

Yahoo! Egregious Driving on the Information Superhighway

Aman Preet Singh, LM Thapar School of Management, Thapar University, Patiala, India.

Gopalakrishnan Narayanamurthy, University of Liverpool Management School, Liverpool, UK.

Divya Bhutiani, LM Thapar School of Management, Thapar University, Patiala, India.

Accepted for publication in *The Case Journal*

In one of the most lucrative industries on the planet, Yahoo! has had a tumultuous history of CEO successions (six CEOs), roller coaster rides of its stock ticker, and a year-on-year, perennial struggle of playing ‘catch-up’ with its competitors. In February of 2016, after many years of dwindling performance, Marissa Mayer, CEO, and the Yahoo board, announced their willingness to divest Yahoo’s core internet business, twenty-one years after its founding. Their top priority, however, continued to remain turning around Yahoo’s fortunes. What went wrong, so terribly wrong, with Yahoo! in an otherwise lucrative industry? Did Yahoo! suffer from a fundamental, essential malaise which, if addressed, could have restored it to wealth and vibrancy? What could Mayer and her predecessors have done differently to avoid a potential divestment?

The Wonder Years

1994 was the year Jerry Yang and David Filo were pursuing their engineering studies at Stanford. During this period, they published an internet website titled, “Jerry and David’s Guide to the World Wide Web.”¹ 1994 was a time when Google did not exist, neither did Microsoft’s Bing – two prominent search engines of 2016. 1994 was a nostalgic time of the comic characters - Archie, Veronica, and Jughead – and their namesake search engines which enabled users to search for specific files on the internet².

“Jerry and David’s Guide to the World Wide Web” existed to list the webpages they visited on the internet – in directory form – organized or classified according to topic. Then, they added search functionality to this site to enable a user to search for a specific listed website. As the number of listed webpages grew, Yang and Filo began classifying them into categories and subcategories for ease of searchability. The website was soon dubbed Yahoo!, an acronym for “Yet Another Hierarchically Organized Oracle.”³ By the end of 1994, 1,70,000 visitors were coming on Yahoo! per day and by 1998, that figure had shot up to more than a million visitors per day. The classification of websites into categories and subcategories was all manual – done by humans who visited each website and then decided the appropriate category to place it in.

¹ “David Filo & Jerry Yang,” Entrepreneur.com, accessed May 17, 2019, www.entrepreneur.com/article/197564.

² Jon Penland, “The History of Web Search Engines: What Came Before Google?,” *WhoIsHostingThis?*, April 7, 2020, accessed October 1, 2020, www.whoishostingthis.com/resources/history-search-engines/.

³ Scott Gilbertson, “Friday Fun Facts: How Companies Got Their Names,” WIRED.Com, June 4, 2007, accessed May 17, 2019, www.wired.com/2007/04/friday-fun-facts-how-companies-got-their-names/.

Incorporated in 1995, Yahoo!'s IPO debuted in April 1996 and saw its stock price climb by about 600% in two years. In 1998, the company (YHOO) was valued at over \$5 billion⁴. In 1997, it began offering free email after acquiring Four11 (RocketMail) and named its service Yahoo! Mail⁵. Four11 would represent one of Yahoo!'s earliest acquisitions; Yahoo! would go on to make over 110 acquisitions during the next 18 years. In 1997, "millions of people were making Yahoo! a part of their lives every day. They were using Yahoo! to answer questions, find products and services, and connect with other users. No matter what they were looking for, Yahoo! helped them find it."⁶

Tim Koogle, then President and CEO, declared,

*"When we established Yahoo!, we set about to create the only place in the world that anyone would have to go to find, and get connected to, anything or anybody. To this end, we have been relentless in extending our navigational guide platform and further expanding into all areas of content, merchant services, communication, and community. We have done this with an increasingly global set of media properties, which covers a large portion of the world's online population."*⁷

Yahoo!, back then, attempted to be everything online, the go-to portal on the internet, the gateway to the internet. It was, in three short years of its existence, present around the world - offered news and information including local and international news, finance, weather, autos, net events; messenger services; local city online editions in the US; email services; message boards; classifieds; maps; people search; yellow pages; and editorials⁸. By 2000, Yahoo! was offering four hundred varying product and services online⁹. On January 3, 2000, Yahoo's market capitalization was \$128 billion. From 1995, when it was incorporated, till December 1999, its gross profit went from \$1.6 million to \$588 million exhibiting a 367-fold increase (see Exhibit 1). Yahoo's share price peaked at \$118.75 during 2000.¹⁰ Yahoo! also went from 200 employees in '96 to about 2000 employees in '99.¹¹

Despite its tremendous early-years success, Yahoo!'s founders, also known as Chief Yahoos, shunned executive leadership roles at the outset. Whilst both Yang and Filo were directors at Yahoo!, it was Koogle who assumed the CEO's role in addition to heading the Board of Directors. Jeff Mallett, another external hire from Novell, was the Chief Operating Officer and Farzad Nazem from Oracle was the Chief Technology Officer¹².

A Bubble Bursts

⁴ The Red Herring, "Yahoo! The Kingmaker," *CNN Money*, July 23, 1998, accessed May 17, 2019, www.money.cnn.com/1998/07/23/redherring/redherring_kingmaker/.

⁵ Times Wire Services, "Yahoo Acquires Four11, Posts Profit". *Latimes.Com*, October 9, 1997, accessed May 17, 2019, www.latimes.com/archives/la-xpm-1997-oct-09-fi-40756-story.html.

