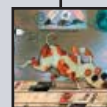




Search Engines: Intense Competition Drives Better User Experiences

More and more every day, the on-ramp to the Internet is a search engine. Some 85 percent of Internet traffic is driven through search engines.¹ In November of 2007, more than 10 billion search queries were initiated in homes, businesses, and universities in the United States alone.² Users averaged 74 searches per month in 2007, up from 52 per month in 2006.³



Much more is at stake in the search competition than whether you can quickly find a local movie show time and a good Thai restaurant to go to afterwards. Google's 2007 revenue is projected at \$11.5 billion, the bulk of it coming from paid search advertising.⁴ In efforts to boost their share of the search pie, competitors Yahoo! and Ask.com made major investments in 2007 — Yahoo! in its functionality and infrastructure, and Ask.com in new features and major non-Internet brand promotion. Microsoft is also investing heavily, including making a friendly \$1.2 billion bid in January for Norway-based Fast Search and Transfer, which has technology that could potentially be leveraged to improve Microsoft's web search.⁵

With such huge dollars at stake, even smaller competitors can reap big profits from capturing just small market share, a sweet incentive for well-backed firms such as Ask.com to invest in growing their search businesses. Even the “wiki” team is getting into the search business. Wikipedia co-founder Jimmy Wales is launching a new collaborative-model search engine, Wikia, with a \$14 million stake, of which \$10 million is being invested by Amazon.com.⁶

ALL SIGHTS ARE SET ON GOOGLE

Call it a phenomenon. A juggernaut. A blessing or a scourge. But by any name or measure, Google is the king of the search mountain. The name is now synonymous with and has even replaced the term “search” itself — you don't search for something, you “Google it.”

Google owns nearly 60 percent of Internet searches. For the month of November 2007, Nielson Online put Google's share at 57.7 percent, or nearly 4.25 billion searches;⁷ comScore credited Google sites with a 58.6 percent share for the same period. Yahoo! came in at a distant but solid second, with a share in the 20-percent range; Microsoft/

MSN tallied less than half of Yahoo!'s share, at just under 10 percent. The Ask network and the Time Warner Network — which includes AOL — each finished with just under 5 percent share.⁸

With nearly three times the market share of its nearest competitor, Google is seemingly invincible. But companies that overbearingly dominate their category, particularly when it's a technology category, are vulnerable to category-redefining innovation (just Google “iPhone”). And Google faces its own set of particular challenges. Its focus is potentially diffused by the diverse ventures it chooses to pursue. It is challenged to find qualified engineers to keep up with its growth. And because of its size and scale, it faces scrutiny for how it handles the vast repository of private user data that resides on its servers.

And then there is the phenomenon, especially in America, of consumers seeking alternatives when they feel like they are captive, even if voluntarily, to an industry giant. This last factor in particular has opened the door for an aggressive competitor like Yahoo! to recapture some of the many users it has lost over the past few years to Google. The latest Keynote Systems Customer Experience Rankings for search confirm that Yahoo! is, indeed, achieving noticeable improvements in user experience and beginning to close the gap with Google in several key search experience drivers.

A CLEARLY DEFINED PECKING ORDER

In the December 2007 Keynote study, Google makes a clean sweep of first place in all four key index rankings: Overall Customer Experience, Brand Impact, Future Usage Impact, and Customer Satisfaction. Yahoo! takes second place in every category, and Ask.com, MSN, and AOL follow in order.⁹ It is almost without precedent in Keynote studies of any industry that the rankings are

so rigidly stratified (see Figure One). Typically, there will be some shuffling up or down in one or several of the indices. But in the past two studies, the competitors finished in rank order, straight across the board.

Though the rank hierarchy has remained constant, there has been noticeable, significant movement over the course of 2007. Yahoo! has closed to within 50 points on a 1,000-point scale in all four key index rankings. And each key index is made up of a number of other indices, and in these more specific measurements, competitors have gained ground. Yahoo! actually finished ahead of Google in several key measures, which appears to correlate directly to its rollout of important new search enhancements in October.

“You're seeing a recalibration of the market's considerations and opinions and evaluations of the search providers right now,” explains Steve Foster, Keynote's director of competitive research. “Google has ruled over the last two years, and now people are taking a second look at the others, and are at least willing to give them a new chance.”

