

## **The Aftermath Of Acquisitions: Who's Winning The Display Advertising Battle**

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The online advertising industry has recently seen an unprecedented flurry of acquisitions, with Google's acquisition of DoubleClick for \$3.1 billion on April 14 setting off a domino effect among its rivals. Yahoo followed on April 30 with its acquisition of remaining Right Media shares; on May 17 WPP bought 24/7 Real Media. And just a day later — the biggest of all — Microsoft acquired aQuantive for \$6 billion. These four big deals were followed in July by AOL's acquisition of TACODA and Microsoft's acquisition of AdECN. The rapid consolidation highlighted the market's close-to limitless inventory and steadily growing numbers of eyeballs, as well as further propelled online advertising on its way to becoming a mature industry. At this moment, however, with the consolidation still far from finished and the industry in flux, many — both inside and outside the industry — are wondering what will happen next.

### **Display Advertising Battle**

The recent acquisitions clearly show that display ads will be the next phase of growth in the online advertising industry, with more and more budget going into them. Google has probably been studying over the past year or so the impact display advertising has on search advertising. The two are tied closely together, with display ads fueling search ads for advertisers. While previously all the credit went to the search engines for producing a great ROI, advertisers now recognize that banner ads are the driving force behind users' searches, and Google is simply the final conduit to get to a specific site.

Because Google has such a dominant position in search advertising, it is moving quickly to make the weakest part of its business — display advertising — a strength. Google benefited a great deal from the DoubleClick acquisition: it gained access to greater user data, specifically to the types of content a user reads when outside of Google.com, as well as which ads a user finds of interest. Acquiring what many considered the marquis brand in ad serving bought it credibility in the display advertising market. The Google-DoubleClick deal is not so much about purchasing a new method of targeting as it is about acquiring assets to help its display advertising business. Google stands to lose a lot if search is looked at less favorably in the future and has to move now to protect its position.

AOL and Microsoft, instead of trying to catch up to Google's dominance in the text ad area, are doing the right thing in staying ahead of the curve and strengthening their lead in display ads. The acquisition of TACODA further appears to strengthen AOL's leadership position instead of attempting to compete in Google's staple category of text ad inventory. Historically AOL via Advertising.com has been the leader in monetizing display ads on publisher Web sites, and the company knows that the DoubleClick acquisition is not plug-and-play for Google like Advertising.com was originally for AOL. While Google made a good attempt to get into the market by purchasing an ad serving technology, it still needs to forge relationships with major publishers on the display side of the business to get inventory to resell. This strategy will prove to be an uphill battle — and for \$3.1 billion in cash, that hill just got a lot bigger.

### **The Bottom Line**

While Google certainly seems to be the 800-pound gorilla of online advertising these days, Yahoo, AOL and Microsoft are not yet out of the game. In spite of the rapid consolidation of the market, neither are smaller, more nimble players. As AOL's recent announcement of integrated Platform A (for media and technologies across all of AOL's current ad networks) shows, advertisers will increasingly realize that they cannot favor one type of ad or targeting over another, particularly as consumers are becoming increasingly sophisticated in their online behavior. Understanding the online consumer's mindset better will allow advertisers to choose the most appropriate type of targeting for their campaigns, often opting for a mixture of methods and ad networks.

The biggest winners in this year of acquisitions will be consumers — receiving more relevant ads, at more appropriate times. Experience shows consumers don't necessarily like advertising but are willing to endure it for free content. If the ads they see are relevant to who they are, what they are interested in, and where they are located, it becomes a win-win for all parties in the chain.