

Analisis Kritis Perusahaan Berbasis Teknologi: Studi Kasus *Yahoo!****Critical Analysis of a Technology-Based Enterprise: A Case Study of Yahoo!*****Ahmad Naufal Aufa^{1*}**¹Lancaster University, United Kingdom**Abstrak**

Sejarah Yahoo dapat memberikan pelajaran berharga tentang masalah kritis di perusahaan terkemuka, yang sekarang dianggap tidak lagi memiliki keunggulan kompetitif. Artikel ini bertujuan menganalisis secara kritis masalah kebangkrutan Yahoo. Temuan menunjukkan bahwa penyebabnya termasuk tidak memiliki produk unggulan, kurang fokus, kepemimpinan yang buruk, dan tidak memiliki visi yang jelas. Akibatnya, masalah ini memberikan dampak besar pada pendapatan perusahaan, laba bersih, penilaian, dan bahkan keberadaan. Akhirnya, meskipun kasus ini tentang masalah perusahaan berbasis teknologi tinggi, kasus ini mungkin menjadi semacam evaluasi dan refleksi bagi perusahaan mana pun, karena penyebabnya tampaknya relevan untuk semua jenis perusahaan. Kasus ini juga bisa menjadi pelajaran pembelajaran bagi para profesional, akademisi, dan mahasiswa.

Kata kunci: Perusahaan Berbasis Teknologi, *Yahoo!*, analisis kritis***Abstract***

Yahoo's history might give a valuable lesson about a critical issue in a leading company, which is now considered to no longer have a competitive advantage. This paper aims at analyzing critically the issues of Yahoo's ruin. The findings suggest that the causes include having no superior product, lack of focus, poor leadership, and no clear vision. Consequently, this issue gave a massive impact on the company's revenue, net profit, valuation, and even existence. Finally, although this case is about a high-tech company's issue, this might become sort of evaluation and reflection for any companies, since the causes seem relevant to all company types. This case also can be a learning lesson for professionals, academicians, and students.

Keywords: *Technology-Based Enterprise, Yahoo!, critical analysis*

Introduction

The Ruin of Yahoo

Yahoo, an American internet pioneer, is now no longer an independent company. This can be witnessed from Yahoo press release on 25 July 2016, when Marissa Mayer announced that Yahoo was acquired by Verizon at \$4.83 billion (Yahoo, 2016). Also, many media have published and reviewed this case as a sad phenomenon of the former high-tech giant. Yahoo case might bring a valuable lesson for any companies and businesses to reflect about their future and think about their sustainability. They do not want to experience the same, do they?

This case essay aims to analyse the problem Yahoo had, which caused the company declined over times. It will firstly introduce the company's history and then discuss its background and competition. After that, the issue, causes, and impacts will be analysed, and finally the hope and linkage part will be given.

Company History

Yahoo was launched by two Stanford PhD students, David Filo and Jerry Yang in 1994 (Yahoo, 2016). At the time, Yahoo's feature was a database which could help users search for websites based on their interests (Jacques et al. 2013). Yahoo grew rapidly since millions of Americans was starting to explore the boom of the internet and needed to find their queries to the destination websites immediately (Solomon, 2016). Around one year after the launch, Filo and Yang started to commercialise Yahoo through selling advertisements on Yahoo website in order to generate revenue and fund the growth plan (Jacques et al. 2013). In 1996, Yahoo for the first time went public with the valuation of \$33.8 million (Johnson, 2016).

By 1997, Yahoo has introduced some new features namely chat areas, news, online shopping, Yellow Pages, My Yahoo, and Yahoo Mail (Jacques et al. 2013). Jacques et al. (2013) also mention that Yahoo was one of most visited websites, with page views in 1997 were around 65 million each day, and the number of monthly users logging on Yahoo website was 40 million people in 1998. Yahoo experienced a huge growth at the time through an acquisition of several companies such as Yoyodyne Entertainment and Viaweb (Jacques et al. 2013). In 2000, 'dot-com boom' helped Yahoo reached its highest valuation at around \$125 billion, making it became one of the most valuable companies in the world (McGooran, 2016).

In 2002, Yahoo missed an opportunity to acquire a giant high-tech company, Google (Piper, 2016). Piper (2016) stated that at the time, Google's co-founders asked 'only' \$3 billion, but Yahoo was reluctant to deal with the price, making Yahoo failed to own Google, which is now worth more than \$500 million. However, Yahoo continued to grow in 2005 when it acquired many other companies and put its stake to 40% shares of Alibaba, the largest Chinese e-commerce (Jacques et al. 2013). In 2006, Yahoo offered \$1 billion to acquire Facebook, but Facebook CEO refused it, although many media stated that Yahoo could get the acceptance from Facebook's board if Yahoo raised its offer by \$100 million (Mahmood, 2016). Yahoo once again missed a chance to own a potential company, which eventually became today's biggest social media.

