

## **Mondosoft/Searchbutton: A Stronger Vendor but Not Yet a Leader**

**Whit Andrews**

By acquiring one of its rivals in the site-search market, Mondosoft will stand more strongly against established players and better-known newcomers. The deal continues consolidation in this new market segment, although a leader has not emerged.

## NEWS ANALYSIS

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### Event

On 27 June 2001, Mondosoft announced an agreement to acquire Searchbutton in a deal expected to close in 3Q01. The vendors did not disclose the financial terms. Mondosoft said it will discontinue the Searchbutton product and will offer to migrate customers to MondoSearch.

### Analysis

The market for providing search technology that spiders, indexes and provides navigation aid for external Web sites has churned since it emerged in parallel with the growing popularity of the Web. Inevitably, the application service providers (ASPs) of search technology have consolidated. This trend is likely healthy for this nascent submarket but has still failed to establish a bona fide leader — even with this deal.

Mundosoft provides ASP services and traditional installed software licenses. Searchbutton specializes only in ASP services. Since Mondosoft wants Searchbutton customers to convert to MondoSearch, the acquisition mostly will serve as an opportunity for Mondosoft to beef up its customer base and to increase revenue. Presumably, Mondosoft will also gain significant economies of scale from the acquisition, although Mondosoft has not announced how many Searchbutton employees it will seek to retain.

Searchbutton faced the substantial challenge of developing a business from external search alone as its ASP-only business model raised security problems for intranet installations. ASP search engines must by definition maintain an index of content in remote servers. The possibility of such an index residing outside corporate security protocols and policies concerned security- and litigation-conscious IS departments. An index of intranet content represents a significant part of corporate intellectual assets and a potential source of corporate documents for litigators who seek a historical view of internal communications and documentation.

Mundosoft recently introduced an intranet search product to bolster its external-site search product. European and Asian venture capitalists funded Mondosoft, whose customer base lies mostly in Europe. The acquisition of Searchbutton will provide Mondosoft with a stronger base for North American operations. Mondosoft has not announced plans for its transition of Searchbutton's technology. Therefore, Searchbutton customers should immediately contact their sales representative to learn what the transition plans are and what support the vendor will make available.

**Analytical Source:** Whit Andrews, Internet Strategies

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