The Yahoo Case Study - A Great Study in Corporate Strategy …

1 Introduction …
The case study deals with the story of Yahoo from inception in 1995 to the acquisition by Verizon in 2016. The notes should be read with the case study and keynote files available as a download from “The Yahoo Case Study” web site.

2 Position of the Case Study …
The case study is concerned with the basics of corporate strategy. We apply our Dimensions of Strategy framework [CSG*] to the Yahoo life cycle and consider the basic elements which assisted or challenged the development of Yahoo.

3 Learning Objectives …
The case study is designed to assist students in understanding the classic corporate strategy framework and how this may be applied to a rapidly growing business in the “digital age”.

4 Teaching Scheme …
The Yahoo Case Study is most likely to be used as a basis for broadcast teaching and plenary discussion but can also be used for small work groups dealing with individual themes.

5 Questions for Discussion …
5.1 Mission and Vision - laying a path for the organisation …
5.2 The role of leadership and the challenge of “adult supervision” …
5.3 Building the team - the key roles …
5.4 Creating a great place to work …
5.5 Developing the plan …
5.6 Market Analysis and Segmentation - which market are we in? …
5.7 The Five D Strategy - the important framework of analysis …
5.8 CBS News - Competitors, Buyers, Suppliers,
   New Products, Players, Platforms Technologies
5.9 Understanding the KSFs The Key Success Factors …
5.10 Kaizen and KSFs - the constant process of improvement …
5.11 Back to Basics, Stick to the Knitting, Profit from the Core …
5.12 First Mover and First Mover Advantage …
5.13 Managing the Innovation Process, New Product Development, Acquisition Strategies
5.14 Organisational Structures : Silos and Matrix, Agile and Scrum …
5.15 Pricing Strategy …
5.16 Product Extension and Product Life Cycles …
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5.19 New platforms, the emergence of mobile …
5.20 Empires of the Cloud - the way forward …

*The Corporate Strategy Guidelines [CSG] are available as a FREE download from the Dimensions of Strategy web site.
6 Case Study Analysis …
The notes include CSG Corporate Strategy Guidelines comments and YCS, lessons from the Yahoo Case Study.

6.1 Mission and Vision - laying a path for the organisation

**CSG**: It may begin with an idea but you need to develop a vision, one that others might share. Offering a clear sense of direction, especially when things go wrong. Develop a mission statement offering massive transformational purpose. Google and Amazon set the benchmark: Google: “to organise the world’s information and make it universally accessible and useful.” Amazon: “We seek to be Earth’s most customer-centric company for consumers, sellers, enterprises and content creators.”

**YCS**: Did Yahoo ever develop a clear mission statement?

“When Jerry Yang and David Filo started Yahoo, they weren’t trying to start any kind of business. They weren’t trying to create a website lots of people would use. They just wanted to make a handy tool for themselves and have some fun.” “Yet Another Hierarchical Officious Oracle” the term from which the Yahoo! name was derived.

Yahoo emerged as a massive online portal. Content - Traffic - Revenue the mantra. Did Yahoo ever develop a clear mission and vision? Without mission and vision, the question which business are we in can never really be asked. Search and online advertising would have emerged as the critical response. Identifying the key drivers of revenue and growth.

6.2 The role of leadership and the challenge of “adult supervision”

**CSG**: They will need leadership - a product champion

**YCS**: Jerry Yang and David Filo were the product champions but shareholder demands for adult supervision led to the installation of a senior management team. In the case study we define the four key periods of tenure of Koogle, Semel, Bartz and Mayer.

To what extent did the management changes lead to a lack of continuity of strategy? The Bartz review wanted to push the company to a content led strategy away from “Search”. The Bartz direction was rejected by the board and shareholders of Yahoo. Marissa Mayer brought a focus on MAVENS and Mobile specifically.
6.3 Building the team - the Key roles

CSG: Building the team, the product champion, the sales performer, the financial analyst and the master or “e”

YCS: Professional managers were quick to build the team with strong financial controls in place. Lots of engineers, no shortage of “e” experience. Professional sales teams in situ. Silo teams worked on individual products but was there an overall vision and sense of direction for the main portal? The evidence is mixed or is it?

6.4 Creating a great place to work ...

CSG: Creating a great place to work, enjoy the people you work with, have pride in what you do, trust the people you work for, develop a strong set of values.

YCS: To what extent did Yahoo create a great place to work? Easy when the workforce is expanding but not so easy when cutbacks have to be made as with the Bartz/Mayer period. Mayer was criticised for the cutbacks and the cancellation of flexible home working. The system of management assessment was contentious amongst the work force.

6.5 Developing the Plan ...

YCS: Consider the four phases of management tenure, the Koogle period could be best described as “along for the ride” as the dot com boom roared and the company expanded within the framework of market growth. Was the Semel period more structured?, a need to reconstruct and focus, building staff numbers and revenue streams. The Bartz review led to a short tenure. The Mayer period led to a focus on advertising, search, MAVENS, Daily Tasks and the emergence of Mobile as an important traffic and income stream. Revenues were stabilised, users increased but profits failed to materialise, leading to shareholder dissatisfaction.