The condition was turned around in 2008 when Microsoft tried to acquire Yahoo for \$44.6 billion (Jacques et al. 2013). Although Yahoo shareholders agreed with the acquisition by Microsoft, Yahoo CEO and Yahoo's board did not, so the acquisition eventually did not take place (Jacques et al. 2013). After changing its CEO four times in the last five years, yahoo appointed a former Google executive, Marissa Mayer for the position (Piper, 2016). She received a big hope from Yahoo to make a good turn for the company and has made many acquisitions such as Tumblr, as well as developing new products (Piper, 2016). Finally, Yahoo was acquired by Verizon, a US communication company, at 'only' \$4.83 billion (Yahoo, 2016).

To sum up, the timeline below shows some of Yahoo's important events.

- o 1994: Yahoo was founded by David Filo and Jerry Yang
- o 1995: Yahoo started to put advertisements
- o 1996: Yahoo went public, valued at \$848 million

- o 2000: Yahoo reached its highest valuation of \$125 billion
 - o 2002: Yahoo missed an opportunity to acquire Google
 - o 2005: Yahoo invested \$1 billion to 40% shares of Alibaba
 - o 2006: Yahoo missed an opportunity to acquire Facebook
 - o 2008: Yahoo declined a \$44.6 billion acquisition offer from Microsoft
 - o 2012: Yahoo appointed the latest CEO, Marissa Mayer, and sold half of its Alibaba shares
 - o 2013: Yahoo acquired Tumblr for \$1.1 billion
 - o 2016: Yahoo was acquired by Verizon at \$4.83 billion
- Source: Yahoo (2016), Jacques et al. (2013), Johnson (2016), Mahmood, (2016)

The products and Competition

Until now, Yahoo’s products include Yahoo search engine, Yahoo mail, Yahoo news, Tumblr, Flickr, and etc. However, almost all of Yahoo services seems to have better competitors which provide the same services. For example, Yahoo search engine with Google search engine, Yahoo Mail with Gmail, Yahoo sports news with ESPN, Flickr with Instagram and Tumblr with Facebook.

In terms of revenue, advertising contributes the biggest proportion for Yahoo (Rosoff, 2016). Furthermore, Google and Facebook seems to be the main competitors for Yahoo since they have the same revenue model which is from advertisement, as well as providing similar services as what Yahoo offers. However, Google and Facebook did better than Yahoo in terms of generating their revenue and net profit (see exhibit 1, 2, 3, 4, and 5). Facebook and Google’s revenue and net profit increased significantly over the period of nine years, while Yahoo was struggling to grow its revenue and net profit. Moreover, in 2015, Yahoo suffered huge negative net profit of more than \$4 billion, which can indicate that Yahoo businesses in the recent years are in trouble.

The Big Issue: Yahoo Has No Competitive Advantage

Competitive advantage is the essence of company’s strategies, which indicates where the company positions itself in the industry (Porter, 1985). Porter (1985) also mentions that any companies should find and choose their competitive advantage in order not to be mediocre in the market. To analyse Yahoo business competitive advantage, Porter’s three Generic Competitive Advantage Strategies framework will be used. The framework divides the strategies into three: cost leadership; differentiation; focus.

