

Summer heats up for Yahoo

- Yahoo finds secure footing in Q3
- Google sees significant jump in searches in September due to back-to-school shift but marketers see little benefit

A report by SearchIgnite and RBC Capital Markets

Introduction

It's no surprise that Google continues to dominate market share in the US market, but the summer months of 2007 benefited Yahoo significantly. With school out for the summer and then returning in September, the search engines underwent significant shifts during the third quarter.

- Google was affected the most by search trends in the summer months, seeing a significant drop in paid search impression volume in July and August. It then jumped from delivering 54.7% of search ad impressions in August to 62.3% of impressions in September. It is remarkable that Google's corresponding increase in percentage of media spend was more modest, increasing from 73.0% in August to 75.4% in September.
- The increase in impressions was accompanied by a decrease in performance. Google's click-through rates (CTR) dropped from 4.4% in August to 3.8% in September.
- Interestingly, Google debuted an algorithm change in late August that was intended to increase the price of bidding for first position on most of its search terms. This algorithm change did not seem to have a positive effect for Google as its cost-per-click (CPC) in September was flat compared to August and its revenue per impression (eCPM) actually declined in September.
- Yahoo, meanwhile, saw significant improvement in the third quarter, posting significant quarter over quarter gains in percentage of media spend (18.5% to 20.4%) and percentage of impressions (31.9% to 37.2%). Its eCPM in September increased year-over-year for the first time since April.

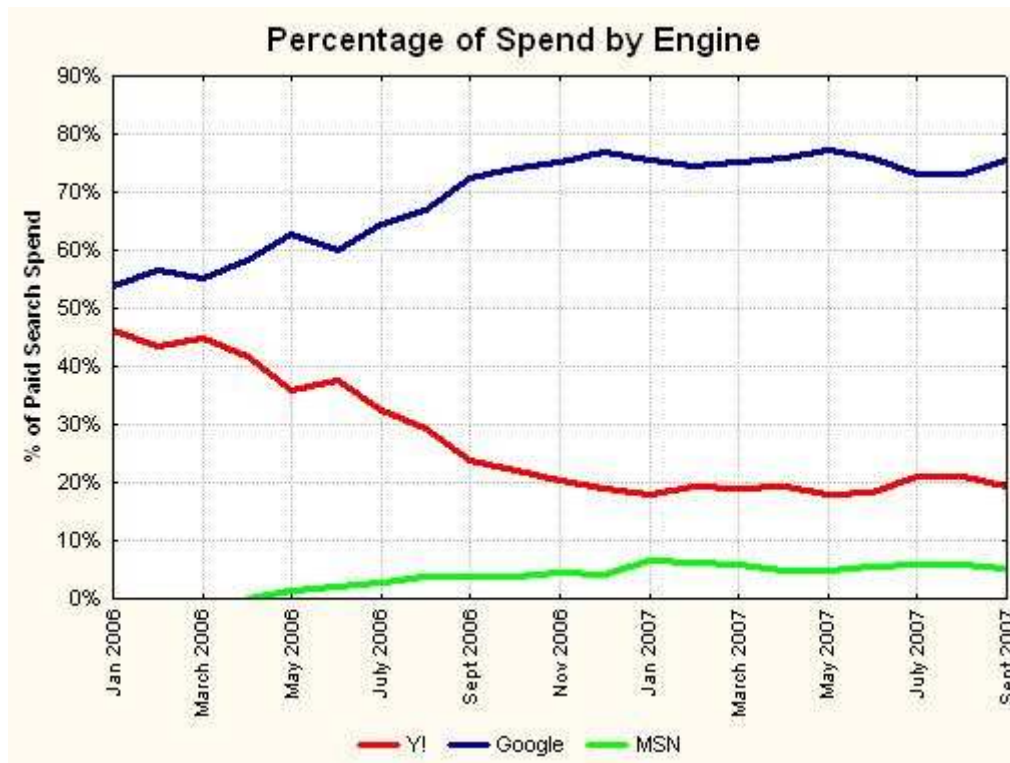
This report is the latest in a series of quarterly reports from SearchIgnite and RBC Capital Markets. The reports can be found at www.searchignite.com.

About SearchIgnite

SearchIgnite is a leading search bid management and portfolio optimization technology that uses complex algorithms to help marketers and advertising agencies achieve their ROI metrics across all the major engines. With comprehensive proprietary campaign measurement and optimization tools, SearchIgnite delivers a single dashboard to manage multiple simultaneous campaigns in real time. Clients include advertising agencies, online marketing firms and sophisticated marketers. SearchIgnite is a unit of Innovation Interactive, a leading, diversified online marketing company offering advertisers a full suite of performance-based marketing solutions.

