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## Ask Jeeves To Launch Own Search-Ad Sales Program

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By Riva Richmond  
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NEW YORK (Dow Jones)--Web-search engine operator Ask Jeeves plans to launch a new keyword-based advertising program, in a move that could provide both additional advertising revenue and more independence from rival Google Inc. (GOOG), which currently provides ads for Jeeves search-results pages.

According to two advertisers who have been briefed on the initiative, Ask Jeeves, which was recently acquired by IAC/InteractiveCorp. (IACI), plans to sell advertisers the top three sponsored-link positions on its search-results pages using an automated auction system. Such systems have produced booming businesses for Google and Yahoo Inc. (YHOO). Jeeves is expected to announce the program, which replaces its "premier listings" offering, on Monday, the advertisers said.


Ask Jeeves declined to comment, and Google wasn't immediately available for comment.

Despite the change, Ask Jeeves' relationship with Google seems unlikely to be affected for now, as the Jeeves ads will supplement those from Google. Today, Ask Jeeves gets about 70% of its revenue from Google, under a contract that runs through 2007. Nearly all of Google's revenue comes from keyword-based ads it displays on its own sites and on partner sites. And Ask Jeeves will supply 1.9% of Google's net revenue in 2005, according to estimates by RBC Capital analyst Jordan Rohan.

According to the advertisers, Ask Jeeves will only display its own ads in the top spots - or above ads provided by Google - if they are more lucrative than Google's ads. That value will be determined by both the advertisers' bid price for keywords and the rate at which consumers click on their ads.

This system for efficiently "monetizing" keyword ads is similar Google's approach, while Yahoo runs a straight auction where the highest price gets the best position. As with Yahoo and Google ads, marketers pay their bid price only when users click on their ads.

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Ask Jeeves' plan to supplement Google ads with higher revenue producing ads of its own should help it manage the considerable barriers to getting into the ad-serving business.

Google's and Yahoo's enormous networks of both advertisers and affiliate Web sites would be costly to duplicate. And since these companies are willing to give a search-traffic provider like Ask Jeeves most of the ad revenue it generates - estimates are around 70% - there is little incentive to cut out the middleman. Moreover, it would be hard to match the kind of money that Google, Yahoo and Microsoft Corp.'s (MSFT) MSN, which also plans to enter the arena, can throw at improving their ad-serving businesses.

"It's very difficult to play catch up," says Kevin Lee, executive chairman of Did-it.com LLC, a search-engine marketing firm.

But this way, Jeeves can start slowly and position itself either to win better terms in a contract extension with Google or go out on its own. According to the sources, Jeeves will syndicate its ads onto other sites, including InfoSpace Inc.'s (INSP) Dogpile, CNET Networks Inc.'s (CNET) Search.com and ValueClick Inc.'s (VCLK) Search123.

"If they don't have anything, Google can control their destiny," says Ben Kirshner, chief executive of search-engine marketing company Elite SEM Inc.

Indeed, Jeeves is in a bit of a conundrum in that, by forming a partnership with Google, it is helping support its largest competitor, even if it is also benefiting handsomely.

Jeeves' position would be improved by having its own relationships with advertisers. Marketers said its premier listings program wasn't able to attract many advertisers because it didn't have the features or flexibility that Google's and Yahoo's programs offer. Moreover, it didn't scale well because sales were handled by people, rather than being automated.

Changing that seems particularly useful now that Jeeves is part of IAC, which owns a slew of popular Web properties with content pages that display keyword-generated ads that are also now provided by Google.

"They're now going to have all this space throughout the IAC network. That's the only reason this would be potentially attractive to advertisers," said Chris Winfield, president and co-founder of search-engine marketing firm 10e20 LLC.

Peter Hershberg, managing partner at Reprise Media LLC, agreed. "Now that they're part of IAC, they really have an opportunity to increase their market share" and build a network of content sites to which it can serve ads, he said. "It makes sense to get involved."

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