

## THE USER REVOLUTION

THE NEW ADVERTISING ECOSYSTEM AND  
THE RISE OF THE INTERNET AS A MASS MEDIUM

FEBRUARY 2007

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**EXHIBIT 2089**

## THE USER REVOLUTION

### The New Advertising Ecosystem And The Rise Of The Internet As A Mass Medium

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## CHAPTER 8

# *The Golden Search*

- Five key trends in search today:
  1. Search is the new portal
  2. Search is becoming a branding tool
  3. Google's dominance is increasing
  4. Local search remains a looming opportunity
  5. New search technologies are likely to expand the field by broadening search applications
- Search is the second most commonly used application on the Web, with nearly 600 million searches daily, and search marketing globally is a \$15.8 billion industry growing to \$44.5 billion in the next five years.
- There are three types of search: navigational, informational, and commercial. Each represents about one-third of total search queries.
- We estimate U.S. and International search query volume CAGR of 12% and 23% (2006-2011); 77% of Internet users search at least once per day.
- Google controls approximately 60% of the worldwide search query volume and percentage of the total search marketing spend.
- Certain key international markets, including Japan, China, South Korea, and Russia, have developed around local players, who are unlikely to lose share to Google or other global players.

## PART I: THE FIVE KEY TRENDS IN SEARCH TODAY

### Trend One: Search, The New Portal

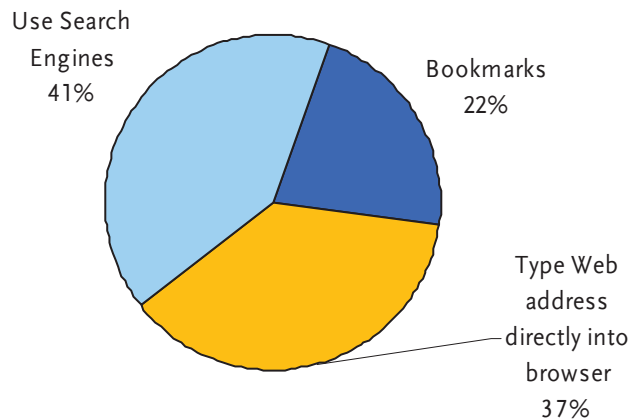
*The tendency to search has continued to increase as search has provided answers to users' questions, queries, problems, and shopping needs, turning search into the New Portal.*

Over the past five years, search has gradually changed from a tool for finding Websites to what we consider to be the new navigational platform, or the modern portal. The tendency to search has continued to increase as search has provided answers to users' questions, queries, problems, and shopping needs. As such, many users are increasingly turning to search first when trying to accomplish a task online. Our 2006 Online Media Survey indicated that 41% of respondents use search to navigate to a Website. Interestingly, this represents a larger percentage than other navigational vehicles, such as bookmarks or typing a URL into a browser.

Exhibit 114

### SEARCH AS A NAVIGATION PLATFORM

How do you most often navigate to a Website?



Source: Piper Jaffray & Co. 2006 Online Media Survey

We believe a key driver for this trend is the increasing efficiency of search, a trend that we called Googlism in our Golden Search Report in 2003 (see Sidebar on page 157). Googlism created both efficiency *and* trust, offering users a path of least friction for navigating online.

We consider all searches to fall into three broad categories:

1. Searching for navigation: Finding a Website
2. Searching for information
3. Searching for products and services

**SIDEBAR****GOOGLISM: THE RISE OF RELEVANCE**

Google has brought relevancy to the forefront of search and made the search experience easy, efficient, and fast. While portals and other search technologies all but abandoned the investment in, and development of, new search technologies, Google provided rebirth of search relevancy, at a time when other portals and search engines became more focused on other technological and commerce advancements. In fact, search was nearly declared dead only a few years ago, as the belief was that users are fairly knowledgeable as to which Websites have the information they need and are bound to go to the portal's various channels or specific Websites to get information. This was partly driven by massive advertising dollars that small Websites were spending to draw the consumers. Even search sites such as AltaVista, Ask Jeeves, and LookSmart were focusing more on the auxiliary services and monetization of the traffic by various partnerships and other offers, rather than core search technologies. As it turned out, consumer behavior didn't change with the proliferation of specialty Websites, and in fact, got more focused on a quick and relevant response to an inquiry: Users expect the Internet to be the provider of answers to simple queries, and they do not want to navigate through directory trees or channels or remember which Websites cover a given topic. This trend was nearly single-handedly embraced and answered by Google, which put a sharp focus on quick, relevant results. Typically, top relevancy search technologies would spider the Internet, indexing the results and running an algorithm for relevancy. Google added a twist: link analysis and its PageRank methodology. PageRank was the gating factor for relevancy. The basic premise was that Websites that are popular would link to other sites with similar content. The origin of this technology was innovative but not unique. Similar technologies were developed at various research centers but Google was the first to improve it and continuously add new relevancy features to keep results fresh. As a result of its success, Google was able to unseat the once behemoth Inktomi as the search provider for Yahoo!. This was a wake-up call to others, and now a number of search technology companies are racing to catch up with Google's relevancy.

While many companies have refocused spending on improving search relevancy, we believe Google is taking search to another level, attempting to gradually change user behavior to use search as the main interface to the Internet and the way to navigate through the Internet. Even without this goal, Googlism has clearly taken center stage and consumers will be the big beneficiaries of this new trend, as faster and more relevant searches make the Internet more useful. By Googlism, we are now referring not just to the company Google, but also to the trend we described here, which is increasingly encompassing a number of companies in the search space. We believe that the full success of Googlism will be the ultimate promise of the Internet: to put everything at one's fingertips.

Source: Golden Search, Piper Jaffray & Co., March 2003

**We estimate that each category is approximately one-third of the total search volume.** It is important to note that when you combine all three of these categories, search encompasses nearly everything that users want to do online. As such, we believe search and search engines have become the new portals. Searching for information, for example, is an extremely broad category, and it includes search as diverse as finding weather info to learning about celebrities, or getting an update on a disease.