

Yahoo's Purchase of Inktomi Could Challenge Google

Whit Andrews

Yahoo plans to acquire search engine provider Inktomi. The acquisition will strengthen Yahoo's search services against competitors such as Google.

NEWS ANALYSIS

Event

On 23 December 2002, Yahoo announced its intent to acquire search engine provider Inktomi for about \$235 million. Yahoo expects to complete the transaction in 1Q03.

Analysis

Over the years, at different times, if queries did not obtain obvious answers from its own database of searched sites, Yahoo has handed them off to a dominant partner, such as AltaVista, Google, Inktomi and OpenText. Inktomi provided Yahoo with search capabilities from 1998 to 2000. Yahoo's selection of Google to replace Inktomi in 2000 tacitly indicated that Yahoo felt Google's technology was superior to Inktomi's. Yahoo will now buy Inktomi likely because it is irresistibly affordable and because of Yahoo's concerns that Google lately seems more a competitor than a technology partner providing a commodity product — a dynamic that occurred previously with AltaVista as well.

Inktomi has struggled financially. It shut its network caching business earlier in July 2002, then sold its enterprise search business to Verity in November 2002 for the fire-sale price of \$25 million. Thus, this move represents a nice close to its exit strategy. Because of this earlier sale, Yahoo's acquisition of Inktomi should not affect enterprises that use Inktomi's Ultraseek technology to search internal and external document repositories, such as Web sites.

The addition of Inktomi will further enable Yahoo to increase its presence within the microcosm of Internet search advertising, where Google exercises an outsized influence. Gartner believes that Yahoo will use the integrated technology to offer richer advertising opportunities — more business-oriented than technically driven. (For example, Inktomi's business of allowing sites to set a "spiderable" section of their sites for a fee will likely appeal to Yahoo.)

Under previous management, Yahoo had asserted that search technology would always improve and that its constant state of flux made it too expensive to acquire and maintain. The global Internet company will now have to spend to maintain its own search technology at a leading-edge level unless it has decided that this capability has become simply another mainstream commodity.

Analytical Source: Whit Andrews, Gartner Research

Recommended Reading and Related Research

- "Search Technology's Presence Grows, but Maturity Is Slow" — Search technology is growing in importance within major enterprises and expanding into applications and unstructured repositories, such as intranets, thereby transforming aspects of enterprise business procedures. **By Whit Andrews**
- "Inktomi Enterprise Search Customers Face Uncertainty" — Although enterprise search vendor Verity sees cross-selling opportunities in its acquisition of Inktomi's search business, Gartner believes its support of Inktomi could weaken over time. **By Whit Andrews and Simon Hayward**

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