Yahoo Microsoft: A Horizontal Romance, or a Broken Relationship

By Ryan, Cristy, Alexis, Joe
Overview

- Horizontal Integration
- Market Share
- Branding
- Company Information
- Industry Information
- A Story of Heart Ache
- The End?
Horizontal Mergers/Integration

• What is Horizontal Integration?
  ◦ Examples:

• Why Do Companies Horizontally Integrate?
  o Reduced Competition
  o Lower Production Costs
  o Managerial Reputation

Yahoo!® + Microsoft® =
Horizontal Mergers/Integration Continued

- **U.S Horizontal Merger Guidelines**
  1. Define the Market
  2. Concentration - Herfindahl-Hirschman Index (HHI)
  3. Assessment

\[
H* = \frac{(H - 1/N)}{1 - 1/N} \\
H = \frac{1}{n} + nV
\]
Market Share

- **What is Market Share?**
- **Expressed in Two Ways:**
  1. Revenue
  2. Unit Volume
- **Increasing Market Share**
Branding Management

- What is Branding?
- Brand Name = Promise
- What Makes a Good Brand Name:
  - Pronounce
  - Remember
  - Recognize
  - Attention
  - Suggest
  - Stand Out
Branding Management Continued

- **Three Types of Brand:**
  1. Premium Brand
  2. Economy Brand
  3. Fighting Brand
Branding Management Continued

- **Brand Naming**
  - Corporate
  - Family
  - Individual

- **Brand Leveraging**
Brand Management
Continued

- **Brand Strategies**
  - Mother Brand
  - Endorsed Brand
  - Product Brand
Yahoo! Inc.

- Founded in 1994 by Stanford Ph.D. students David Filo and Jerry Yang
- Incorporated in 1995
- To users
- To Advertisers and Publishers
- To Developers
  - Yahoo! generates revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites.
  - Additionally, although many of its user services are free, Yahoo! does charge for a range of premium services that it offers.
The Company's offerings to users fall into five categories:

- **Search** – Yahoo! Front page, My, Toolbar
- **Communications and Communities** – Yahoo! Mail, Zimbra, Messenger, Groups, 360 and Flicker
- **Media**
  - Information – Yahoo! News, Finance, Sports and Rivals
  - Entertainment – Yahoo! Music, Movies, TV, Games, Video and omg!
  - Life Style – Yahoo! Autos, Real Estate, Food, Tech, Kids, Health
- **Connected Life** – Co-branded broadband, Yahoo! Mobile Digital Home, Desktop
Microsoft Corp.

- Microsoft Corporation, incorporated in 1981
- Develops, manufactures, licenses and supports a range of software products for computing devices

- Online offerings and information are delivered through its Windows Live, Office Live, and MSN portals and channels
- The Company enables the delivery of online advertising through its adCenter platform
Five Segments of Competition

1. **Client**
   - Apple Computer, Hewlett-Packard, IBM, Mozilla and Sun Microsystems

2. **Server and Tools**
   - Packard, IBM, Sun Microsystems, Novell, Red Hat, VMWare, Computer Associates, Oracle, BMC, McAfee, Symantec, etc.

3. **Online Services Business**
   - AOL, Google, Yahoo! and Earthlink

4. **Microsoft Business Division**
   - Apple, Corel, Google, IBM, Novell, Oracle, Red Hat, Sun Microsystems, AjaxWrite, gOffice, etc.

5. **Entertainment and Devices Division**
   - Sony, Apple iPod, Nokia, Openwave Systems, Palm, QUALCOMM, Research In Motion, etc.
Google Inc.

- Maintains an index of Websites and other online content
- Instant access to relevant information from its online index
Google Inc. Continued...

- Google generates revenue primarily by delivering online advertising.
- Google Docs allows the Company's users to create, view and edit documents, spreadsheets, and presentations from anywhere using a browser.
The Other Players?

- **Time Warner Inc. (AOL LLC)**
  - AOL operates a Global Web Services business that provides online advertising services
  - AOL offers advertisers a range of advertising services
  - Competes with Yahoo! Inc., Google, Microsoft Corporation, Fox Interactive Media, Inc. and Facebook, Inc.

- **News Corp.**
  - Entertainment company with operations in eight industry segments
Online Advertisement

Search Engine Market Share Feb. 2007

- Google: 50%
- Yahoo!: 29%
- MSN: 11%
- Ask: 5%
- AOL: 5%
## Online Advertisement Continued...

### Numbers of Impression (million)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Google</th>
<th>MSN</th>
<th>Yahoo</th>
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<tbody>
<tr>
<td>Financial Services</td>
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<td>Web Media</td>
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<td>Public Services</td>
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<td>Retail Goods</td>
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<td>8988</td>
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<tr>
<td>Travel</td>
<td>7205</td>
<td>1540</td>
<td>14537</td>
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</table>
## Online Advertisement
### Continued...
#### Click Though Rates

<table>
<thead>
<tr>
<th>Industry</th>
<th>Google</th>
<th>MSN</th>
<th>Yahoo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>8.57%</td>
<td>8.11%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Web Media</td>
<td>0.72%</td>
<td>0.43%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Public Services</td>
<td>22.33%</td>
<td>30.15%</td>
<td>0.08%</td>
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<tr>
<td>Retail Goods</td>
<td>0.57%</td>
<td>0.64%</td>
<td>0.05%</td>
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<tr>
<td>Travel</td>
<td>4%</td>
<td>4.57%</td>
<td>0.51%</td>
</tr>
</tbody>
</table>
Online Advertisement
Continued…


- Google: 68%
- Yahoo!: 21%
- MSN: 7%
- AOL: 4%
Soap Opera: All My Internets

The History of the Yahoo – Microsoft Courtship
Early 2006 The Gossip Begins

Speculations about Microsoft's Courtship of Yahoo Stir Up
December 2007

- Google buys out DoubleClick Inc. which Microsoft and Yahoo also expressed interest
- Google also has 5% Ownership of AOL
January 31, 2008: The First Rejection

Yahoo rejects a **44.6 billion dollar**, $31 a share, offer from Microsoft saying that it *undervalues the company*

*You don’t appreciate my worth!*
Shortly After

- February 13, 2008
  - Yahoo buys on-line video advertising company Maven
- February 26, 2008
  - Yahoo introduces a new video service called Yahoo Buzz
March 5th, 2008

Yahoo states they are extending their deadline to nominate board directors to 10 days after their annual stockholder meeting.
The Third Wheel

Rumors circulate that Yahoo is looking to merge with Google
April 5th, 2008

CEO Steven Ballmer speaks up!

He writes a demanding letter to the CEOs of Yahoo, threatening to turn hostile if Yahoo continues to evade discussions with Microsoft.
Steven Ballmer: The Man, the Myth, the Sweaty guy?
April 7th, 2008

Yahoo executives write a letter back to Ballmer saying that they are not closed to negotiation but will not accept such a low offer.
April 9th, 2008

Yahoo announces a *test advertising partnership* with Google using Google’s ad sense for a two-week period.
And the Gossip Continues...
Thank You!