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Microsoft's FAST Bid Signals a Shift in Search

Enterprise search companies and analysts say Microsoft's deal to buy FAST shows the market has arrived.

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In November, [Microsoft](#) representatives began to comment that the enterprise search market had reached "a tipping point"; on Tuesday, the company backed up that claim with a bundle of cash, offering to buy enterprise search software company Fast Search And Transfer (FAST) for 6.6 billion Norwegian kroner (US\$1.2 billion).

Analysts and other search firms say the move means that enterprise search has truly arrived as a software category, and also that further consolidation will likely occur in the space, creating opportunities for niche players.

No immediate stumbling blocks appear to be in the way of Microsoft buying FAST, which is based in Oslo. The company's board has recommended that shareholders accept the offer, which represents a premium of 42 percent over FAST's share price at close of business on Friday. The companies expect the deal to close in the second quarter.

"It's a great bit of technology acquisition for Microsoft," said Mike Davis, senior analyst with Ovum Group.

Microsoft is buying FAST as a way to break into the high-end enterprise search market and also offer customers a full range of search products. In November, it introduced Search Server 2008 and Search Server Express 2008. Microsoft is pitching Search Server 2008 as a cheap entry into enterprise search, while the Express version is free for single installations.

FAST's rivals include Autonomy -- which recently acquired Meridio and Zantaz -- and Endeca.

Davis said it would not surprise him if a rival vendor such as Oracle follows up Microsoft's move with a high-end search acquisition of its own.

He and another analyst suggested Tuesday that Microsoft has not only scooped up a solid company, but got a bargain in the process.

Guy Creese, an analyst with Burton Group, argued on his blog that FAST's recent financial troubles, which led to layoffs last year, probably helped drive down its price tag.

"While the operational wheels fell off, the FAST technology is strong at its core," added Creese, who called the pending deal "a huge coup" for Microsoft.

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But cost was not the driving factor in Microsoft's choice of FAST over other high-end search vendors in the space, according to Jeff Raikes, president of Microsoft's business division.

Raikes insisted during a conference call Tuesday afternoon that FAST simply had the best people and technology.

The executive didn't shed much light on the negotiation process that led up to the announcement, but did indicate one aspect of Redmond's immediate plans, assuming the deal closes as expected.

"I can simply say that part of what we will look at ... will be to marry the strengths we have with our software-plus-services model with what FAST is doing."

Raikes said FAST's technological strengths, such as its scalability and domain-specific searching capabilities, proved attractive to Microsoft.

He declined to say whether the FAST acquisition will have any impact on Microsoft's Internet search products, but did not rule out the possibility.

Raikes asserted that Microsoft will emerge as the go-to vendor for enterprise search customers once the deal is finalized.

"We think most customers are recognizing that they don't want their enterprise search to be fragmented across the organization," he said. "Customers are going to want to choose a search strategy and the offerings from one vendor."

Despite that view, Microsoft's news had smaller, specialized enterprise search vendors, such as Brainware, brimming with confidence, at least publicly.

"We're excited because it really heightens the importance of enterprise search applications," said Brainware's CFO and general counsel, James Zubok. "But the biggest reason we're excited is that technology like ours is highly complementary [to broader offerings]," he said.

Brainware claims its search software can return useful results even when search terms are misspelled, or from illegible documents.

Robert Tennant, CEO of Recommind, a search company that focuses on e-discovery, said Microsoft's move foretells a changing role for search. "We believe that search is really important to the next generation of all software," he said. "It provides information access with context. We believe that you'll see search ... woven within the fabric of other applications."

Tennant also predicted it will be "many years" before Microsoft will produce specialized, vertical search products like those offered by Recommind.

Raul Valdes-Perez, CEO of Vivisimo, which makes the Velocity Search Platform for enterprises, echoed the notion that Microsoft's investment is good for the market overall. "I think we will have, eventually, one less competitor and many more partners," he said.

But he also argued that the real beneficiaries of such consolidation could be companies like his own. "I think there's a lot of uncertainty, and in this environment enterprise customers are going to look for predictability."

Microsoft's stock was down \$1.14 in late trading Tuesday to \$33.47, on a bad day overall for the market.

The IDG News Service's Peter Sayer contributed to this report.

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