“The performance of all the competitors right now is starting to break through,” Foster continues. “What's happening is that people are by and large familiar with what they're going to get from Google, and you know the American way which is, okay, what's the next great thing?”

YAHOO!: THE FIRST AND STILL A DOMINANT COMPETITOR

Way back in the pioneer days of the Internet — 14 years or so ago — two guys in a trailer at Stanford invented the Internet search engine. In those early days, the company they named Yahoo! transformed the way users interacted with the Web, dramatically increasing the accessibility to all of its information resources. It was arguably the first great dot.com rags-to-riches success story. Interestingly,



the first CEO hired by Yahoo! co-founders Jerry Yang and David Filo was named Tim Koogle.¹⁰ Rhymes with?

While Google has become the Goliath of search engines, Yahoo! is still the Internet's number one property, owning more "eyeballs" than any other group of sites. As an example, for the month of November 2007, Yahoo! sites attracted over 136 million unique visitors, roughly 5 million more than Google's sites and almost 17 million more than Microsoft's sites.¹¹ Those visitors represent opportunities for Yahoo! to recapture more of the search preference it once enjoyed. And it is investing aggressively to do so.

Yahoo! in October rolled out several search enhancements, which may help explain the noticeable gains it made in the November Keynote Customer Experience rankings. The new "Search Assist" works on several levels to improve the search experience and the relevance of the results, from suggesting alternate keywords and related concepts to enhanced shortcuts and category narrowers that help users zero in on more specific information.

"Search Assist essentially helps users overcome one of their key pain points, which is how to craft an effective query," explains Yahoo! Director of Customer Insights Michael Kronthal. "As they begin to type their query or their keyword into the box, it suggests other keywords that might be related to what they're typing." (See related story.)

Yahoo! continues also to enhance the results themselves, offering deeper and more relevant content. "Yahoo! has a much, much better body of content to bring up on specialized searches," Keynote's Foster observes. "So when you're looking at entertainment or you're looking at news or you're looking at weather, more than likely Yahoo! has better content, specialized content to bring up for you."

RA NK	Overall CE Index	Brand Impact Index	Future Usage Impact	Customer Satisfaction Index
1	Google (1)	Google (1)	Google (1)	Google (1)
2	Yahoo! Search (2)	Yahoo! Search (2)	Yahoo! Search (2)	Yahoo! Search (2)
3	Ask.com (3)	Ask.com (3)	Ask.com (3)	Ask.com (3)
4	MSN (4)	MSN (4)	MSN (4)	MSN (4)
5	AOL (5)	AOL (5)	AOL (5)	AOL (5)

Parenteses indicate June 2007 ranking; highlighting indicates a significant change in score from June 2007.

Rankings for the major search engines are rigidly stratified, though within their relative ranking, Yahoo! and Ask.com made some significant improvements over the course of 2007.

Task Success and Satisfaction					
Very few differences in task success or satisfaction exist between Yahoo! & Google		Task Success		Task Satisfaction	
		Google	Yahoo!	Google	Yahoo!
LOCAL	General Search	91%	91%	72%	70%
	Whole Foods Market	91%	82%	81%	73%
	Choose your own local business	95%	82%	70%	56%
	Movie show times	87%	89%	72%	67%
	Driving directions	84%	81%	64%	74%
PRODUCT	Choose your own product	95%	95%	76%	71%
	2008 Toyota Prius Hybrid	90%	88%	71%	73%
	iPod under \$300	96%	92%	69%	64%
	Canon PowerShot A550 LCD viewing screen size	86%	81%	80%	65%
IMAGE	Paul McCartney performing	67%	74%	39%	41%
	London attractions	94%	95%	79%	71%
	"Breton Girls Dancing, Pont-Aven" by Paul Gauguin	94%	95%	79%	69%
	Choose your own image	96%	94%	78%	82%
NEWS	Global warming	97%	100%	79%	78%
	Pakistan's former prime minister Benazir Bhutto	92%	84%	62%	56%
	Choose your own news topic	87%	94%	71%	67%
	Rising gas prices	92%	94%	55%	68%

*Differences of approximately 12% or more are significant at the 90% confidence level ■ = Significantly better performer

Google is a clear winner in localized search, but for most other search tasks, the difference between Google and Yahoo! is slight.