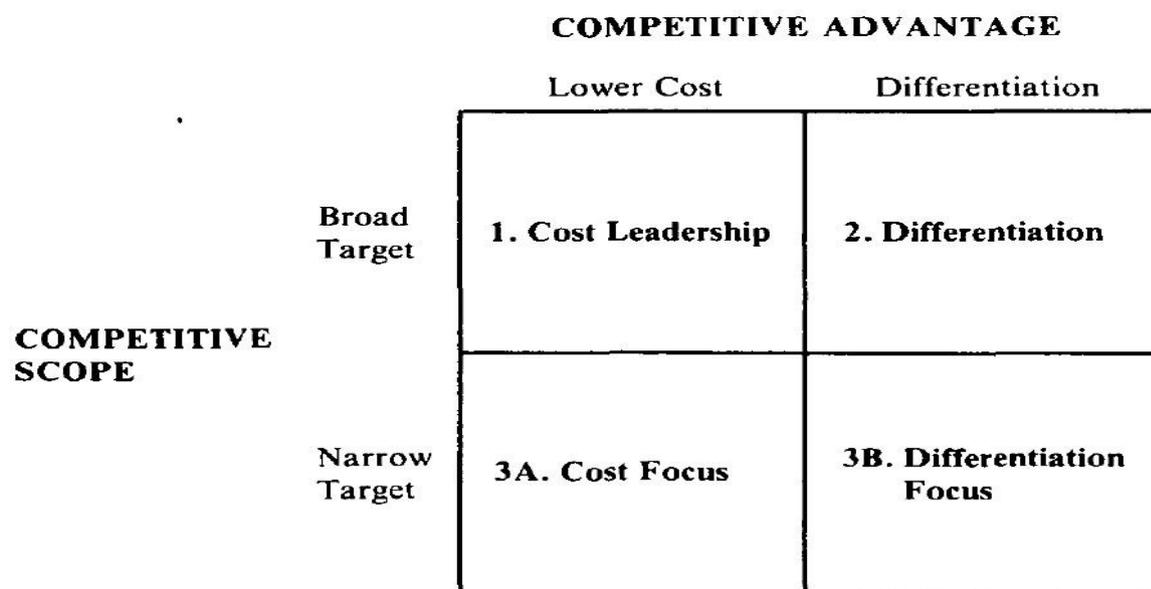


Figure 1. Generic Competitive Advantage Strategies (Porter, 1985)

1. Cost Leadership

Cost leadership is when a company offers the lowest price to the customers in the industry (Porter, 1985). In the industry where Yahoo, Google, and Facebook are in, there are two types of end users: internet users and business users or the advertisers. Internet users are certainly free to access most of Yahoo, Google, and Facebook's features. This means that cost leadership is not relevant to be their competitive advantage for internet users. For business users, cost leadership becomes relevant because the advertising costs on Google and Facebook are considerably more expensive than the cost when they put the same advertisements on Yahoo (Internet Marketing Team, 2014). However, Google and Facebook have more audience of internet users, with Google dominating around 90% search engine shares and Facebook dominating social media world. Therefore, since the advertisers usually intend to reach a broader audience, rather than the limited one, cost leadership of Yahoo tends not to be an influencing factor or competitive advantage.

2. Differentiation

According to Porter (1985), differentiation is when a company has unique or special products or services offered to the customers. In other words, its products or services are highly valued by the customers. In this case, Yahoo seems not to have a different and superior services for the customers. This means that almost all Yahoo services have competitors who provide

better services. For example: Yahoo search engine loses to Google search engine in terms of features, user interface, and usability (Malik, 2014); Yahoo mail was hacked several times in recent years which indicates that Yahoo mail is inferior to Gmail; Tumblr and Flickr, two Yahoo social media, are used less by the internet users, compared to Facebook, Youtube, Twitter, and Instagram. In comparison, high-growth tech companies typically have specialisation in at least one area are like Google with its search engine, Microsoft with its operating system, and Facebook with its social media, while Yahoo seems not to have any strong and special or service. Consequently, Yahoo does not have differentiation competitive advantage from its competitors.

3. Focus

This is when a company selects particular market segments, and then tries to offer specific products or services (Porter, 1985). This means that the market is not as broad as the first two. This strategy has two types namely cost focus and differentiation focus. Yahoo, Google, and Facebook seems not to have this advantage since most of their main products or services are for a wide market.

The Causes

- No special and superior product

It is true that Yahoo is one of the pioneers of the internet, but this means nothing to the internet users if Yahoo cannot create better products rather than its competitors'. Its main competitors, Google and Facebook, although they were found later than Yahoo, they have special and superior products, their search engine, email, and social media. These special and superior products mean that they have the best quality among the similar products in the market. In comparison, Yahoo products such as Yahoo search engine, email, Flickr, and Tumblr are not considered as the first choice for the internet users.

- Lack of focus

Having so many products is useless if the products are not good enough for the users. Instead of focusing on developing several specific products, Yahoo already had 400 different products and services by 2001 (The Economist, 2016). This made Yahoo failed to have specialised and superior products such as Google with its search engine and Facebook with its social media. Moreover, having too many products and services can damage its 'abandoned' core products such

as Yahoo mail, which was successfully attacked by the hackers several times. This can eventually cause Yahoo mail users move to another provider.

