



Facebook picks Microsoft as BFF over Google, Yahoo

by Lisa Angerame (Endeavour Consulting) - November 5, 2007

On October 24, Microsoft strengthened its friendship with Facebook to become its exclusive third-party advertising partner the world over. Investing \$240 million in the fast-growing social networking site, Microsoft will take an equity ownership stake in the company.

Microsoft had a successful year-long relationship with Facebook as its exclusive ad platform partner in the U.S. "Over the past year we have worked closely with Facebook in the U.S. The success of our existing partnership laid the foundation for its expansion. We know how to work together to deliver results, and it is very exciting to extend the partnership internationally," says Jon Tinter, General Manager Strategy and Business Development. "Going forward, we have the opportunity to continue to collaborate with them on technological initiatives in other areas."

Google and Yahoo had also been "poking" Facebook for a deal vying for the rights to put its ads in front of Facebook's more than 49 million active users. Microsoft had a leg up on the competition as a result of its established relationship but also because of its successful display advertising business. "We have a robust display advertising solution that Google couldn't provide," says Tinter, speaking on how Microsoft prevailed over Silicon Valley's big players.

In addition to obtaining Facebook's much sought-after ad space, the deal gives Microsoft clout and continues to re-enforce the message that it is a serious contender in digital advertising. "The extension of our partnership with Facebook globally strengthens our presence in the syndicated ad space for both advertisers and publishers," says Jilani Zeribi, MSN Partner Development. In many ways, this deal represents the culmination of the quarter's past efforts to enhance its digital advertising position such as its acquisition of aQuantive and its partnership with Digg, Electronic Arts, and others.

In the past, the press and industry analysts focused their discussions on Google in terms of ad syndication. "To the extent that all the other big players were looking at Facebook and for us to walk away with the prize shows not only our commitment to this enterprise but also that it is a mistake to write us off," says Zeribi.

The international deal opens many doors for Microsoft. As of September 2007, Facebook was the fourth most highly trafficked Web property in the world with 34.5 billion page views (14.7 billion of them in the U.S.). Once the agreement goes into effect, Microsoft will be able to target ads to the 57 percent of Facebook users who reside outside the U.S. This is significant because social networking as a whole, which had a somewhat stagnant start overseas, has dramatically picked up the pace in recent years; today 75 percent of social networkers reside outside of North America, according to Datamonitor. Though Facebook will continue to compete with MySpace, Orkut, Skyblog, and imeem in the U.S., [industry analysts predict](#) that "the international market is looking more and more likely to be the source of the biggest revenue growth."

Facebook, which started as a social utility for college students, is now open to anyone who wants to communicate with friends, coworkers, colleagues, or people with similar interests. Facebook's tools and widgets let members keep tabs on one another, share photos, blog, and more. The site is well known for having a social graph that best represents a person's interactions in the real world. It is not uncommon for a member to visit Facebook via a mobile or PC 20 times a day to check on the status of their friends.

"Through this deal with Facebook, we'll gain access to an engaged, tech-savvy audience that is notoriously challenging to reach," says Zeribi. It is both the way people use Facebook and the frequency with which they access the site that makes Facebook so appealing.

Though millions of people around the world use social networking sites, making money from them via advertising remains elusive. With Facebook, Microsoft has a genuine opportunity to unearth a solution to monetize these pages. "I don't think anyone has really 'cracked the nut' yet on how to provide an advertising experience that contributes to the overall user experience while achieving both advertisers' and publisher's objectives," says Zeribi. Microsoft brings a unique blend of tools, resources, and people to this space and is eager to work with Facebook to develop a superior social networking experience for all involved.

"There is a different employee culture at Facebook," says Tinter who helped finalize the deal in late night negotiating sessions at the company's Palo Alto headquarters. All the lawyers and executives were finalizing the contract line by line when all of a sudden, this house music just starts booming. We look up the hall and see an in-the-flesh DJ spinning tunes to keep the developers entertained. It was hysterical!"

Though Tinter wouldn't say whether any sound systems, turntables, mixers, or other DJ equipment would be added to any of Redmond's offices, he's polishing his dancing shoes and looking forward to the next phase of the Microsoft-Facebook friendship.

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