⁶ Yahoo! Inc., Yahoo! 1997 Annual Report, February 27, 1998, accessed May 17, 2019, www.annualreports.com/HostedData/AnnualReportArchive/y/NASDAQ_YHOO_1997.pdf.

⁷ Ibid. [Yahoo! Inc., Yahoo! 1997 Annual Report, February 27, 1998, accessed May 17, 2019, www.annualreports.com/HostedData/AnnualReportArchive/y/NASDAQ_YHOO_1997.pdf]

⁸ Ibid. [Yahoo! Inc., Yahoo! 1997 Annual Report, February 27, 1998, accessed May 17, 2019, www.annualreports.com/HostedData/AnnualReportArchive/y/NASDAQ_YHOO_1997.pdf]

⁹ Nicholas Carlson, Marissa Mayer And The Fight To Save Yahoo!, (Great Britain (Ebook): John Murray (Publishers), 2015), 37.

¹⁰ Wayne Duggan, "This Day In Market History: The Yahoo! IPO," *Yahoo! Finance*, April 12, 2018, accessed May 17, 2019, www.finance.yahoo.com/news/day-market-history-yahoo-ipo-160806008.html.

¹¹ Nicholas Carlson, Marissa Mayer And The Fight To Save Yahoo!, (Great Britain (Ebook): John Murray (Publishers), 2015), 36.

¹² Nicholas Carlson, Marissa Mayer And The Fight To Save Yahoo!, (Great Britain (Ebook): John Murray (Publishers), 2015), 34-35, 39-40.

The dotcom crash, at the turn of this century, lasted from March 10, 2000 to October 4, 2002.¹³ The NASDAQ Composite plunged from 5046.86 to 1114.11 shedding 77% of its value (see Exhibit 2)¹⁴. NASDAQ would take another 15 years to achieve its dotcom peak. Blue-chip stocks in the technology domain including Oracle and Intel plummeted losing more than 80% worth.¹⁵ Towards 2001 ending, most listed dot com firms went out of existence. Trillions of dollars in share capital evaporated.¹⁶ Forty eight percent of the companies that formed in 1996 survived in 2004 at lower valuations post the dot com burst.¹⁷ Yahoo! which had deep advertising partnerships with these failing dotcoms, wherein it would allow them to advertise on its portal and network, was not spared either. A typical example of such partnerships was with dot coms such as Petstore.com and Drugstore.com which spent \$150,000 per month and \$25 million on portal marketing respectively.¹⁸ In fact, greater than half of Yahoo's revenues came from newbie dotcoms, not established businesses¹⁹. On September 6, 2000, Yahoo's market capitalization was down to \$5 billion from \$128 billion in January 2000 for a stock price of \$8.11.²⁰ By January of 2001, advertising sales were low enough for CEO Koogle to offer to resign, which the board accepted.²¹

An Old-World Executive Takes Over

Yahoo's next CEO, Terry Semel, was 58 years old when he took charge in April, 2001. Like Koogle, Semel would assume both the role of CEO and Chairman of the Board. In '99, Semel, prior to resigning, was co-Chairman and CEO of Warner Bros. and Warner Music Group.²² Along with co-Chairman & CEO, Robert Daly, the duo was responsible for increasing Warner movie and television studio's \$1 billion revenues in 1979 to more than \$6 billion in 1998. When co-founder Yang offered Semel the job, he envisioned Yahoo! as a next-generation media company; one that Semel would be most suited to build – a spectacularly, successful old media and entertainment executive who would transplant his media and entertainment business acumen and expertise to the emerging, new media Yahoo!.²³ Interestingly, in 1998, Google co-founders, Larry Page and Sergey Brin, prior to founding Google, wanted to divest the core of their search technology, their PageRank System, to Yahoo! for one-million dollars. Yahoo! refused, underscoring Yang and Filo's vision of what they thought Yahoo! ought to be – an all-purpose internet portal that would keep users engaged for all their online

¹³ Adam Hayes, "Market Crashes: The Dotcom Crash (2000-2002)," Investopedia.Com, June 25, 2019, accessed October 7, 2020, www.investopedia.com/terms/d/dotcom-bubble.asp.

¹⁴ Ibid. [Adam Hayes, "Market Crashes: The Dotcom Crash (2000-2002)," Investopedia.Com, June 25, 2019, accessed October 7, 2020, www.investopedia.com/features/crashes/crashes8.asp.]

¹⁵ Ibid. [Adam Hayes, "Market Crashes: The Dotcom Crash (2000-2002)," Investopedia.Com, June 25, 2019, accessed October 7, 2020, www.investopedia.com/features/crashes/crashes8.asp.]

¹⁶ Ibid. [Adam Hayes, "Market Crashes: The Dotcom Crash (2000-2002)," Investopedia.Com, June 25, 2019, accessed October 7, 2020, www.investopedia.com/features/crashes/crashes8.asp.]

¹⁷ Leslie Berlin, "Lessons of Survival, From The Dot-Com Attic," *Nytimes.Com*, November 21, 2008, accessed May 17, 2019, www.nytimes.com/2008/11/23/business/23proto.html.

¹⁸ Nicholas Carlson, *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 45.

¹⁹ Nicholas Carlson, *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 60.

²⁰ Ibid. [Nicholas Carlson, *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 60.]

²¹ Nicholas Carlson, *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 48.

²² Cable News Network, "Warner Bros. chiefs quit," 1999. *CNN Money*, July 15, 1999, accessed May 17, 2019, www.money.cnn.com/1999/07/15/companies/timewarner/.

