Microsoft, NBC dissolve MSNBC.com joint venture

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Microsoft is pulling out of the joint venture that owned MSNBC.com, freeing the world's largest software maker to build its own online news service.

The breakup announced late Sunday dissolves the final shreds of a 16-year marriage between Microsoft Corp. and NBC News, which is now owned by Comcast Corp. The relationship began to unwind in 2005 when Microsoft sold its stake in MSNBC's cable TV channel to NBC.

NBC is buying Microsoft's 50 percent interest in the MSNBC website for an undisclosed amount. MSNBC.com will be rebranded as NBCNews.com, and readers who logged into MSNBC.com late Sunday were automatically redirected to NBCNews.com.

The website will move its headquarters from Microsoft's corporate campus in Redmond, Washington, to NBC News' longtime home in New York.

The online divorce stemmed from the two partners' desire to gain greater control over their digital destinies as the Internet becomes an increasingly important part of their businesses.

The inherent constraints of being locked into a joint venture sometimes handcuffed Microsoft and NBC.

Microsoft, in particular, had grown frustrated by contract terms requiring it to exclusively feature MSNBC.com content on its own websites. That exasperation was exacerbated by the MSNBC cable channel's strategy to counter Fox News Channel's appeal to conservative viewers by tailoring its programming for an audience with a liberal viewpoint.

The strategy fed a perception that material from MSNBC's website was politically slanted, too.

"Being limited to MSNBC.com content was problematic to us because we couldn't have the multiple news sources and the multiple perspectives that our users were telling us that they wanted," said Bob Visse, general manager of MSN.com.

Now that it has shed those shackles, Microsoft is preparing to launch its own news service this autumn. Although he declined to provide many details about the operation, Visse said the news staff will be about the same size as the roughly 100 people who created original content for the MSNBC.com.

By hiring its own news staff to feed material to its websites, Microsoft is embracing the same strategy as the owners of two other major Internet companies, Yahoo Inc.

and AOL Inc.

Microsoft has leaned on its lucrative franchise selling personal computer software to pay for massive Internet investments that have rarely paid off, much to the frustration of its shareholders. The software maker initially invested $220 million in the MSNBC joint venture. It's unclear if Microsoft ended up making any money on the alliance. As a whole, the company's online operations, which include the Bing search engine and MSN portal, have lost more than $10 billion in the past seven years.

Even as it sets out to compete against NBC News, Microsoft will continue to highlight the top stories from its former partner for the next two years under terms of the split.

NBC News, in turn, believes it will be able to attract more traffic to its stable of websites by forging other partnerships that were off limits when it was tied to Microsoft.

"There is no question that we are going to have more flexibility to make our own decisions," said Vivian Schiller, NBC News' chief digital officer. "This is really an amicable breakup. We think competition will make us better."

MSNBC.com and its affiliated sites ranked as the Internet's fourth most popular site for general news in the U.S., with nearly 50 million visitors in June, up 5 percent from last year, according to the research firm comScore Inc.

Yahoo's recently formed alliance with ABC News topped the charts with 81 million visitors, followed by AOL/Huffington Post, and CNN.

As part of its online restructuring, NBC News plans to create a new online destination for the MSNBC cable channel's personalities next year.

Although it will be based in New York, NBCNews.com will retain a significant staff in the Seattle area, according to Schiller. About 170 of MSNBC.com's 300 employees worked in the Seattle area.

Microsoft is letting NBCNews.com remain in its Redmond office while it looks for a new location in the area.

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