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Google-Twitter Reported Merger Talk Sparks Partnership Theories

By PETE BARLAS, INVESTOR'S BUSINESS DAILY

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A report that **Google** (GOOG) is in talks to buy Twitter sparked wide reaction, with many observers seeing a partnership as more likely.

The TechCrunch blog late Thursday first reported word of the talks, citing two unnamed people close to the negotiations. A Google spokeswoman said that company declined to comment. A posting on the Twitter blog by its co-founder Biz Stone didn't directly address the specific report. "It should come as no surprise that Twitter engages in discussions with other companies regularly and on a variety of subjects," Stone wrote in part. "Our goal is to build a profitable, independent company and we're just getting started."

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Even a partnership would pose challenges, industry sources say.

Google gets nearly all its revenue from ads strategically placed with specific search results. It also partners with other sites to place ads, sharing pay-per-click ad revenue with those sites. Google, though, last year said it's had trouble making its ads pay on social networking site MySpace, a partner site.

With such troubles, Google might be better off partnering with Twitter rather than buying it, says Danielle Leitch, executive vice president for MoreVisibility, a search marketing firm that helps companies advertise online.

"Maybe walk before you run. Test it out," she said.

Observers say the most likely revenue-share opportunity between the pair would be for Google to post its text-based ads on Twitter.

Google's ads are intended to match consumer interests. Ads could show up near "tweets" that Twitter users exchange. Google's ads could also appear with Twitter's new search service, which the microblogger has begun to roll out to its users. It lets Twitter users search for messages by topic, such as, for example, "Italy vacation."

Twitter users can communicate in real time on PCs and mobile devices. In February, more than 7 million unique visitors tapped into the service using just PCs, up 1,382% from a year ago, says Nielsen Netview .

Such growth is likely of keen interest to Google, says Greg Sterling, of Sterling Market Intelligence.

"There is obviously a monetization opportunity that may get to be relatively significant," Sterling said. "Google could take advantage of just the sheer growth of Twitter."

But making money on Twitter might be tough.

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The company, founded more than two years ago, is just starting to bring in revenue. It hasn't sold any individual ads, but last month entered into its first sponsorship deal, with **Microsoft** (MSFT). The software firm is sponsoring ExecTweets.

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