²³ Nicholas Carlson, "The Mogul," chap. 2 in *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 52-94.

needs and without the need to search across the world wide web.²⁴ Eighteen years later, Yahoo! would be valued at approximately \$32 billion²⁵ while a then fledgling start-up, Google, would have a market capitalization close to \$600 billion.²⁶

One of Semel's earliest hires was Lloyd Braun, the notable Chairman of ABC Entertainment Group, responsible for greenlighting shows such as *Lost*, *Grey's Anatomy*, and *Desperate Housewives*. Hired to run the Yahoo! Media Group, Braun focused on the development of exclusive network-type programming for Yahoo!. Instances of original programming included *The Brady Brides*, *After MASH*, *The Love Boat: The Next Wave*, *Joanie Loves Chachi*, *Kevin Sites in the Hot Zone*, *Blog for Hope*, and *Richard Bangs Adventures*.²⁷ While these programmes achieved cult following owing largely to being spin-offs of popular television series, the media strategy did not, as the shift to original programming from the television to a computer screen for viewers was still too new.²⁸ However, Yahoo! Sports, News, and Finance continued to be market leaders in their respective categories.

Jeremy Ring, who had worked for Yahoo! early on, stated –

*“Building an organization that was simply an extension of traditional media rather than leveraging the technological advantages only the internet provided resulted in an inability to think outside the box.”*²⁹

Put another way, Yahoo! approached strategy on the internet as it would have in traditional media. It produced content and services at a frenetic pace in every conceivable category with significant investment whilst selling advertising space on its internet properties like a traditional mass medium owner. Traditional media outlets such as television stations, newspaper firms, and radio stations were capital intensive endeavors that few players could afford to own. Traditional media did not offer the general public the luxury of broadcasting and publishing at will and at scale. But the internet promised to and did change all that. The internet was conceived of and continued to expand and evolve as a network of networks.³⁰ As it evolved, it enabled mass publication in the form of blogs, videos, podcasts, posts, etc. In attempting to be an all-purpose, go-to, web portal on the internet that could satisfy multiple informational and entertainment needs of its users, Yahoo! placed itself in direct competition with any web publisher in multiple categories. Yahoo! wanted to be a centralized, one-stop, aggregator & creator of information & entertainment in an increasingly democratically, organized internet base. What the rapidly expanding internet sorely needed was a competent finder or a seeker technologically adept at sifting through vast volumes of information and letting users search for what they were looking for. That void was filled by Google, and this was the opportunity that

²⁴ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 104.

²⁵ Jay Somaney, “Yahoo Is Undervalued, Even If It's Worth Zero,” *Forbes.Com*, March 6, 2016, accessed May 17, 2019, www.forbes.com/sites/jaysomaney/2016/03/06/yahoo-is-under-valued-even-if-core-yahoo-is-worth-zero/#510517ef15c0.

²⁶ “Alphabet Market Cap 2006-2019 | GOOGL,” *Macrotrends.Net*, accessed May 19, 2019, <https://www.macrotrends.net/stocks/charts/GOOGL/alphabet/market-cap>.

²⁷ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 130.

²⁸ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 131.

²⁹ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 106.

³⁰ Barry Leiner, Vinton Cerf, David Clark, Robert Kahn, Leonard Kleinrock, Daniel Lynch, Jon Postel, Larry Roberts, Stephen Wolff, “Brief History of the Internet,” *Internet Society*, 1997, accessed December 25, 2019, www.internetsociety.org/internet/history-internet/brief-history-internet/.

Yahoo! missed early on in its existence when it turned down the acquisition of Page and Brin's PageRank system.

Later on, the increasing importance of such a seeker was not lost on Semel. As it became difficult for Yahoo! to monetize its most popular categories using display advertising, it began to recognize the importance of developing a core search strategy to take on Google.³¹ Semel made seven acquisitions pertaining to search and search marketing between 2002 and 2007 (see Exhibit 3). Prior to these acquisitions, Yahoo! had partnered with entities such as Altavista, Overture, and Google to provide web-based search results.³² Yahoo's decision to partner with Google to provide web-based search results gave Google, in its early years, free logo advertising on every search that took place on the Yahoo! network. Consequently, users discovered in Google a better way to search and took those searches directly on Google.com.³³ Consequently, Project Symphony³⁴ and Project Panama³⁵ were two internal projects that Yahoo! undertook during the Semel years to directly challenge Google's superiority in search. The former resulted in acquisitions mentioned in Exhibit 3, the latter attempted to improve Yahoo!'s advertisement yield on a per-search basis which was lower than that of Google. While both projects assisted Yahoo! in closing the search gap with Google, by the end of 2007, it was clear that Yahoo! would not overtake Google in search. Google was proving to be relentless in its mission of "organizing the world's information and making it universally accessible and useful,"³⁶ and by 2008 the market valued Google at \$180 billion and Yahoo! at \$35 billion.³⁷

Semel needed newer pastures to exploit and acquire. It was in Facebook that he saw the potential of more than the college social network it was then. He thought that if Facebook could be opened to a worldwide audience, the potential for advertisement revenues would be tremendous making it a top internet destination. Whilst he tried and nearly acquired the social networking site for a \$1 billion, the deal eventually did not go through because of Semel's insistence that he would pay no more than \$850 million on account of reduced Yahoo! quarterly earnings³⁸.

