MINDSHARE	My Enemy's Enemy	Hannah Mirza	September 19, 2011

Background

In an unexpected move last week, AOL, Yahoo and Microsoft formed a partnership to sell each other's online display inventory. Initially this inventory partnership will only impact the USA and Canada. This new cooperation addresses two key trends. First, all three seek to better sell and exploit unsold inventory to capture more of the display advertising market. Second, the partnership is a counteroffensive against Google, who have historically dominated the paid search market and now wish to do the same in the display media space.

Details

Publishers have often found it cumbersome to sell and value unsold inventory to the myriad of alternate vendors, ad networks, affiliates and sales houses in the market. In short, it's a complex and expensive model that publishers have lived with out of necessity. However, two things have changed the landscape. First, recent technology advances in automated yield management systems have enabled publishers to better align inventory to actual value based on science and data not instinct and lunches. Second, a combination of competition (Google, Facebook) and massive Internet impression growth has forced a reassessment of the historical value chain's efficiency. In effect, this alliance enables Microsoft, AOL, and Yahoo to dramatically cut down their number of suppliers while improving the monetization of their inventory via technology, fewer and more strategic alliances, and shared data pools. All of which helps them compete more effectively and efficiently with Google, who all view as the proverbial "My enemy's enemy".

Implications

There are three potential implications to marketers and the industry.

Pricing: Brands and agencies will have a much better ability to value and buy unsold impressions based on a measurable demonstration of improved ROI via better targeting against audiences and objectives. Applying a consistent technology solution and shared data against this wider partnership inventory will be critical to making this work. The partnership also makes it much easier for these publishers to plug their inventory into much broader audience buying platforms such as WPP's newly launched Xaxis.

Simplicity: Microsoft and Yahoo already have some experience in simplifying the paid search buying process via the Bing partnership. Key characteristics of the Microsoft/Yahoo search partnership include the merging of inventory pools, technology solutions and API's, and sales teams. Look for similar scaled efficiencies with the new exchange partnership, this time with AOL included.

Reach: By combining their inventory any of these partners can now deliver significantly higher reach against most consumer audiences. This is particularly important given that these three publishers have different local market strengths and service businesses by market. By combining forces the sum is arguably greater than the parts.

Summary

The partnership is a smart move by all three to simplify and streamline their business models, enable scaled plug-ins to broader audience buying platforms like Xaxis, and counter Google's display ambitions. In fact, it looks so good one doesn't wonder whether an even deeper relationship isn't in the works.