

InterActiveCorp Acquires Ask Jeeves for \$1.8-billion

By Jim Hedger, StepForth News Editor, [StepForth Placement Inc.](#)

Ask Jeeves has been sold to Internet media conglomerate InterActiveCorp (IAC) for nearly \$2-billion. Rumours about the sale, which started circulating early Sunday with a short story in the Wall St. Journal, were confirmed this morning by both IAC and Ask Jeeves. The transaction, which is worth \$1.85-billion in stocks, represents the largest search related sale in the past two years.

Ask Jeeves has had a strange history. Starting as a natural language search engine that attempted to match specific questions with precise answers, they quickly moved to being a keyword-triggered search engine. Their famous mascot, Jeeves the Butler has served the firm for most of its life, with a brief retirement four years ago, and is one of the annual attendees (in hot-air balloon format) in New York's Thanksgiving Day Parade. Jeeves stands in front of Teoma, the brains behind Ask Jeeves. Generally regarded as one of the best algorithmic search tools available, Teoma (which is owned by Ask Jeeves) provides the search results displayed by Ask Jeeves. If it wasn't for Google's hold on name-brand popularity, Teoma might well have emerged as the #1 search engine. Ask.Com has been rumoured to be working on a paid-performance search tool to rival Yahoo and Google. The purchase also includes Ask Jeeves brand properties, Excite, Ask.com, and iWon.Com.

IAC owns a number of Internet businesses including the popular online travel business Expedia, which it plans to spin off sometime this year. It also owns the Home Shopping Network, Hotels.com, Citysearch Web Directory, Ticketmaster, and the online mortgage provider LendingTree. The acquisition of Ask Jeeves gives IAC an entry into the rapidly growing search engine market with ownership of the world's fourth most popular search service.

Earlier this month, IAC indicated it would purchase Cornerstone Brands, a massive Internet and catalogue retailer for a rumoured \$720-million. Ownership of Cornerstone would give IAC further entry into the consumer retail market with a wider variety of products and services.

The purchases of Ask Jeeves and Cornerstone Brands, combined with IAC's already heavy ownership of several sector-specific search services raises concerns that Ask Jeeves will be transformed into a vehicle for IAC vertical content, to the exclusion of other search options. From a business perspective, it would make sense for travel searches to return Expedia-generated results. Ask Jeeves CEO, Steve Berkowitz commented that the merger will permit users to "search, find and complete a task all within the boundaries of one company." From a search perspective however, such a move would likely backfire as it did for Lycos two years ago.

Investors welcomed the purchase, with Ask Jeeves shares climbing 14% at the opening of trading today. Increased confidence in Ask Jeeves might be attributed to other moves IAC and its CEO, Barry Diller have made lately. Diller has long been known as an entrepreneur willing to spend large sums of money to buy big-ticket websites selling directly to the consumer. His strategy appears to be working. Last month, IAC announced sales of \$6.2-billion across its stable of websites in 2004, a 15% increase over 2003 sales. This morning, IAC also announced the opening of a gift-recommendation search engine as a competitor to Amazon called Gifts.com.



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By combining its various services under the same URL, "Ask Jeeves", IAC is betting online consumers will naturally migrate to the place that offers everything, "within the boundaries of one company." It currently owns many of the Internet's most active web properties, some of which have been operating since before the tech-crash five years ago. They are most certainly anticipating a migration of search users towards sector-specific "vertical" search tools such as Gifts.com, Hotels.Com and whatever comes from their pending purchase of Cornerstone. Ask Jeeves and IAC had already jointly entered the local-search market with IAC's Citysearch powering Ask Jeeves' local search option.

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