In June of 2007, Semel resigned from his post³⁹ and Yang, Yahoo! co-founder was appointed CEO.⁴⁰ Semel had been hired with a specific vision of turning Yahoo! into a new-media company. Along the way, Semel juggled Yahoo! between being a media enterprise, as envisioned by Yang, a hard-core search technology driven company of the kind that Google was, and a social media network with user-

³¹ Ibid. [Barry Leiner, Vinton Cerf, David Clark, Robert Kahn, Leonard Kleinrock, Daniel Lynch, Jon Postel, Larry Roberts, Stephen Wolff, "Brief History of the Internet," Internet Society, 1997, accessed December 25, 2019, www.internetsociety.org/internet/history-internet/brief-history-internet/.]

³² Ibid. [Barry Leiner, Vinton Cerf, David Clark, Robert Kahn, Leonard Kleinrock, Daniel Lynch, Jon Postel, Larry Roberts, Stephen Wolff, "Brief History of the Internet," Internet Society, 1997, accessed December 25, 2019, www.internetsociety.org/internet/history-internet/brief-history-internet/.]

³³ Nicholas Carlson, Marissa Mayer And The Fight To Save Yahoo!, (Great Britain (Ebook): John Murray (Publishers), 2015), 64.

³⁴ Nicholas Carlson, "The Mogul," chap. 2 in *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 52-94.

³⁵ Mona Ellesseily, "New Panama Ranking System For Yahoo Ads Launches Today," *Search Engine Land*, February 5, 2007, accessed December 25, 2019, www.searchengineland.com/new-panama-ranking-system-for-yahoo-ads-launches-today-10434.

³⁶ Google, "How Google Search Works | Our Mission," Google.Com, Accessed May 19, 2019, www.google.com/search/howsearchworks/mission/.

³⁷ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 150.

³⁸ Nicholas Carlson, Marissa Mayer And The Fight To Save Yahoo!, (Great Britain (Ebook): John Murray (Publishers), 2015), 73-78.

³⁹ "Yahoo Boss Steps Down From Post," *BBC News*, June 19, 2007, accessed December 25, 2019, www.news.bbc.co.uk/2/hi/business/6765893.stm.

⁴⁰ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 169.

created content of the kind that Facebook was. Further, it is interesting to note that while Google's mission remained unchanged over an eighteen-year period since its founding, Yahoo! attempted neither to formalize nor consistently publicize a vision or mission since inception. Yahoo!'s press releases over the years since founding suggest that its mission and self-identity changed over twenty times⁴¹. It would, perhaps, appear that the travails of Yahoo! were the travails of a corporation struggling to glimpse and identify its very soul.

A Silicon Valley Native Takes Over

From 2007 to 2012, Yahoo! witnessed a succession of three CEOs starting with Yang (see Exhibit 4). By 2012, Yang, after relinquishing his role as chief executive in early 2009, would also sever all ties with Yahoo! and resign from the board⁴². In January 2008, Microsoft proposed to acquire Yahoo! at a 62 percent premium over its closing price on 31st Jan. Microsoft's offer was at \$31 per share. The deal never went through as the involved parties could not agree on a fair price.⁴³ Meanwhile, Yahoo's search market share continued to decline and by Jan, 2010, it was down to 17 percent.⁴⁴ Facebook, another lost opportunity, had begun eating into Yahoo's display advertising share and by the third quarter of 2010 it had displaced Yahoo! from the top spot by garnering an above 20 percent share leaving Yahoo! with close to 10 percent.⁴⁵

On July 16, 2012, the board of Yahoo! Inc. appointed Marissa Mayer, President and CEO.⁴⁶ She would also serve on Yahoo's board. Prior to joining Yahoo!, Mayer was heading Local, Maps, and Location Services at Google that included a product portfolio of Google Maps, Google Earth, Street View, and Zagat on both desktop and mobile. A computer science graduate specializing in Artificial Intelligence from Stanford University,⁴⁷ Mayer was the 20th Google hire who joined in 1999.⁴⁸ Prior to joining Yahoo! as CEO, Mayer would have been with Google for 13 years. Of Marissa Mayer, Google's Executive Chairman, Eric Schmidt stated upon her departure,

*"I worked with Marissa for many years — she's a great product person, very innovative and a real perfectionist who always wants the best for users,"*⁴⁹

⁴¹ Denise Lee Yohn, "A Tale of Two Brands: Yahoo's Mistakes vs. Google's Mastery," Knowledge@Wharton, Feb 23, 2016, accessed 7th June, 2021, <https://knowledge.wharton.upenn.edu/article/a-tale-of-two-brands-yahoos-mistakes-vs-googles-mastery/>.

⁴² Laurie Kulikowski, "A History Of Yahoo!'s Six CEOs," TheStreet.Com, July 25, 2016, accessed December 25, 2019, www.thestreet.com/slideshow/13650990/1/a-history-of-yahoo-s-six-ceos.html.

⁴³ Nicholas Carlson, "Bear Hugs and Poison Pills," chap. 3 in Marissa Mayer And The Fight To Save Yahoo!, (Great Britain (Ebook): John Murray (Publishers), 2015), 95-115.

⁴⁴ Nicholas Carlson, Marissa Mayer And The Fight To Save Yahoo!, (Great Britain (Ebook): John Murray (Publishers), 2015), 123.

⁴⁵ Ibid. [Nicholas Carlson, Marissa Mayer And The Fight To Save Yahoo!, (Great Britain (Ebook): John Murray (Publishers), 2015), 123.]

⁴⁶ Meghan Casserly, "Marissa Mayer Named Yahoo! CEO: New Most Powerful Woman In Tech?," Forbes.com, July 16, 2012, accessed October 7, 2020, www.latimes.com/business/technology/la-fi-tn-yahoo-ceo-marissa-mayer-20120716-story.html.