- **Poor leadership**

Poor leadership normally will endanger companies. In Yahoo, poor leadership can be seen from the failure of directing the company to focus on creating the company's competitive advantage. Also, many decisions by Yahoo board and CEO were considered as terrible decisions, particularly when it comes to acquisition. For example, Geocities, Tumblr, and Broadcast.com with their price of billions of dollars are widely regarded as the worst acquisition all time, which does not truly benefit Yahoo (Larson, 2012). Besides, in Merissa Mayer era, the latest CEO of Yahoo, Yahoo has aggressively acquired 53 companies, with \$2.8 billion spending in total, but most of the 53 companies were shut down not long after the acquisition (Kleeman, 2016). Furthermore, the most prominent errors are when missing opportunities to buy Google and Facebook in early 2000 and selling half of high-growth Chinese e-commerce giant, Alibaba (McGoogan, 2016).

- **No clear vision**

According to Blundel and Lockett (2011), having a vision is one of the most important keys for companies. "Without it there is no driving force or sense of direction" (Blundel et al. 2011). Yahoo seems not to have a clear vision since it has changed the company descriptions 24 times within 24 years, which is varied from high-tech company to media one (McGoogan, 2016). This indicates Yahoo is inconsistent with its goals, which eventually leads Yahoo to the decline.

The Impacts

Having no competitive advantage for several years gives a profound impact on Yahoo businesses. Although Yahoo still ranks the fifth among the most-visited websites (Alexa Internet, 2017), the traffic of Yahoo's website and services was reported to decline continuously (Kim, 2016). Yahoo's website and services seem not as attractive as it was for the internet users. This can lead the advertisers, who contribute to Yahoo revenue and profit to choose to put their advertisements on other providers as they expect to have more target users.

The real impact is on Yahoo's revenue and profit, which have been declining for several years. Exhibit 1 shows that there was almost no increase in Yahoo's revenue in the last five years, while exhibit 1 reveals that Yahoo suffered a big loss of more than \$4 billion in 2015. In contrast, its main competitors, Google and Facebook experience a consistent growth in terms of revenue and net profit over the years (see exhibit 3, 4, and 5).

Yahoo crisis ended with the acquisition of Yahoo core businesses by Verizon at 'only' \$4.83 billion, although Yahoo was once valued at \$125 billion in 2000 and \$44.6 billion in 2008. Finally, the iconic name of Yahoo can truly become a history since Verizon planned to rename the company into Albata inc (McLean, 2017).

The Hope

After the acquisition from Verizon, there is still a hope for Yahoo to regain its focus and create a competitive advantage. However, since Yahoo is no longer an independent company, Yahoo cannot decide its own path. Looking at the reason why Verizon acquired Yahoo, which is to grow its digital advertising on mobile devices, indicates that Verizon has a clear goal or vision (Ingram, 2016). This hopefully can drive Verizon and Yahoo together to gain more market share in the digital advertising industry, which is now dominated by Google and Facebook.

Linkage to Personal Experience

When I did an internship for a high-tech start-up company in Indonesia around two years ago, the company I worked for was apparently the opposite of Yahoo condition. This company provides a focused and superior information system service only for the Indonesian government

and the company's executives seem very capable in their own area. Also, most importantly, the company has a clear vision, which indicates the company's direction.

However, it is clear that this start-up company, which has only around 50 employees, is not supposed to be compared to a huge company like Yahoo. Their complexity, number of divisions, employees and business model are different. Nevertheless, it is still important for any companies to avoid four of the causes or mistakes in this case if they do not want to fail, similar to what has happened to Yahoo.

Conclusion

Yahoo was a high-tech giant which now loses its power. Yahoo has a rich history since the internet started and grew. Yahoo's history might give a valuable lesson about a critical issue in a leading company, which is now considered to no longer have a competitive advantage. The causes include having no superior product, lack of focus, poor leadership, and no clear vision. Consequently, this issue gave a massive impact on the company's revenue, net profit, valuation, and even existence. Finally, although this case is about a high-tech company's issue, this might become sort of evaluation and reflection for any companies, since the causes seem relevant to all company types. This case also can be a learning lesson for professionals, academicians, and students.