Yahoo!'s Kronthal explains, "What we're doing here is leveraging the best-of-breed sites both within the Yahoo! network as well as some other sites outside the Yahoo! network to bring the most relevant information to our users as easily and effortlessly as possible."

ASK ME NO SECRETS

Though it is a distant number four in the search market, Ask.com is proving nonetheless to be a tenacious competitor. It has made major efforts over the past year to increase its appeal to users and differentiate itself, from consolidating various results genres — Web sites, videos, photos, etc. — in one consolidated results page, to introducing its innovative Ask Eraser privacy option. Like Yahoo!, Ask also offers quick links to expand or narrow a search. And it has reached out into traditional media to promote its brand.

"I think it's actually a breakthrough and a half," Keynote's Foster comments about the Ask Eraser. "Americans and by and large the Western world is very touchy about privacy for their information, even more so in Europe. So when you're talking to those particular points, it's something that resonates with the audience very favorably. It's just smart thinking."

Judging from the Keynote study, it's the product itself that is boosting Ask.com's image. Ask.com enjoyed a 34 percentage-point gain in positive brand perception after users completed a number of assigned searches, pushing it ahead of MSN and within a 20-point spread of leaders Google and Yahoo!. Google, by comparison, enjoyed just a 6 percentage-point gain post-experience, the weakest improvement of the group; it was, however, starting from a much higher pre-experience index, and still topped the ratings at 82 percent positive

brand perception, vs. 73 percent for Yahoo! and 62 percent for Ask.com.¹²

WHAT DRIVES A SUCCESSFUL SEARCH EXPERIENCE?

The top two business impact drivers for search are home page appeal and general search quality. In the December 2007 Keynote study, Yahoo! bumped Google out of first place for home page appeal, the number one driver. The two were virtually tied in the June study, but Yahoo! gained ground and Google slipped somewhat, resulting in a more than 30-point advantage for Yahoo! (on a 1,000 point scale).

In every other business driver but one, though, Google kept its top-dog status. Ask.com and MSN split the third and fourth driver rankings between them, with a slight advantage for Ask.com. AOL rested solidly in last place across the drivers, as it did for almost all measures in the study.

The other business driver in which Yahoo! bested Google was in search assistance and suggestions, clearly reflecting the success of its new Search Assist tools and other task-facilitating enhancements. It rolled out its new features in October; in the December study, its score jumped more than 40 points to help it just squeak by Google.

SEARCHING FOR THE FUTURE

In the near-term, short of an unforeseen technology breakthrough, search engines will more than likely continue along the same track, making incremental improvements in functionality and usability, with all of the competitors nibbling at Google's heels.

"Searching for information is going to continue in the same vein," Keynote's Foster projects, "with them fighting very, very hard in a very mature marketplace, probably performing in an increasingly efficient

manner, making incremental improvements. The search engines will maintain the same relative relationships with each other, especially the top two, with the other three slowly closing the gap."

One area where Foster does see the potential for new developments is in the area of targeted search interfaces, something Yahoo! has already introduced with its OMG search portal targeted to teens and young adults.

"The big deal is going to be this fractionalizing of the markets," Foster says, "satisfying smaller niches. You'll have different little micro portals that are built out to feature something notably better than other sites. And underneath the hood they're linked by one larger ownership."

Yahoo!'s Kronthal sees the search function expanding to include the vast sea of user-generated and shared information resources.

"In the future, people will be sharing information on a massive scale," Kronthal points out, "and we believe that is the next chapter of growth for the Web. We're looking to tap that valuable knowledge and integrate it into our Web search experience, so that Web search is not just searching Web sites for information, but also delivering the knowledge that individuals have through their collective experiences...We'll actually be leveraging the knowledge that exists within the one giant social network."

Whatever the front end, whatever the search domain, the news is sure to be good for users. With such intense competition, and so much money at stake, the leading search providers will continue to make the user experience better and better, and make it easier and easier to find whatever it is we seek.



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