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✗ GoTo Searches With a Capitalist Engine

by Jennifer Hillner

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Traditional search engines such as Lycos and AltaVista traditionally have used mathematical algorithms to rank Web pages according to keyword density and popularity, not the size of a company's pocketbook. But a new search engine started by idealabl chairman Bill Gross does just that.

Revolutionizing how search results are listed, GoTo.com ranks query responses by how much a company is willing to pay to have its listing posted, with the highest placement going to the highest bidder.

"We think that advertisers who pay the most are going to offer the most value to the consumer," said GoTo CEO Jeffrey Brewer. "It's a stock market for consumer attention."

But whether consumers will be satisfied with what the market has to offer is another question. A search on "sports" turned up shopping.com as a first link. And the placement of non-profits and universities is akin to their role in a hyper-capitalistic economy. While academic research will be included on GoTo, it'll be placed at the bottom of the heap.

GoTo's Brewer likens the business model to the Yellow Pages, where advertisers pay for more prominent ads, rather than the White Pages listings model of most search engines. But that analogy doesn't make sense to everyone.

"Payment in the Yellow Pages affects how big your typeface is, not where you appear in the book," said International Data Corp. analyst Mary Wardley. "The [listings] are still alphabetical."

GoTo lets the market decide how much companies pay for a listing through a kind of real-time online auction system. Unlike traditional search engines that charge advertisers for banner ad impressions, GoTo charges listing companies for delivering actual visits to their site. Companies bid for a particular search word, agreeing to pay a set price for each click-through.

Currently click-through prices range from 1 cent to 10 cents, with the number of click-throughs extending possibly into the thousands per day, according to Brewer. The highest bidder owns the top of the results list. When a company out bids another higher ranking company, GoTo sends an email to the displaced company notifying it of the

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status change and giving it the opportunity to place a higher bid and regain its placement.

Since the launch of the site, only days ago, GoTo has signed-on companies at a rate of one every 10 minutes, said Brewer. To date the number of subscribers tops 500.

While it seems companies are responding positively to GoTo's market-driven approach, which is disclosed to users on the site, GoTo is bracing for some adverse consumer reactions. "We did receive a very angry letter from a woman who said this was dishonest," said Brewer. "But we are far from being dishonest, we actually list the price a company is paying right next to their posting." A small box lets users know how many cents a company will pay for their click-through.

Two years ago, a Canadian company, Open Text Corp., attempted a similar tactic and began selling placement on its search engine, Open Text Index. But after consumer complaints that the searching was tainted, Open Text stopped offering companies the option of pay-per-placement.

"This model couldn't work two years ago," said Brewer. "There wasn't a critical mass of advertisers who could pay for placement, but now there is."

Only time will tell if the Internet has changed so dramatically as to embrace the ultimate in capitalist search engines. But regardless of the difficulties that lie ahead for GoTo, including convincing advertisers that its model is more cost effective than banner advertising and winning over skeptical Web surfers, many in the industry are watching the fledgling company very closely. One reason being that its founder, Gross, has a proven record for making his ideas work. Gross founded CitySearch in 1995 and spawned the likes of Tickets.com and IntraNetics.

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