

After more than 100 acquisitions, Barry Diller is a power to be reckoned with in the Internet world.

## CEO Interview

# Watch Out, Google!

Barry Diller, IAC/InterActiveCorp

A Hollywood mogul in the '70s and '80s, Barry Diller, 64, reinvented himself as an Internet dealmaker in the '90s. The former chief of Paramount Pictures and 20th Century Fox, he is now chairman and chief executive of New York-based IAC/InterActiveCorp as well as chairman of Expedia, which was spun off from IAC last year. That leaves IAC with such

marquee Internet names as the Ask.com search engine, Ticketmaster, mortgage broker Lending Tree and dating site Match.com.

To call his online empire sprawling is to understate the case: Diller has built IAC through more than 100 acquisitions, and he admits to making up his business plan as he goes along. Perhaps that's unavoidable given the fast-changing lay of the virtual landscape. Even so, Diller has had a knack for picking up businesses that have capitalized on the growth of e-commerce. At his terraced New York office overlooking Central Park, Diller told Dyan Machan why the sun won't set on his empire.

**If IAC is a jigsaw puzzle, what is the picture on the box?**

The telephone, the television and the computer would be on the box—because it is their convergence that is on our minds. I could riff on 50 brands, but they all have some absolute relationship to interactivity.

**Your search engine Ask.com (formerly AskJeeves.com) competes with Google.**

**Is Google the only game in e-town?**

It appears to be so—at least for the chattering classes. Google is catnip to journalists. Google is gaining share on its own, but also because the forces behind it are reporting its daily—almost hourly—announcements. I do not believe a winner takes all.

**What are Ask.com's competitive advantages?**

With nearly \$400 million in revenue, we are not small. We have just under 7 percent market share and will gain share over time. We will do that by differentiation. We have a different technology that provides answers selected by their context and community. Google's answers are based purely on popularity. I happen to think Ask is superior.

**What else differentiates IAC from its rivals?**

Google is only in the Google business. Yahoo is Yahoo.com, and that is all they do. In our company, we have an awful lot of dot-coms. I believe having a multiplicity of brands is a competitive advantage. Our reve-

nue for the latest 12 months was \$5.3 billion, about the same as Google's. Its growth is vastly greater than ours. But at \$120 billion, Google is 12 times larger in stock capitalization. To me, that's opportunity.

**You seem to disagree with the way Internet traffic is counted.**

We are in the primitive stage of counting it. Most people understand that the industry counts "unique visitors." If you go to a search engine one or a thousand times a

multichannel retailing, which we love.

**Why did you spin off Expedia?**

It became too large a segment, dwarfing our other businesses. I decided this before others decided "Spinoff" would be the name of the era, and I think it makes sense.

**Expedia is best known as a consumer site.**

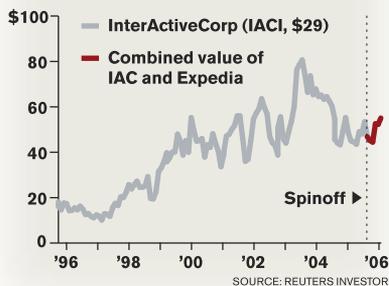
**How much of its business is corporate travel, and what does it mean for traditional travel agencies?**

The corporate part of business is small, with

**"We have an awful lot of dot-coms. I believe having a multiplicity of brands is a competitive advantage."**

#### REVIVAL AHEAD?

Diller is hoping the spinoff of Expedia will bring some life back to the stock.



month, you are counted once. For IAC, the word "unique" is irrelevant. Google has 86.5 million unique visitors a month. Ask.com has 42 million unique visitors. But if you total up all of IAC's other companies, we have 265 million visitors a month, not all of which are unique.

**Home Shopping Network doesn't seem to fit with your fast-growing online firms.**

HSN, the cable television service, is a mature business, but its Internet business is growing at a dot-com rate of 18 percent a year. Plus, we acquired Cornerstone Brands, a catalog company catering to discriminating tastes. We can sell Cornerstone products via three different platforms: the catalog, on HSN and on HSN.com. It's

some 3,000 clients. It just started a few years ago, so I think this will grow. I don't think the storefront travel agency will be obliterated, but as we get more services online, those businesses will decline.

**What about love, Barry? Has your Match.com dating site reached saturation in the U.S.?**

I think the singles are still an unpenetrated market, so to speak. It's difficult to estimate, but I would guess we have tapped just 5 to 8 percent of the opportunity.

**You were ahead of the curve buying Ticketmaster in 1997. How many people are buying tickets online versus through traditional methods?**

Sixty-five percent of people buy tickets online. We're growing both here and internationally. And we've advanced our sales by several new services, such as Team Exchange. That's our online marketplace where season-ticket holders can sell tickets they're unable to use.

**Institutional Shareholder Services, which ranks companies based on their corporate governance, gives IAC its lowest rating. Why?**

IAC is a relatively unique company because one shareholder, namely me, controls 54 percent of the voting stock. Many of the rules are irrelevant. Majority rules. I don't think I should apologize or crow.

## With Ask.com,

Barry Diller is taking on tech titans Google, Yahoo and Microsoft in the Internet-search battle. But since it claims just 7 percent of the market, many consider Ask an also-ran.

Don't count Diller out, however. In the mid-1980s he created the Fox network for Rupert Murdoch's News Corp., busting a three-player broadcast-television oligopoly that had endured for four decades.

Unsurprisingly, Diller claims Ask's technology tops the competition's. Asked to prove it, he calls up the site and types in "weather in Capri." Up pops: 41 degrees Fahrenheit, followed by some links.

"See, you get the smart answer," Diller says. He notes Ask also has features that Google does not, including Narrow Your Search, Expand Your Search and Related Search. These help users find what they want without having to go back to the original search box.

Next Diller types "weather in Capri" into Google's search box. It gives you some Web sites to try but doesn't tell you immediately whether you need a sweater in Italy.

Was Diller's search a setup? To find out, we asked him to try a search of our own devising. Per our request, he types "salsa lessons in New York City," in quotes, into both search engines. Ask offers 11 results, most leading to places in New York City that offer salsa-dancing lessons. Google returns just four choices, only one of which could actually help us find dance lessons. Taking the quotes off, we got 1.8 million hits to sort through. We'd rather be dancing.

—D.M.