⁴⁷ The Daily News Staff, "Marissa Mayer '97 Becomes CEO Of Yahoo!," StanfordDaily.Com, July 19, 2012, accessed December 25, 2019, www.stanforddaily.com/2012/07/19/marissa-mayer-97-becomes-ceo-of-yahoo/.

⁴⁸ Connie Guglielmo, "Google's Page Says Mayer Will Be Missed; HP's Whitman Welcomes Yahoo's New CEO," Forbes.com. July 16, 2012, accessed December 25, 2019, www.forbes.com/sites/connieguglielmo/2012/07/16/googles-page-says-mayer-now-ceo-of-yahoo-will-be-missed/#45c487175055.

⁴⁹ Ibid [Connie Guglielmo, "Google's Page Says Mayer Will Be Missed; HP's Whitman Welcomes Yahoo's New CEO," Forbes.com. July 16, 2012, accessed December 25, 2019,

Likewise, Page, Google's co-founder, stated,

*"Marissa has been a tireless champion of our users. She contributed to the development of our Search, Geo, and Local products as well as many other product areas. We will miss her talents at Google."*⁵⁰

In the hiring of Marissa Mayer, the pendulum at Yahoo! had clearly swung to the 'technology / product side' as opposed to its 'heavy media leanings' evident in the hiring of Semel.

Expectedly, one of Mayer's first concern was Yahoo's lack of focus on one aspect of an emerging technology - mobile products. She wanted a paradigmatic shift at Yahoo! from PC to mobile – she believed Yahoo! could excel at becoming a major apps company - one that would pioneer mobile-user experience on the internet.⁵¹ To staff Yahoo! with mobile application developers who had the requisite technical expertise, Mayer intended to acquire startup firms that had developed innovative mobile applications which for some reason or another failed to take off.⁵²

In similar vein, in 2013, Yahoo! bought the microblogging and social networking website, Tumblr, for \$1.1 billion⁵³ and in doing so outbid Facebook by a couple of hundred million dollars.⁵⁴ Tumblr was a microblogging suite that also featured social networking capability and had a substantial mobile user base. Starting 2012 and over the next four years, Mayer would go on to acquire about fifty small companies at a cost of another billion dollars.⁵⁵ In 2013, Yahoo! had 7.3 percent of the desktop search market and 6.23 percent of the mobile search market. In contrast, Google's share of desktop search was 77.46 percent and 87.59 percent of mobile search.⁵⁶ Its most pricey acquisition, Tumblr, at the time of purchase, had no significant track record of generating revenue.⁵⁷ Of the Tumblr acquisition, Jeremy Ring who worked for Yahoo! at the turn of this century stated,

*"By February 2016, Yahoo! wrote down the value of Tumblr for 230 million dollars, and in July of that year, wrote down another 482 million dollars. By mid-2016, more than half the acquisition had been written down, and analysts believed its value to be zero."*⁵⁸

Mayer had not given up on search either. Project Gemini was to mobile search and advertising what Project Panama had been to desktop search. Introduced in 2014 and later also adapted for desktop search, the new platform could not influence the tide that had so surely gone Google's way. By 2016,

www.forbes.com/sites/connieguglielmo/2012/07/16/googles-page-says-mayer-now-ceo-of-yahoo-will-be-missed/#45c487175055.

⁵⁰ Ibid. [Connie Guglielmo, "Google's Page Says Mayer Will Be Missed; HP's Whitman Welcomes Yahoo's New CEO," Forbes.com. July 16, 2012, accessed December 25, 2019,

www.forbes.com/sites/connieguglielmo/2012/07/16/googles-page-says-mayer-now-ceo-of-yahoo-will-be-missed/#45c487175055].

⁵¹ Nicholas Carlson, *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 250.

⁵² Nicholas Carlson, *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 251.

⁵³ Michael Merced, Nick Bilton and Nicole Perloth, "Yahoo To Buy Tumblr For \$1.1 Billion," NYTimes.Com, May 19, 2013, accessed December 25, 2019, www.nytimes.com/2013/05/20/technology/yahoo-to-buy-tumblr-for-1-1-billion.html.

⁵⁴ Nicholas Carlson, *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 274.

⁵⁵ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 215.

⁵⁶ Ibid. [Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 215].

⁵⁷ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 217.

⁵⁸ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 218.

Google's desktop search share stood at 71.41 percent and its mobile search share was a near monopolized 94.16 percent. Yahoo!'s had continued to decline to hit a paltry 3.17 percent for mobile traffic.⁵⁹

Mayer, even if she wanted, could not have afforded to neglect the 'media aspect' of Yahoo!'s business offering entirely. For one, it comprised of three thousand employees and \$1.5bn in annual revenues, which was about 30% of Yahoo!'s total yearly revenues⁶⁰. Besides, by 2015, network programming had come of age. What Semel attempted to accomplish early on in his tenure with exclusive network-type programming, was now being accomplished by services such as Netflix and Amazon Prime. This is what she prioritized, and Yahoo! came up with some originals including a sixth season of *Community*, *Sin City Saints*, and *Other Space*. These failed, largely, because Yahoo's programming was not integrated with most smart TVs unlike Netflix's and Amazon Prime's, which is how most adult viewers of long-form programming consume such content.⁶¹ Moreover, the younger generation was shifting increasingly from desktop to mobile and tablet viewing⁶² which put Yahoo! at a significant disadvantage whose principal source of viewers were on desktop. Logically, this ended in a further write-down of forty-two million dollars on original programming.⁶³ See Exhibit 5 for a timeline of the key events in Yahoo's tumultuous journey.

