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Microsoft's Bing Might Catch On With Internet Advertisers

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DOW JONES

SAN FRANCISCO -(Dow Jones)- Microsoft's new search engine, Bing, won't grab significant market share from Google Inc. (GOOG) overnight. But Internet marketing executives think it will likely win over some big brand name advertisers, helping it push the scales on search.

The new search engine, formally unveiled last week, focuses on specific market segments: shopping, travel, health, providing users with easy to navigate categories. It also better integrates non-textual content, such as video and audio, into its search interface.

Experts say that functionality will likely appeal to big advertisers, from car-makers to consumer goods manufacturers, because it makes it easier for consumers to find their products. They say a Bing search might deliver advertisements to an audience more disposed to buying based on the results, even if the audience is smaller than that which a search on Google Inc.'s (GOOG) search engine might deliver.

Attracting some of those advertisers is key to Redmond, Wash.-based Microsoft, which has struggled to grab a larger share of the search market despite heavy investment in its online businesses. Google has roughly three-fifths of all U.S. searches. Microsoft currently has about 8% of the market, while Yahoo Inc. (YHOO) about 20%.

Chris Copeland, Chief Executive of Search for GroupM US, a unit of WPP Group PLC (WPPGY), says that Microsoft's earlier search engine, Live, had already started delivering higher click-to-conversion rates, a key metric of advertiser value, than Google's because it allows better targeting for big brands. This, along with Bing's improved interface, means Microsoft has a real shot at ramping up market share.

"We think 12% by the end of 2009 is achievable," Copeland says.

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Many observers point to Bing's approach to organizing video in a more time-sensitive fashion than Google's video search, as a draw for consumers and advertisers. Google didn't respond to a request for comment on its video search strategy.

Online video is a nascent field. Forrester Research sees the market growing to \$7.2 billion by 2012. Grabbing even a slice of that could boost Microsoft's currently unprofitable online advertising business.

Suranga Chandratillake, the Chief Executive of video search specialist Blinkx PLC (BLNX.LN), says few companies currently make money on placing advertisements next to video search results. Microsoft is unlikely to be able to sell revenue directly attached to those videos. But, Chandratillake says, if it can offer attractive search technology to content producers it partners with, it can later strike revenue sharing deals.

Key to achieving this is making video search relevant and topical. In more topical examples, Bing's results seem to trump Google's.

A search using the words "New England Patriots" on Bing's video section puts recent clips from sports network ESPN that are relevant to the NFL team near the top. A Google video search using the same terms calls up a year-old clip of the Patriots from their last Super Bowl appearance.

Content owners can drive higher ad revenue from videos hosted on their own sites than on third-parties', Chandratillake says. But, content owners want to drive revenue from third party sites too.

"There's an opportunity for any search company to help consumers find media. Microsoft's search engine does go a step beyond Google in integrating different types of search and media," Tim Hanlon, a digital advertising specialist at Denuo, a unit of Publicis Group, (PUBGY) said.

Microsoft shares closed flat Tuesday at \$21.40.

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