Web-wide war

Microsoft opens a new front in its battle with Google.

EVEN technology pundits can sometimes be right. Jason Calacanis, an entrepreneur and noted agent provocateur, recently argued that there is a simple solution to the woes of both Microsoft and big media companies. The world's largest software firm should pay Time Warner, News Corporation and others firms to block Google, the search giant, from indexing their content—and make it searchable exclusively through Bing, Microsoft's new search service. Media companies would thus get badly needed cash and Bing a chance to gain market share from Google.

This week it emerged that Microsoft and News Corp are talking about just that. Although the discussions may come to naught, or prove a mere ploy in the media firm's ongoing negotiations with Google, the news caused a stir. It is a sign not only of how far Microsoft is willing to go in order to turn Bing into a serious rival to Google, but also of how the entire internet could well evolve.

It should come as no surprise that News Corp would be the first to discuss such a deal. Rupert Murdoch, its boss, has long criticised Google for "stealing" his newspapers' stories by pasting links to them on Google's own site. He has also announced loudly and often that he wants to charge for more of the content that his firm puts online. What is more, he needs to renegotiate the deal that in 2006 gave Google the exclusive right to place search ads on MySpace, a social network owned by News Corp. Back then Google agreed to shell out $900m over three years for the privilege, although it may in the end pay less, as traffic on MySpace has not met the targets specified.

Google is unlikely to want to pay such a high price again, given that declining traffic and thus disappointing advertising revenues. Google also knows that Mr Murdoch will think twice before blocking the biggest source of traffic for his newspapers' websites. More than a quarter of all visitors to the Wall Street Journal's site, for instance, come from Google, which is in line with most other newspapers, according to Hitwise, a market-research firm.

Microsoft, for its part, cannot afford to let Google rule the search business and, by extension, a big part of the online advertising that is expected pay for many services in the age of cloud computing. In recent years the firm has invested billions in its search capabilities. With Bing, it has at last come up with a plausible alternative, which works better than Google for some searches, such as comparing prices of consumer electronics or looking for cheap flights. To boost Bing's market share, Microsoft in July agreed with Yahoo!, another online giant, to merge both firms' search activities.

Yet all this may not be enough. Since its launch in June, Bing's market share has grown by two percentage points to nearly 10% of all searches in America, but Yahoo!'s has dropped by the same figure to 18%. Exclusive content deals may just be what Microsoft needs to reach a combined 30%, which some experts see as the minimum to make a dent in Google's business. Microsoft appears ready to spend whatever is needed: up to 10% of the company's overall operating income over the next five years, according to Steve Ballmer, the firm's boss. This would, all things being equal, add up to some $11 billion.

Yet what looks like good news for media firms is rather worrisome for champions of an open internet. To them, exclusive content deals are another big step away from an online world with few borders, where everybody plays according to the same rules. Already, they say, Apple dictates which applications are allowed to run on the iPhone, Facebook tries to discourage members from surfing elsewhere, and Google's navigation software is only free for users of its

own operating system for smart-phones. “We’re heading into a war for the control of the web—and against the web as an interoperable platform”, warns Tim O’Reilly, the internet guru who coined the term “web 2.0”.

Mr O’Reilly is definitely on to something. The question, however, is whether this “war 2.0” is really so unwelcome. A handful of well-funded and robust platforms locked in heated competition could be better for consumers and generate more innovation than Mr O’Reilly’s vision of an internet made of many “small pieces loosely joined”.

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