

Microsoft's play for display (Advertising): Buying Yahoo.... A major bet on a new boom

By [Russ Britt](#), MarketWatch Feb. 21, 2008

Is there a method to Microsoft Corp.'s madness? The answer most often is... yes!

In the case of Microsoft's courting of Yahoo Inc to the tune of more than \$40 billion, the software giant could reap huge benefits in plain, old display advertising on the Internet.

Market demand for such ads, Yahoo's forte, are expected to grow sharply for several reasons. Faster broadband connections open up the potential for "rich" media -- defined as...anything other than just *static* display.

Further, companies that have resisted Internet marketing in the past have started to warm to the medium. They're often more comfortable with display advertising compared with search ads, which are links generated through Web searches. In many instances, companies find display advertising more conducive to their purposes. As a result, they're likely to stick with that method as they make the shift to online campaigns.

"It could mean a renaissance of display ads," said Karsten Weide, analyst at International Data Corp. This means Yahoo could gain back some of its market share against search powerhouse Google Inc. which has made a fortune largely on the back of search ads.

The search ad has become the king of **Internet-advertising, grown from 1% of market share in 2000 to 41% today and display ads now command 21% of all online market share!**

Display ads have been the bread and butter of print media for decades. They usually resemble small billboards, featuring still photography or artwork along with some text. According to Rob Norman, chairman of Group M Interactive, "As we know, it's conversions that pay the bills, not inquiries, (and) the display ad is incredibly robust online and will stay incredibly robust online."

Regarding "ADVERTISER-SPENDING" Growth... Online-display revenue is multiplying as Internet appetites grow more ravenous. **Total Internet-ad spending was around \$20 billion in 2007, and it's expected to hit \$60 billion by 2011,** said Randall Rothenberg, chief executive of the Interactive Advertising Bureau. **The industry should see 25% compounded annual growth for the foreseeable future,** he added. And meanwhile, **consumers are spending 20% to 25% of their time online.**

Regarding "CONSUMER-USER" Growth... Rothenberg cites figures that show **50.5 million households in the United States were wired for broadband in 2006, or about 60% of total online homes. By 2012, that should grow to 86.3 million homes, or 89% of all online households.**