

## Vertical "Clusters" Key to LookSmart Turnaround

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LookSmart, the online media content and technology company that has been struggling for a place at the search table since losing its search contract with MSN in 2003, has launched 161 new vertical "channels" in 13 categories such as health, home, automotive, food, cities, sports and travel.

The new verticals join 20 sites already in place in the money and education categories, launched last The company's hope is that advertisers will find the highly targeted sites a good place to place ads aimed at readers who are more qualified than those at general search portals.

Dave Hills, LookSmart CEO, compared the state of search today with the television industry before the rise of cable TV. "You've got a vibrant distribution system, you've got a lot of advertiser demand, and consumers continue to show their prowess at being able to manage many different media choices," he said. LookSmart decided that consumers would use—and advertisers would value—a set of sites that crawled and aggregated the topical content on their interests more quickly than a broad search of Google, Yahoo! or MSN.

"When I'm researching something for the first time, I'll go to Google or Yahoo!," Hills said. "But over the course of time, I'm going to want what's essential versus what's exhaustive for subjects that I'm passionate about or have a repeated need for."

The new sites carry the tagline "Where to Go for What You Need", and offer users buttons that allow them to find, save and share the articles their LookSmart searches unearth. Those last two functions are the province of Furl.net, LookSmart's proprietary content tagging service that lets users save pages and forward them to friends.

LookSmart already operates FindArticles.com, which the company claims archives 10 million online articles from 900 publications. Hills said Web publishers who've had a good financial experience with that LookSmart product will also be willing to offer their content up for the vertical sites.

Advertisers will be able to buy both paid listings sold at auction by keyword and three types of display ads on the new vertical.

For almost two years, LookSmart has been attempting to engineer a turnaround in both its market share and its financial prospects. In mid-October the company received a notice of possible de-listing from the Nasdaq for letting its share price fall below \$1. On Thursday, the company's shareholders approved a five-for-one reverse stock split that, Hills said in announcing the company's quarterly results, should satisfy the share price requirements for maintaining the company's Nasdaq listing.

In a conference after that quarterly financial announcement late Thursday, Hills said that while revenue of \$9.2 million for the third quarter of 2005 was better than expected, "no one in this shop is declaring victory." That revenue was down about 52% from the \$17.5 million in Q3 2004. Earnings for the quarter fell more than 39% year over year, declining to \$3.1 million from \$7.9 million in 2004.

LookSmart was a major name in Web search in the late 1990s, but its heavy reliance on paid inclusion led to user defections to the big search brands that pushed harder for relevance rather than revenue. When MSN ended its relationship, in preparation for rolling out its own algorithmic search product, LookSmart faced critical decisions on its future direction. A year ago, the company hired a new CEO in Hills, an alumnus of the About.com online content network and 24/7 Real Media. Since then, it has placed emphasis on rehabilitating the quality of its distribution system and implementing its vertical search strategy.

LookSmart has also begun to license its technology platforms. The New York Times now offers the Furl.net platform for users to bookmark its Times Select online content. And LookSmart's Q3 report confirmed what had already been rumored: that it is operating as the seller of sponsored listings on the newly revamped Ask Jeeves search network.