Conclusion

Yahoo! and its peers were fellow travelers on the information superhighway. If the trajectory of their journey is looked through the lens of each entity's share price behaviour, an interesting snapshot emerges (See Exhibit 6). Yahoo! exhibited reckless and egregious driving while Google and Facebook showed a gentle, upward trajectory of confident motion.

In February 2016, CEO Mayer announced that the company's core internet business may be up for sale and that the board of Yahoo "will engage on qualified strategic proposals."⁶⁴ Mayer made this announcement after approximately four years at the helm. Mayer also stated that Yahoo's priority continued to be turning around its fortunes.

What could Yahoo! have done differently during two decades of tumult? Is there a fundamental, underlying solution to the travails of Yahoo!?

⁵⁹ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 221.

⁶⁰ Nicholas Carlson, *Marissa Mayer And The Fight To Save Yahoo!*, (Great Britain (Ebook): John Murray (Publishers), 2015), 286.

⁶¹ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 222.

⁶² *Ibid* [Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 222.]

⁶³ Jeremy Ring, *We Were Yahoo!: From Internet Pioneer To The Trillion Dollar Loss Of Google And Facebook*, (USA (Ebook): Post Hill Press, 2017), 223.

⁶⁴ Hazel Sheffield, "Yahoo CEO Marissa Mayer Says Company Is Considering Selling Its Internet Business," *Independent.co.uk*, February 3, 2016, accessed December 25, 2019, www.independent.co.uk/news/business/news/yahoo-ceo-marissa-mayer-says-company-is-considering-selling-its-internet-business-a6850426.html.

Exhibit 1

in thousands (US Dollar \$), except per share amounts	Year Ended December 31				
	1999	1998	1997	1996	1995
Statements of Operations Data:					
Net revenues	588,608	245,100	84,108	23,793	1,666
Gross profits	486,609	192,946	64,226	16,506	1,282
Net income (loss)	61,133(a)	(12,674) (b)	(43,376) (c)	(12,430)	(1,766)
Net income (loss) per share – basic	0.12 (a)	(0.03) (b)	(0.11) (c)	(0.04)	(0.01)
Net income (loss) per share – diluted	0.10 (a)	(0.03) (b)	(0.11) (c)	(0.04)	(0.01)
Shares used in per share calculation – basic	515,948	439,990	391,542	348,650	243,528
Shares used in per share calculation – diluted	596,790	439,990	391,542	348,650	243,528

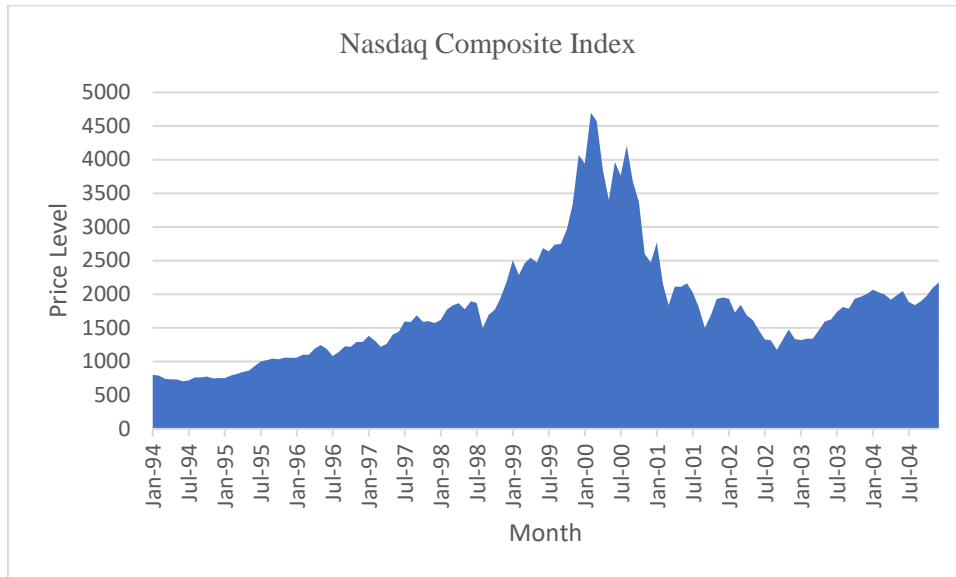
Extracted from Yahoo! Form 10-K Annual Report, 1999 submitted to the Securities and Exchange Commission (SEC)

(a) Net income and net income per share include acquisition related charges of \$76.6 million incurred in connection with the May 1999 acquisitions of Encompass, GeoCities, and Online Anywhere and the July 1999 acquisition of broadcast.com, \$11.0 million of in-process research and development related to the January 1999 acquisition of Log-Me-On and the November 1999 acquisition of ISSG, employer payroll taxes on non-qualified stock option exercises of \$10.3 million, and amortization of \$23.3 million on intangible assets and purchased technology.

(b) Net loss and net loss per share include acquisition related charges of \$3.6 million incurred in connection with the October 1998 acquisition of Yoyodyne Entertainment, Inc. and the November 1998 acquisition of SimpleNet, \$17.6 million of in-process research and development primarily related to the June 1998 acquisition of Viaweb Inc. and the December 1998 acquisition of HyperParallel Inc., and amortization of \$6.2 million on intangible assets and purchased technology.

(c) Net loss and net loss per share include nonrecurring charges of \$21.2 million related to the Yahoo! Marketplace restructuring and \$3.9 million incurred in connection with the October 1997 acquisition of Four11 Corporation.

