MINDSHARE	What's Next For Yahoo	Norm Johnston	Sep 7, 2011

Background

In the end, Yahoo CEO Carol Bartz was as blunt as ever. "I've been fired," she wrote to her employees in a short email dashed off from her iPad. Yahoo Chairman Roy Bostock informed her of the board's decision over the phone, thus quickly ending her 2 ½ year tenure as CEO. Bartz is the latest victim in Yahoo's efforts to solidify their place amongst an increasingly competitive landscape dominated by online titans such as Google and Facebook, who will both shortly surpass Yahoo in share of US display advertising revenue.

Details

Bartz was brought in by Yahoo's board to replace co-founder Jerry Yang after the very ugly Microsoft acquisition debacle back in 2008. At the time, Microsoft was one of several companies interested in merging with and/or purchasing Yahoo, who once dominated the Internet media landscape as a major portal and search engine before Google entered the scene. Bartz sought to rejuvenate Yahoo's fortunes by working on the company's proposition, accelerating product development, and cutting costs accumulated over the years. She arguably saw greater success in the later; Bartz eliminated hundreds of jobs, consolidated technology systems, outsourced Yahoo's search technology to Microsoft, and axed several floundering acquisitions. All of these efforts led to an improvement in Yahoo's earnings, but failed to bring a significant revenue boost in a market showing strong growth (24.5% YoY in the United States). As a result Yahoo's stock has stagnated, resulting in shareholders losing patience. Chief Financial Officer Tim Morse has been named interim CEO while a newly formed executive council seeks a permanent candidate.

Implications

Yahoo remains one of the Internet's few global media networks with over 680 million users worldwide and an extensive footprint in every corner of the globe, including a strong presence in Asia. In fact, with more marketers diverting budget to that region, Yahoo's Asian assets, including Alibaba, may prove immensely valuable given their competitors' relative weakness in that region. Yahoo has also worked hard to develop a deep portfolio of premium content in a range of topics, including gossip (OMG!), news, and sports. Finally, the Yahoo brand is still widely recognized with mass appeal as one of the Internet's long-standing iconic brands.

Why the pessimism and gloom? In short, in an industry preoccupied with the next big thing, Yahoo often struggles to cut through the clutter and clearly articulate their proposition and relevance in today's rapidly evolving media landscape, which is full of larger-than-life characters touting social likes, group discounts, and mobile check-ins. Unfortunately for Yahoo, a strong global brand with deep, premium content doesn't get you a magazine cover these days.

Summary

Yahoo will survive Bartz's departure. Indeed, it may usher in a new era of confidence in their premium content positioning, an area largely unoccupied by competitors such as Google and Facebook. However, Yahoo will need to make a bigger move to gain greater momentum and to capture a disproportionate share of industry spend. A merger and/or acquisition would achieve that ambition. Several scenarios exist, ranging from Yahoo swallowing up "mid-sized" complementary properties like Hulu (similar to AOL's Huffington Post acquisition) to a long-mooted acquisition by / merger with either AOL or Microsoft, their closest rivals in the content space. Finally, Google or Facebook may make a surprise play for Yahoo to simply block the others or expand their network inventory, bolster their content ambitions, and weave their competing social graphs into Yahoo's 680 million users. Which way Yahoo will go is unclear. What is clear is that the board's patience for something to happen has run out.