Yahoo taps into Google's ad network, expertise

The Associated Press

Yahoo is counting on rival Google to help accelerate its revenue growth.

As part of a nonexclusive arrangement announced Wednesday, Yahoo's website will begin drawing upon Google's massive online advertising network to show marketing messages related to the content that's being perused.

Google Inc. already distributes similar ads to thousands of websites, a service that has helped establish it as the Internet's most prosperous company.

Yahoo Inc. has been struggling to attract more advertisers in recent years, even though more marketing budgets have been shifting to the Internet. The company's revenue had fallen in three consecutive years before registering a small gain last year. Yahoo CEO Marissa Mayer, a longtime Google executive before being lured away nearly seven months ago, has pledged to produce more impressive growth in future years.

Google retains part of the revenue generated from the ads shown on its partners' sites. The revenue split with Yahoo wasn't specifically disclosed, but Google has previously said that website owners that display the kind of ads covered in this agreement usually get to keep 68 percent of the revenue.

Last year, Google's ad sales on its partners' sites totaled $12.5 billion. That amount includes ads shown next to the search results on other websites, a service it isn't providing to Yahoo.

That's because Yahoo already depends on Microsoft for most of its search-driven advertising as part of a long-term deal signed in 2009. Yahoo aligned itself with Microsoft Corp. after a proposed partnership with Google in 2008 unraveled when the U.S. Justice Department threatened to file a lawsuit to block it. The Justice Department contended that Google would have been able to use its dominance of Internet search to thwart competition if it were able to expand its reach on to Yahoo's popular website.

This time around, Google and Yahoo aren't working together in search advertising.

Analysts have been predicting that Mayer's old ties with Google might eventually lead to a closer relationship with Yahoo.

Yahoo's chief operating officer, Henrique De Castro, is also a former Google executive.

In separate online advertising development Wednesday, Google announced that users of its search-advertising system will soon have to start paying for marketing

messages sent to some mobile devices, even if they only are interested in reaching people on desktop and laptop computers. For instance, there will no longer be a distinction between search-driven ads tailored for tablet computers and laptops

All the changes to Google's search advertising network won't be completed until the middle of this year.

Google says it is trying to make it easier to create digital marketing campaigns, but online ad experts say the shake-up also appears to an attempt to harvest more revenue from the rapidly growing usage of smartphones and tablets.

Google's average price for search ads has fallen from the previous year in five consecutive quarters, largely because marketing on mobile devices hasn't proven it can be as fruitful as on personal computers. The decline in Google's ad prices has been a recurring concern among investors.

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