

Searching For The Highest Bidder

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inter@ctive Week February 19, 1998

Searching For The Highest Bidder

By Steven Vander Hoar
3:30 PM EST

Call Bill! Gross the quintessential Web capitalist.

The founder of software maker Knowledge Adventure Inc. next week is betting that free-market principles can work to build a better search engine than any editorial staff or sophisticated database technology.

Gross, now the chairman of the idealab! Internet business incubator, is launching a search service that applies Yellow Pages-style advertising practices to the way search results are presented.

Put simply, the more advertisers are willing to pay, the more prominently they are featured in search result listings.

It's a business model that extends beyond the traditional search engine practice of selling banner ads tied to selected search terms. Instead, the GoTo service has literally stuck "For Sale" on every slot in its search listings and created a mechanism in which publishers can bid for exposure on search terms related to their Web offerings.

"This represents a way to filter all the junk out of search results," Gross said. "If you're Joe's Hobby Car site, you shouldn't be the first site listed for a search on 'autos.'"

Instead, Gross said, major auto-related sites, such as Microsoft Corp.'s CarPoint or Auto-by-Tel Corp.'s Internet car buying service, may be more relevant to a user searching on autos. And because viewers potentially are more valuable to those full-service sites, those publishers are likely to bid more for exposure on GoTo and for placement near the top of the search results in their topic category.

"Supply and demand is the answer," Gross said. "That action is better than any algorithm you can come up with for ranking thousands of search

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results."

Advertisers do not pay up-front fees for their listings. Instead, they place bids of how much they are willing to pay for click-throughs from selected search terms on the GoTo service. Fees are paid by the advertiser only when a GoTo user clicks on a link that directs them to their site.

GoTo plans to list its current click-through bids alongside its search results, allowing consumers and industry competitors to see how much is being paid for prime listing space on the search service

"This is a stock market for attention on the Web," Gross said. "You can't have an effective stock market without publishing the prices for everyone to see."

The search service plans to offer listings even of sites that do not pay for placement. However, those sites will be listed behind sites that do pay for placement.

One key challenge facing GoTo is generating traffic in an already crowded search marketplace. The company has allocated \$2 million for a first round of advertising, \$1 million of which will be spent online and \$1 million to be spent on traditional media promotion in Boston, Los Angeles, New York and Silicon Valley, Calif.

Charter advertisers on the GoTo service include American Isuzu Motors Inc., eToys Inc., The Mining Co., Shopping.com and The Wedding Channel.

The GoTo service can be reached at www.goto.com

Email [Steven Vonder Haar](mailto:Steven.VonderHaar)



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