Exhibit 2



Created by Authors Using Data from Yahoo! Finance

Exhibit 3

Yahoo Search Acquisitions from 2002 to 2007

Acquisition Date	Company	Business	Derived Products
23rd Dec - 2002	Inktomi Corporation	Internet Service Provider	Yahoo! Search
14 th Jun - 2003	Overture Services, Inc	Search Engine Marketing	Yahoo! Search Marketing
12 th April - 2005	TeRespondo	Advertising Network	Yahoo! Search Marketing
18 th Oct - 2005	Whereonearth	Web mapping	Yahoo! Search Marketing
17 th Jan - 2006	SearchFox	Web search engine	Yahoo! Search
17 th Oct - 2006	AdInterax	Online Advertising	Yahoo! Search Marketing
29 th April - 2007	Right Media	Online Advertising	Yahoo! Search Marketing

Created by Authors Using Data from Yahoo! Form 10-K Annual Reports, 2002 to 2007 submitted to the Securities and Exchange Commission (SEC)

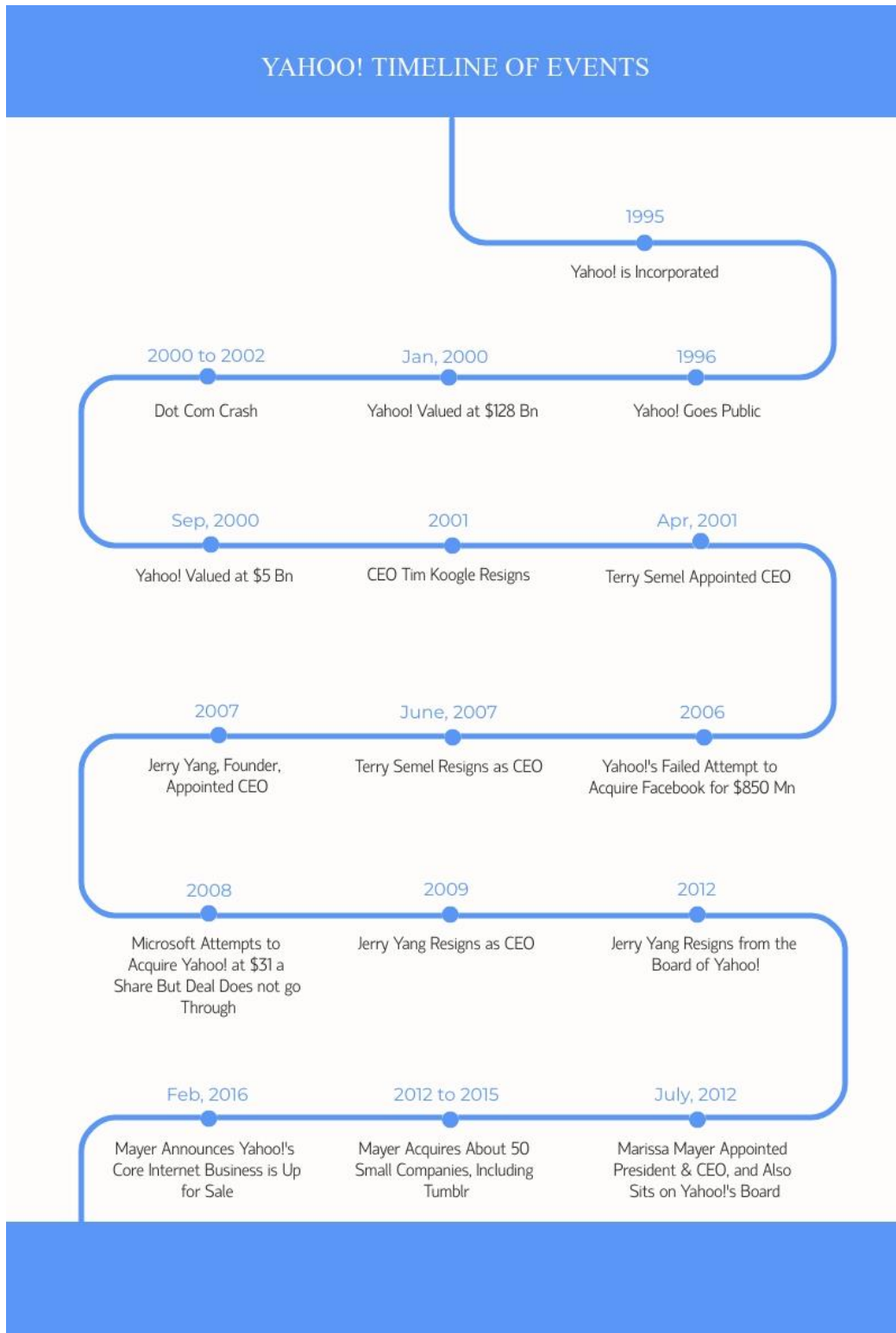
Exhibit 4

Yahoo CEOs

Yahoo! CEO	Tenure
Tim Koogle	August, '95 to May, 2001
Terry Semel	May, 2001 to June, 2007
Jerry Yang	June, 2007 to Jan, 2009
Carol Bartz	Jan, 2009 to Sep, 2011
Scott Thompson	Jan, 2012 to May, 2012
Marissa Mayer	July, 2012 onwards

