

Inktomi Enterprise Search Customers Face Uncertainty

Whit Andrews, Simon Hayward

High-end enterprise search vendor Verity plans to buy Inktomi's low-end search business. Although Verity sees cross-selling opportunities, Gartner believes support for the Inktomi product could weaken over time.

NEWS ANALYSIS

Event

On 13 November 2002, Verity announced an agreement to purchase the enterprise search business of Inktomi for \$25 million in cash. The vendors expect to close the deal by mid-January 2003.

Analysis

This deal represents radical changes in strategy for both companies and should put enterprise customers — particularly Inktomi's — on full alert. Inktomi touted enterprise search as the focus for its business following the closure of its network caching business. Whether the company can sustain itself purely on Web search is doubtful. Verity had positioned its K2 product for sophisticated search users and viewed Autonomy as its primary competition.

Verity's decision to purchase Inktomi's enterprise search business acknowledges that by moving up market Verity left itself exposed to competition from less costly products. Google and Inktomi have drawn low-end Verity clients to their own offerings — Inktomi's downloadable enterprise software with an attractive per-page license and Google's innovative two-year term appliance license. The deal also demonstrates that Verity could not package the K2 product in a form suitable for less sophisticated users. Although it will get the Inktomi assets (including Quiver, which Inktomi recently purchased for \$12 million) at a good price, Verity now faces the difficult task of managing a dual product strategy. Verity states that it will retain the Inktomi product (rebranded once more with its original Ultraseek name) along with the telesales and Web download model.

Gartner does not believe that this acquisition will create synergies for Verity. Most Inktomi customers Gartner has talked to said they are satisfied with its level of capability and will likely not want to spend more to get more functions or greater scale. In fact, one of Inktomi's challenges has been its inability to command higher prices for its serviceable software. Given that Inktomi decided it could not sustain this business and agreed to sell it at this price, Gartner sees no reason to believe Verity can do substantially better. The opportunities for cross-selling are limited and will require tighter product integration to be compelling.

Enterprises using Inktomi should press Verity after the acquisition closes to determine how long it will provide support for the enterprise search product. Gartner expects that Verity will provide some commitments. However, Verity will also have to seek greater synergy in product development than it currently recognizes. The future of the product set will therefore remain uncertain until late 2003. Many Inktomi customers can afford to wait and see what Verity does with the product, but prospects should remain wary until Verity defines the relationship between the products and demonstrates its ability to continue development and support.

Analytical Sources: Whit Andrews and Simon Hayward, Gartner Research

Recommended Reading and Related Research

- "The Gartner 2002 Enterprise Search Magic Quadrant " — Enterprises should analyze their users and their data before making a choice of search products, and should recognize that a single product will likely not satisfy all needs. **By Whit Andrews, Simon Hayward and Alexander Linden**
- "Verity: Refocusing on Search Market With New K2 Product" — Enterprises should consider K2 as an option when looking for a search product, but ensure the options

selected match the intended use and negotiate on price using competitive offers. **By Simon Hayward**

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