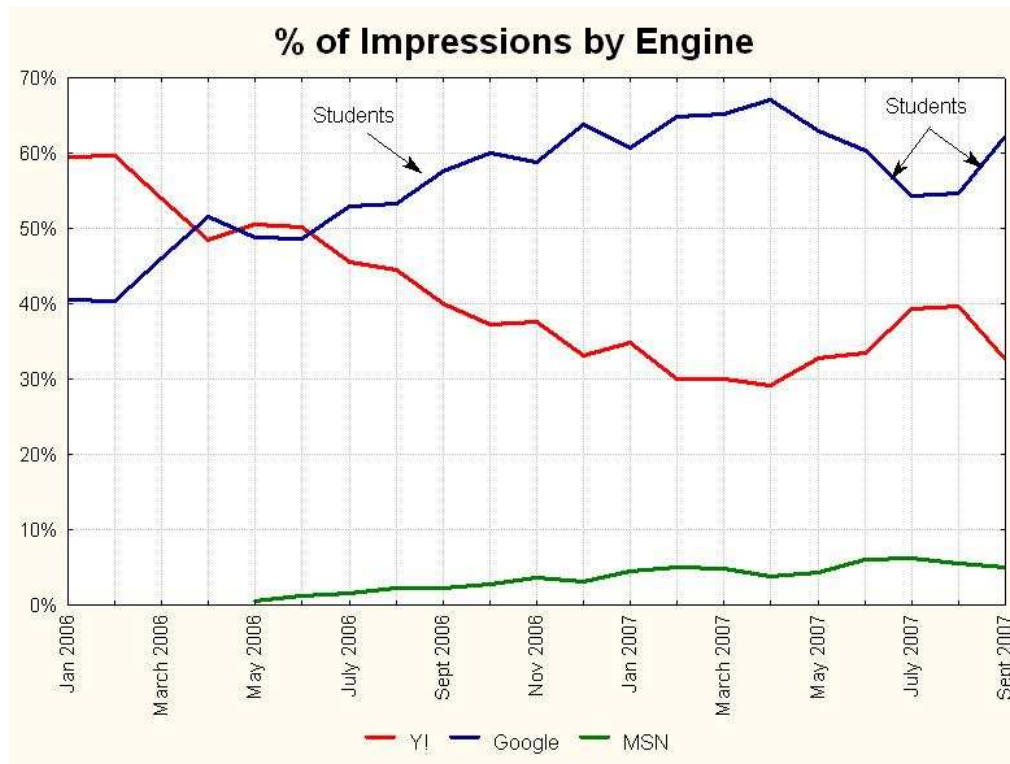
Share of Media Spending

Yahoo's percentage of media spend increased in July and August, only to dip in September. Overall, spending for Yahoo in the third quarter increased 7.8% over the second quarter when comparing the same marketers' spending levels. Google experienced a dip in its share of spending in July and August and then increased in September; overall, its spending increased 0.8% on a same-client basis. MSN's share of spending increased slightly from 5.1% in the second quarter to 5.8% in the third quarter but on a same-client basis, total spend decreased by 3.4%.



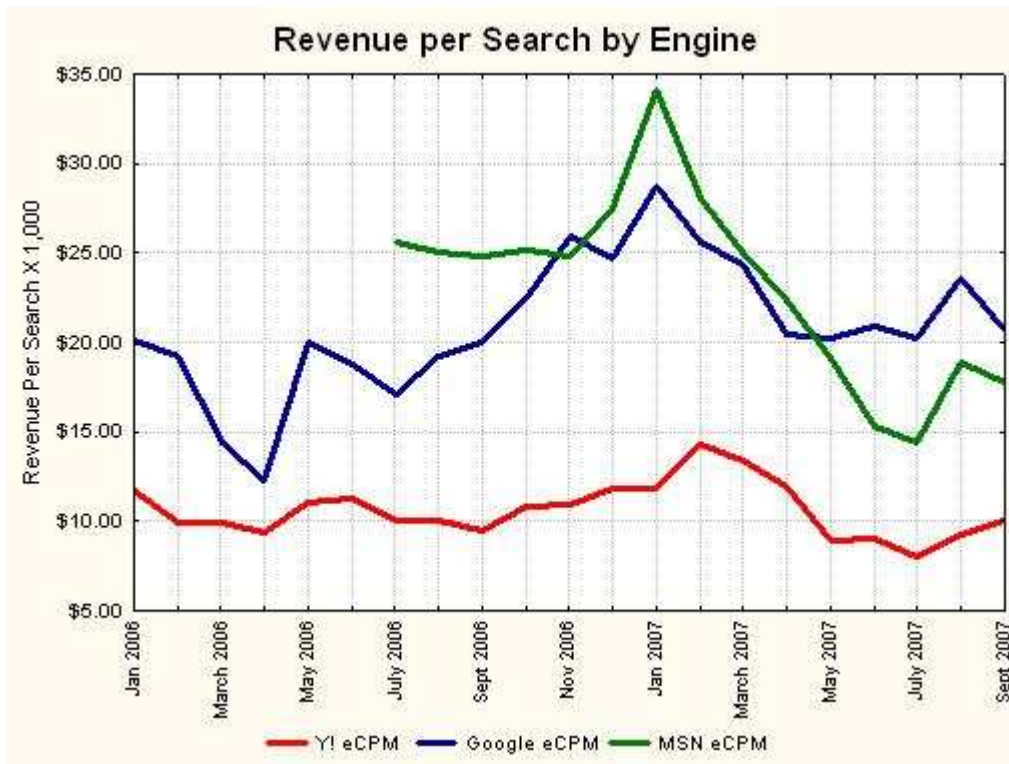
Back to School Effect

Google gained steam when students returned to school. In September, Google's share of impressions soared from 54.7% to 62.3%. Yahoo, meanwhile, dropped from 39.7% to 32.6%.



Search Engine Monetization

Google clearly saw a decline in monetizing its search results in September as its increase in traffic was accompanied by a drop in performance for marketers. Google's effective CPM dropped from \$23.54 in August to \$20.63 in September, due entirely to a drop in click-through rates from 4.4% to 3.8% over that span; its cost-per-click held steady at \$0.54. Yahoo's effective CPM rose from \$9.32 to \$10.07 due to CPCs rising from \$0.55 to \$0.58 as its CTR held steady at 1.7% - a level it has maintained within 0.1% since May.



Year over Year Changes

Reviewing the percent changes in Google and Yahoo's revenue per search, September marked the first time Yahoo outperformed Google in eCPM increases since February, when Yahoo widely debuted its new advertising platform.