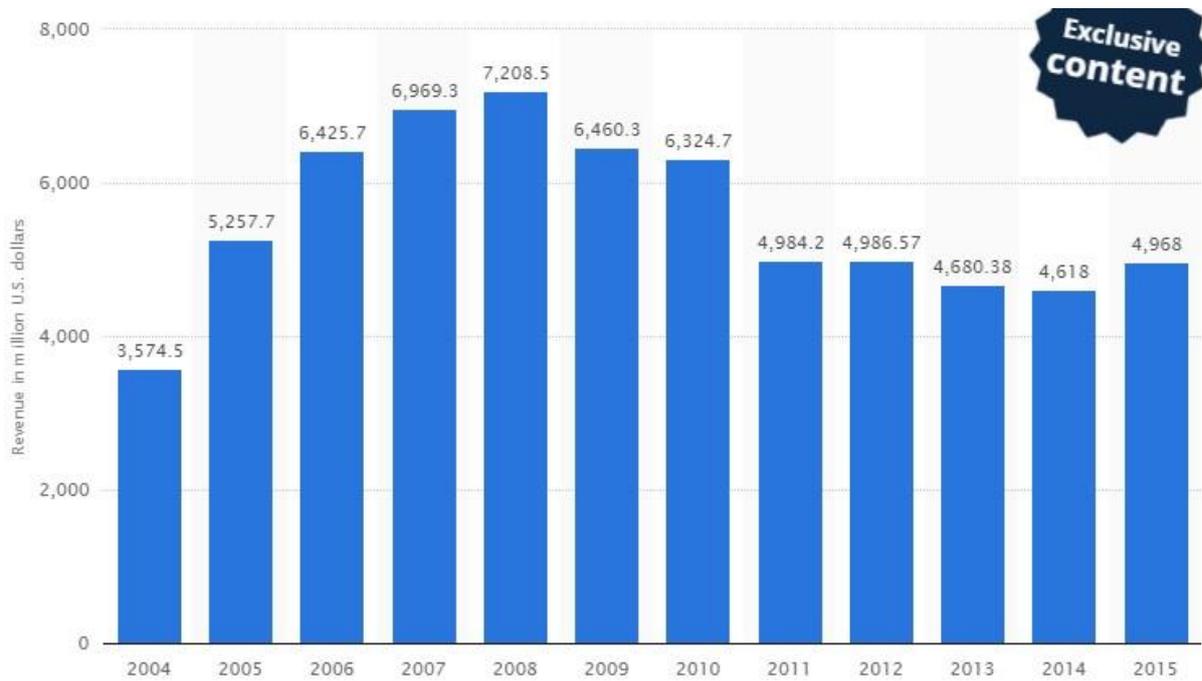
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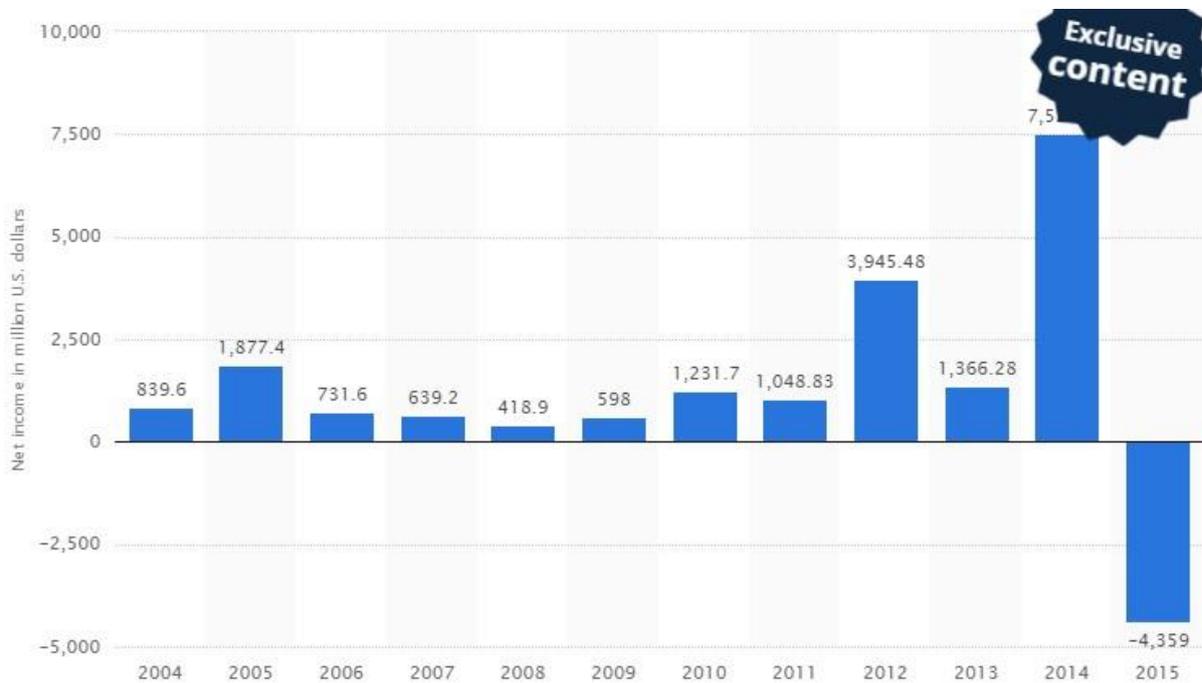
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Exhibit 1