6.6 Market Analysis and Segmentation - which market are we in?

CSG: Market Analysis, Market Mapping, Building the jigsaw, Benchmarking the competition.

YCS: Was there any real evidence of market analysis and competitor profiling within the Yahoo business? Attempted acquisitions of Google and Facebook by Semel would suggest so. The Semel acquisitions to compete with Google clearly marked a focus on search and on line advertising. The deals with Google to surrender search to a competitor would suggest the full risks of “Co-opetition” were never really assessed.

6.7 The Five D Strategy - the important framework of analysis ...

CGS: We identify the five D strategy as relative market attraction, relative market strength, relative financial strength, the economic timeline and the financial or cash/debt cycle.
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**YCS**: Search and Advertising were attractive markets in which Yahoo had strong market positions and was a relatively strong financial player. Google developed a better financial model and was able to gain a stronger market position as a result. Facebook developed a faster route to user growth in online advertising, [MAUs] particularly in the younger/student market segment. Yahoo became number 2 in both markets. The option to surrender “Search” to Google became a strategic decision / option for the business. In search, “Number two would never do”. Was this one of the big mistakes for Yahoo?

### 6.8 CBS News -

**CSG**: Competitors, Buyers, Supplier, New Products, Players, Platforms, Technologies, the challenge of digital disruption, avoiding the Kodak moment.

**YCS**: Mayer would criticise on arrival, the lack of resource devoted to Mobile. By 2016, Yahoo had over one billion MAUs of which 60% were mobile active. Mayer had proved the point. To what extent was the criticism justified on arrival. Semel had talked of the importance of mobile during his term in office. But was it too soon to make the move? Examine the state of growth of smart phone ownership and advertising prior to the Mayer arrival from the data charts available. The data suggests the Mayer timing was apposite.

### 6.9 Understanding the KSFs The Key Success Factors …

**CGS**: Understand the Key Success Factors driving commercial success. Always apply a process of constant improvement Kaizen.

**YCS**: Search and Advertising were the key revenue drivers. MAUs the key measure of success. Content, traffic, the route to revenue. To what extent does the case study suggest an identification of the KSFs with the process of constant improvement or Kaizen [5.10].

The company did not publish MAU data and ARPU [average revenue per user] data so easily found in the Facebook, LinkedIn and Twitter financial updates. Was this one of the KSFs and Key Objectives missed by management.

### 6.10 Kaizen and KSFs - the constant process of improvement …

**YCS**: 5.9

### 6.11 Back to Basics, Stick to the Knitting, Profit from the Core …

**CSG**: The important of zero basing from time to time. When the business is off track a back to basics review should follow, including the forward looking strategy reassessment.

**YCS**: We identify two periods of back to basics reviews in the Yahoo Case Study. The Bartz review … content v search and advertising. The Mayer review a focus on MAVENS and mobile. The Bartz review and the move to content, was rejected by the board leading to the dismissal of the CEO. The Mayer review was more of a continuation of strategy and was accepted. Two back to basics reviews producing two different outcomes and direction.
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for the business. What were the mistakes that Bartz made? To what extent was the Bartz relationship with Google a problem? How could two strategic reviews produce two different outcomes?

6.12 First Mover and First Mover Advantage …
YCS: Yahoo clearly had first mover advantage as the massive online portal. The initiative was surrendered to Google and Facebook with clear gains for the newcomers in search and online advertising. Yahoo had tried to acquire both newcomers, rejected by Google, Yahoo nearly closed on Facebook. Consider the concept of first mover advantage. To what extent is first sometimes worst in assessing market advantage.

CSG: Launch early and often, get it up and get it right, make sure the minimum viable product is not a meagre value proposition.

YCS: Marissa Mayer was a clear advocate of the LEO - Launch Early and Often School. The MVP Minimum Viable Product emerged rather than a Meagre Value Proposition. Compare the launch of Apple Maps v Google Maps, and example or a launch too soon for Apple!

Mayer made a series of acquisitions most notably Tumblr. The acquisition strategy reveals the strategic direction of the Mayer regime.

6.14 Organisational Structures : Silos and OKRs
YCS: Within Yahoo teams appeared to be operating in product silos, often competing amongst themselves. To what extent did this inhibit the growth and product development at Yahoo and the overall performance of the company?

YCS: Marissa Meyer brought from Google the focus in OKRs, Objectives and Key Results. The system of management targets is open to abuse. Consider the words of Arnold Weinstock CEO of GE “never underestimate the capacity for mendacity” amongst senior management teams, especially in pursuit of a target! Lots of products, lots of OKRs can lead to lack of focus and confusion.

