News Corp is getting involved in search and is going to purchase an established player in the coming months. [News Corporation](#) is an international empire that owns FoxTV, SkyTV, FoxNews, The New York Post, TV Guide, The Times Newspaper chain in the UK, and literally thousands of other media outlets, publications and production facilities. In a conference call with investors and analysts, Murdoch said News Corp is in advanced discussions to acquire controlling interest in an unnamed search engine. Speculation has turned to LookSmart and Mamma.Com as reasonable targets. Class A shares of News Corp rose quickly when news of Murdoch's plans were reported early yesterday, jumping from 16.42 to today's close of 18.11.

News Corp is both a creator and a distributor of media content, which makes their entry into the market more a challenge for Yahoo than for Google or MSN in the long run. Yahoo has been actively pursuing online entertainment distribution as a revenue channel along with paid search advertising.

That might be one of the few breaks Google got this week as the media [skewered](#) the search giant for its punitive one-year info-ban on [CNET journalists](#). Google's PR department appeared to slip and fall in an apparent attempt to flee the scene after word of the CNET info-chill scandal made headlines early in the week.

The same day, an automatic Google Toolbar update switched the controversial [AutoLink](#) default setting from inactive to active. In other words, Google did something they said they weren't going to do and are now forcing limited but very real alterations on private websites without the permission of the owner, content creator or webmaster.

The inevitable culture shift seems to have occurred in and around the Googleplex in the twelve months since they posted their mega-successful IPO last August. While initial investors were fed the same "Don't Be Evil" line in regards to Google's corporate ethics policy the rest of the world was fed, a somewhat darker tone has emanated. Google has lost a lot of its luster over the past year, ironically while it has been getting much better at filtering spam from organic placement results. The word being bandied about is: Hubris (exaggerated pride or self-confidence often resulting in retribution. - source, [wikipedia](#))

Things got a bit silly when Yahoo announced its spidered content index had grown to dwarf Google's spidered content index. Yahoo said its index now contained over 19 billion objects and documents and almost 2 billion images. Google's index is estimated to contain approximately 10 -12 billion documents and images. Their attention suddenly focused away from their own navels, [Google scientists](#) quickly glanced at their rival's and questioned Yahoo's claim of size-superiority before announcing they had doubled the size of Google's image index. The search marketing community gently reminded both that size is less important than relevancy, comparing the obsession with size to a couple testosterone driven boys who end up looking juvenile trying to outdo each other to impress an endless gaggle of girls.

What's funniest about the incident is that both Yahoo and Google have a lot of impressive stuff to brag about. Both have strong business models and post strong quarterly profits. Both moved this week to strengthen their core paid-ad businesses by giving advertisers and webmasters more control over various paid advertising opportunities. Yahoo opened the [Yahoo Publisher Network](#) to a growing group of beta testers, a move that prompted Google to offer more support to AdWords advertisers and more control over ad placement to AdSense partners. And as mentioned above, both have recently made aggressive moves into the growing Chinese market.

No review of the week could be complete without mention of the massive SES Conference in San Jose. Billed as the biggest search shindig of the year, SES San Jose is a playground of intellect, information and fun. Barry Schwartz, or RustyBrick of the [Search Engine Roundtable](#) posted coverage of several of the SES Sessions. Over at Search Engine Watch, this forum tracked the [SES - Silicone Valley Parties](#).

Following the premise that history has a way of repeating itself, the level of activity in the sector this week may not be surprising. The past week was also the tenth anniversary of the Netscape IPO, widely considered the spark that set off the Tech-bubble of the late 90's. The events of this week are not those of a bubble but rather those of hyper inflated interest in a sector that shows no end to its potential growth.