Yahoo Revenue (Yahoo, 2016)

**Exhibit 2**

Yahoo Net Income (Yahoo, 2016)

**Exhibit 3**

Google Net Income (Google, 2016)

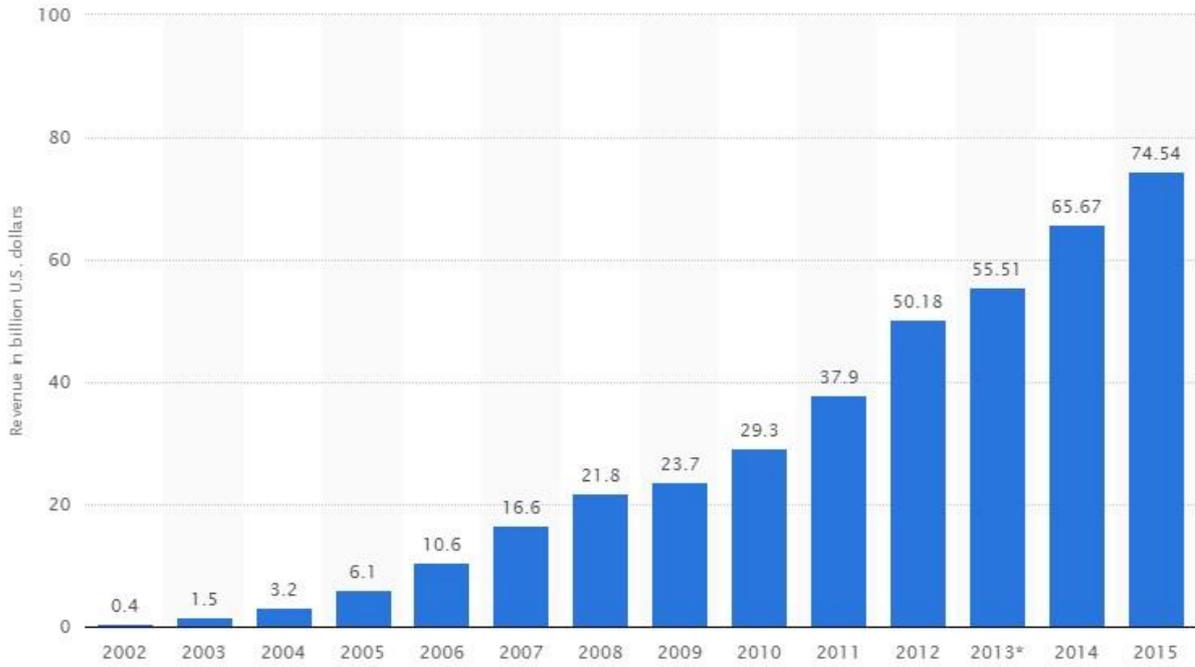


Exhibit 4

Google Net Income (Google, 2016)