6.15 Pricing Strategy …
YCS: No real focus within this case study …

6.16 Product Extension and Product Life Cycles …
YCS: No real focus within this case study …
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6.17 CTR, Content Traffic, Revenue - the old model …

YCS: Content, Traffic, Revenue was the original portal model with the focus on CPM cost per thousand as the measure of performance for banner ads and advertising streams. The development of search and CPC or Cost Per Click advertising offered a better performance based model of success for advertisers.

Google developed a better performing algorithm leading to higher revenues compared to Yahoo. Key content deals ensued confirming Google leadership in the space. The First Mover Advantage was surrendered. [5.12]

6.18 Understanding the revenue Streams - of Search and Advertising …

YCS: To what extent were the revenues of search and advertising key to the success of Yahoo? To what extent was this clearly evident to the successive management teams in situ?

6.19 New platforms, the emergence of mobile … [5.8]

YCS: The Mayer regime brought an emphasis on MAVENS. Mayer would criticise on arrival, the lack of resource devoted to Mobile. By 2016, Yahoo had over one billion MAUs of which 60% were mobile active. Mayer had proved the point. To what extent was the criticism justified on arrival. Semel had talked of the importance of mobile during his term in office. But was it too soon to make the move? Examine the state of growth of smartphone ownership and advertising prior to the Mayer arrival from the data charts available. The data suggests the Mayer timing was apposite

6.20 Empires of the Cloud - the way forward …

In our later work on Digital Disruption we focus on the emergence of the Empires of the cloud. Google, Apple, Facebook, Amazon, Microsoft and Verizon. Together the empires of the cloud have a combined market capitalisation over $2.5 trillion dollars.

The battlegrounds are fought in mobile, OS, advertising, search, social media, online advertising, payment and many more. Smaller players including Yahoo are set to become acquisition fodder for the major players in the cloud.

6.21 Valuation …

Consider the valuation model for Yahoo. The valuation peak in 2001 at $200 billion dollars; The dot com boom collapse and the fall in value to a few billion dollars; The Microsoft bid of $35 billion rejected by the board; The break up valuation in 2016 identified in the charts; the subsequent sale to Verizon for around $5 billion dollars. Consider Yahoo paid $1.1 billion for Tumblr.

Consider Yahoo paid $1.1 billion for Tumblr. Facebook paid $19 billion for WhatsApp and Microsoft paid around $16 billion for LinkedIn. Consider the MAUs and ARPUs [Average Revenue Per User] in developing a fair value model.
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Key Note Slides and Charts  Download the slide pack

2. Yahoo Operating Profits 1995 - 2015
3. Sales Growth Rate year on year 1995 - 2015
4. Number of Employees 1995 - 2016
5. Revenues per employee 1995 - 2015
9. Revenue Comparisons 1995 - 2015 Google, Facebook,
15. Online Advertising Mobile only 2011 - 2016
17. Yahoo Revenue Analysis 2008 - 2015
18. Yahoo Valuation Model 2016 - 2016

Yahoo Acquisitions …

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Industry</th>
<th>Country</th>
<th>Acquisition Cost</th>
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<td>April 1, 1999</td>
<td>Broadcast.com</td>
<td>Internet radio</td>
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<td>May 28, 1999</td>
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About the Author … Dr John Ashcroft Phd BSc(Econ) FRSA CBIM


John Ashcroft recently developed the International MBA module for Corporate Strategy for one of the leading international business schools and wrote up the case study Apple from the iPod to the iPad, the Lego Case Study, the Twitter Case Study and the Yahoo! Case Study.

Developing unique techniques of analysis including CBS news and 5D profiling, the web site pulls together some of the latest thinking in global corporate strategy. Our latest thinking on social media strategy and execution is outlined in "Crimson Clouds" and in our "Letters to a Friend on Social Media".

The latest thinking on strategy is encapsulated in our Corporate Strategy Guidelines, the short series on Digital Disruption and the development of the “Empires of the Cound Check out the other web sites in the series or profile on LinkedIn or Google+.

John is a visiting Professor at MMU Business School, specialising in Economics, Strategy and Social Media and is an occasional lecturer at Manchester Business School. He is the author of the Dimensions of Strategy site, together with the Apple, Lego, Twitter and Yahoo! Case Studies

Educated at the London School of Economics, London Business School and with a PhD in Economics from Manchester Metropolitan University, John is a fellow of the Royal Society of Arts, a companion of the British Institute of Management and a member of the Society of Business Economists.

With extensive experience of business and corporate finance, in the 1980’s he was regarded as one of Margaret Thatcher’s favourite business men and a regular visitor to Downing Street.

In the 1980s under John’s leadership, Coloroll grew from a small family business with revenues of $10 million, to an international public company with revenues of over $1 billion.

John has undertaken extensive media work most recently with BBC Breakfast News. A regular presenter and anchor at lunches, dinners and conferences, the combination of humour and easy style ensures he is much in demand as a guest speaker on many and varied occasions.
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For more information check out the Dimensions of Strategy site along with the Apple, Lego, Twitter and Yahoo case Studies.