

Google In Talks To Acquire Twitter

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Here's a heck of a rumor that we've sourced from two separate people close to the negotiations: Google is in late stage negotiations to acquire Twitter. We don't know the price but can assume its well, well north of the \$250 million valuation that they saw in their recent funding.

Twitter turned down an offer to be bought by Facebook just a few months ago for half a billion dollars, although that was based partially on overvalued Facebook stock. Google would be paying in cash and/or publicly valued stock, which is equivalent to cash. So whatever the final acquisition value might be, it can't be compared apples-to-apples with the Facebook deal.

Why would Google want Twitter? We've been arguing for some time that Twitter's real value is in search. It holds the keys to the best real time database and search engine on the Internet, and Google doesn't even have a horse in the game. In a post last month called *It's Time To Start Thinking Of Twitter As A Search Engine*, I wrote:

More and more people are starting to use Twitter to talk about brands in real time as they interact with them. And those brands want to know all about it, whether to respond individually (The W Hotel pestered me until I told them to just leave me alone), or simply gather the information to see what they're doing right and what they're doing wrong. And all of it is discoverable at search.twitter.com, the search engine that Twitter acquired last summer. People searching for news. Brands searching for feedback. That's valuable stuff. Twitter knows it, too. They're going to build their business model on it. Forget small time payments from users for pro accounts and other features, all they have to do is keep growing the base and gather more and more of those emotional grunts. In aggregate it's extremely valuable. And as Google has shown, search is vastly monetizable - somewhere around 40% of all online advertising revenue goes to ads on search listings today.

If this is accurate, it's a brilliant deal for Google - the value of Twitter is only going to go up over time. And it will be Twitter founders Evan Williams and Biz Stone's second sale to Google - they sold Blogger to them just five years ago. But there's one big question - where's Microsoft in all this? Letting Twitter go to Google only hurts them, badly, in the long term search game. This is an asset they need to be competing for aggressively.

Of course, it'll be sad to see Twitter become just another subsidiary of Google, if this happens. I would have liked to have seen the company spread its wings a little longer to see what it could do.