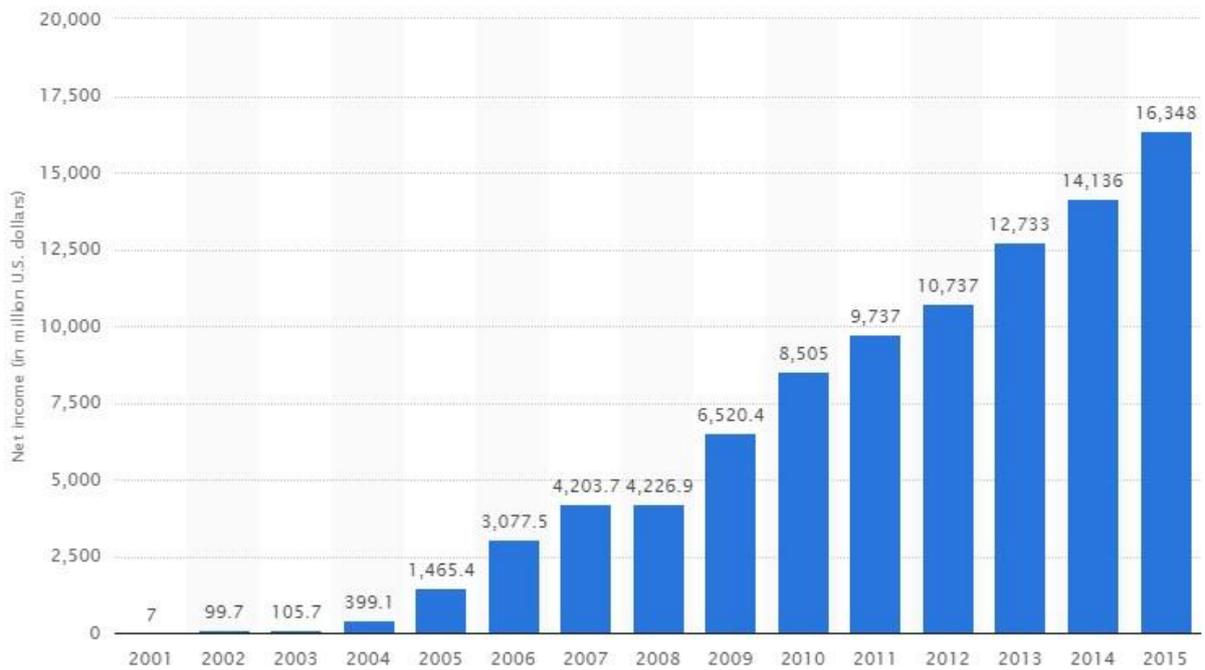


Exhibit 5

Facebook Net Income (Facebook, 2016)

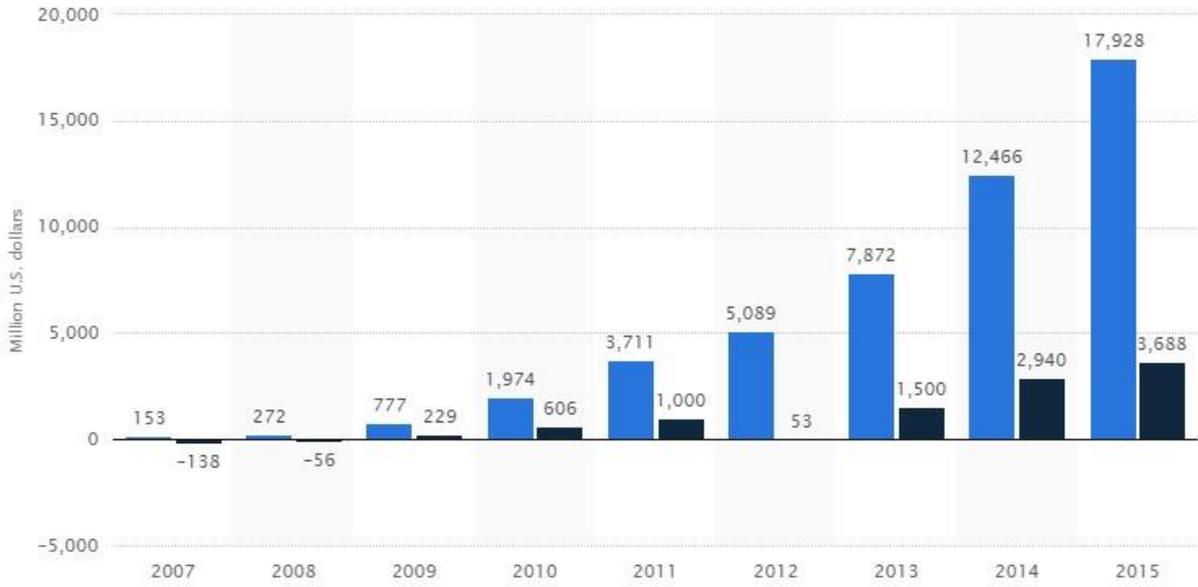


Exhibit 6

Top 5 Desktop, Tablet & Console Search Engine (StatCounter, 2016)