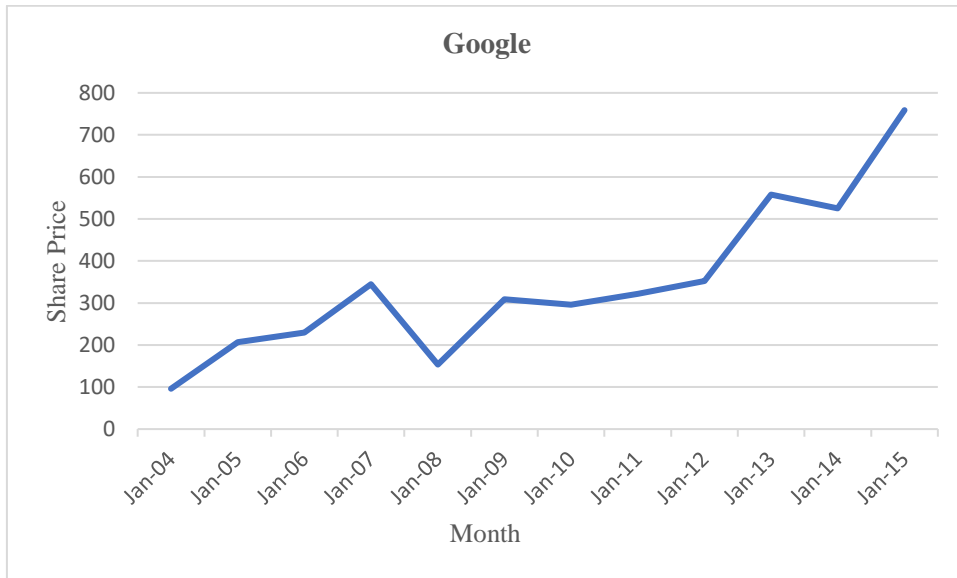
Created by Authors Using Data From Laurie Kulikowski, "A History Of Yahoo!'s Six CEOs," TheStreet.Com, July 25, 2016, accessed December 25, 2019, www.thestreet.com/slideshow/13650990/1/a-history-of-yahoo-s-six-ceos.html.

Exhibit 5

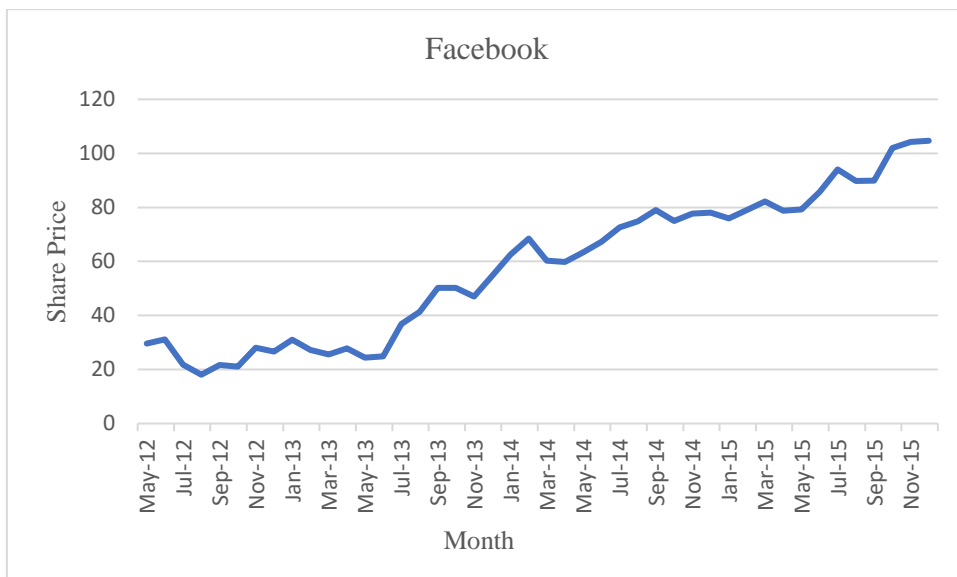


Created by Authors from Facts Presented in this Case

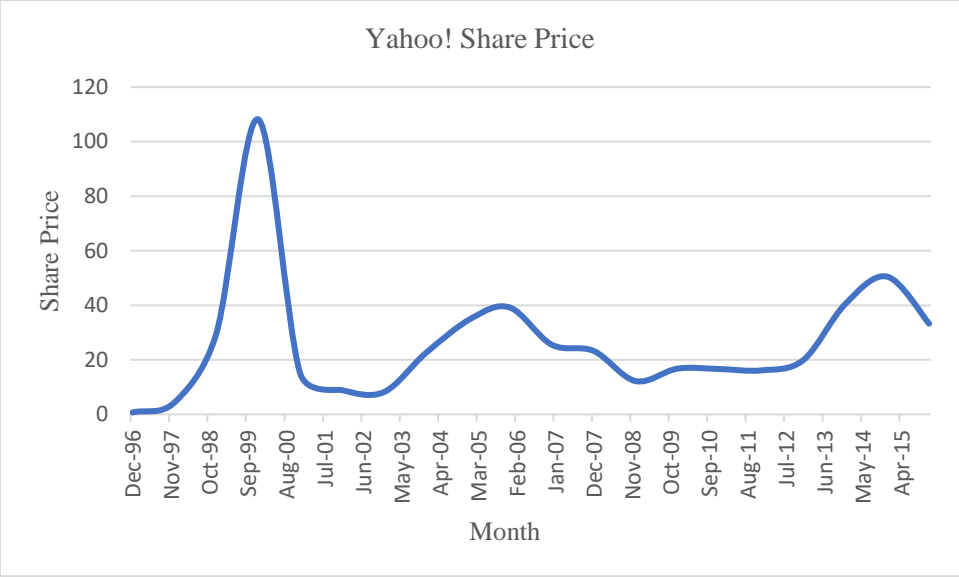
Exhibit 6



Created by Authors Using Data from Yahoo! Finance



Created by Authors Using Data from Yahoo! Finance



Created by Authors Using Data from Investing.com