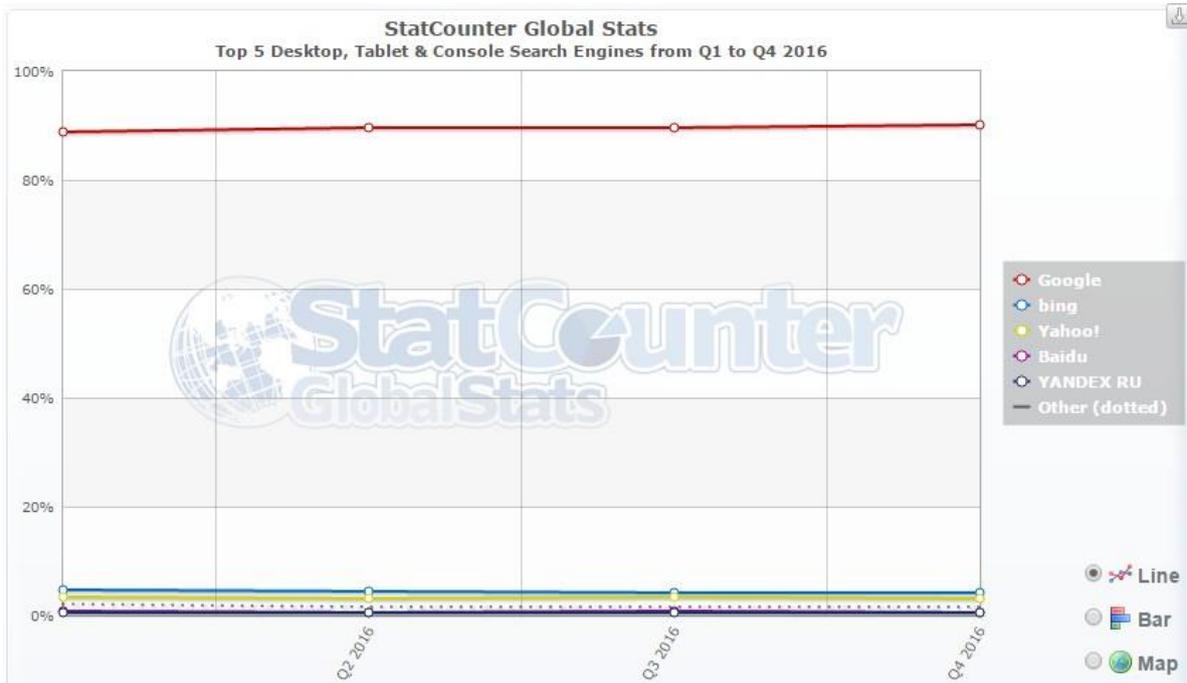


Exhibit 7

Webmail Market Share (Litmus, 2014)

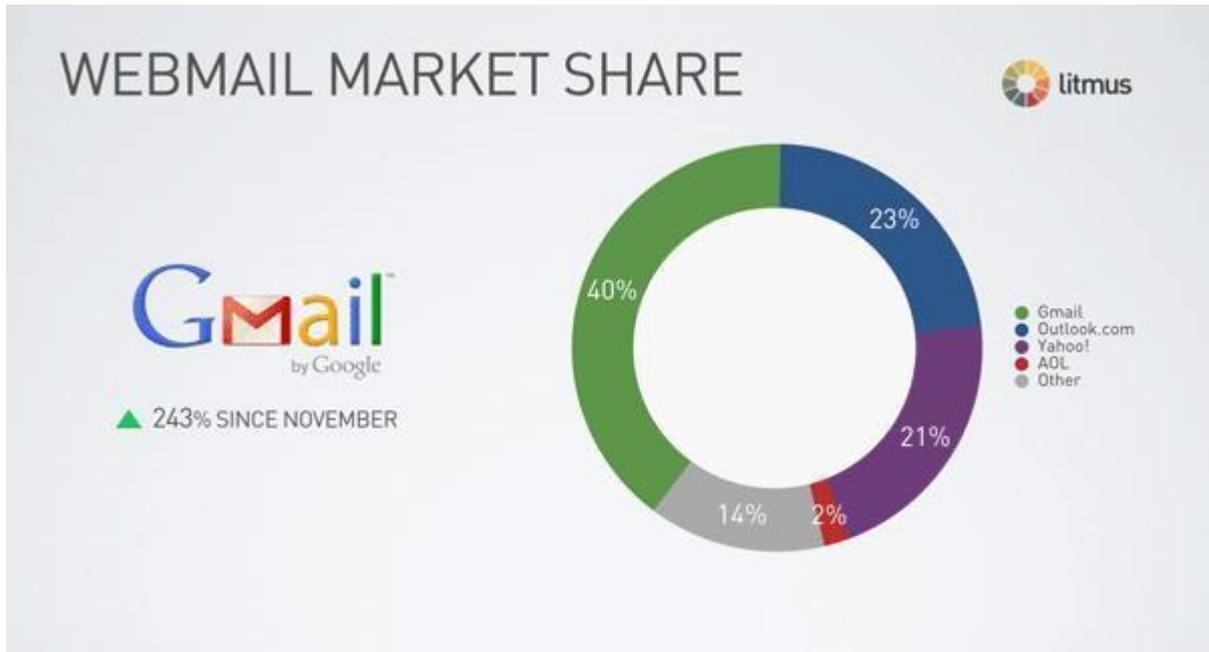


Exhibit 8

Most Famous Social Network Sites Worldwide As Of September 2016, Ranked By Number Of Active Users (in millions) (We Are Social, 2016)