

# Yahoo!

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*Yahoo! Inc.* is a global Internet communications, commerce and media company with headquarters in Sunnyvale, California (USA) and offices in Europe, Asia, Latin America, Australia, Canada and the United States. The services offered by *Yahoo! Inc.* include *Corporate Yahoo!*, a popular customized enterprise portal solution; audio and video streaming; store hosting and management; and Web site tools and services. According to Alexa, the web information company owned by Amazon.com, Yahoo.com is the fourth most visited website worldwide and the third most visited in the United States. In Comscore's results, a company specialized in digital measurement and digital marketing intelligence, Yahoo!'s search engine is the second most used in the US.

## From hobby to leading multi-service provider: 1994 – 1999

Yahoo! was founded in January 1994 by Stanford Ph.D. students David Filo and Jerry Yang. Started as a hobby hosted on the university servers, Yahoo got its name as an acronym for *Yet Another Hierarchical Official Oracle* and Jonathan Swift's Gulliver's Travels brute yahoos. The site was initially entitled "Jerry and David's Guide to the World Wide Web".

A year after its launch, Marc Andreessen, co-founder of Netscape Communications, invited the founders of Yahoo! to move Yahoo! to the larger computer system housed at Netscape. The domain *yahoo.com* was registered that year with the company going incorporated shortly afterwards. 1995 is also marked by negotiations between Yahoo! and venture capitalists. Sequoia Capital, known among others for its investments in Apple Computer, Atari, Oracle and Cisco Systems offered Yahoo! in April 1995 an initial investment of nearly \$2 million.

At the time, a very innovative dimension of Yahoo! was its marketing model. The majority of Yahoo!'s revenue came through banner advertising deals. This involved selling space on Yahoo!'s own web pages to companies that wished to promote their products to Yahoo!'s users. The advert usually involved an image with an embedded link to the advertising company's website. For 1995, when the main advertising outlets were still represented by print and broadcast media, putting the consumer in direct contact with the company advertised was a groundbreaking.

Yahoo! also generated revenue from partnerships and distribution deals with websites aiming to increase their own number of users, also referred to as traffic. In order to drive and increase traffic of other websites, Yahoo! led its customer traffic to the partner websites in exchange for a cut of the transaction revenues whenever users made purchases. This is what turned Yahoo! from a search engine, its first service, into a web-portal, a gate-way to the rest of the Internet.

These two revenue-generating strategies, allowed Yahoo! to continue expanding its services, strategic acquisitions of other companies whose services were complimentary to Yahoo!'s offer being one way of achieving that. Additionally, having secured revenue from advertising seeking companies, Yahoo! could offer its user oriented services for free unlike competitors America Online (AOL) or Microsoft Network.

In time, this enabled Yahoo to explore user customizable features and electronic communities. In March 1997, Yahoo! bought communications company Four11, transforming its emailing RocketMail product into Yahoo! Mail. That same year, Yahoo! launched My Yahoo!, a service that allowed users to personalize their Yahoo! page to meet their interests. Other acquisitions such as that of ClassicGames.com and direct marketing company Yoyodyne Entertainment in 1998, had Yahoo! launch its own gaming site, Yahoo!Games and messenger application, Yahoo! Pager later renamed Yahoo! Messenger. In 1998, Yahoo! also entered a partnership with communications giant AT&T to provide Internet access through AT&T's WorldNet service in 1998. Yahoo! continued with the purchase of Geocities in January 1999, a creator of electronic communities that enabled users to set up their own personal home pages. The service would be closed in 2009.

Customer tailored options and services focused on user satisfaction and enhanced user interaction strengthened Yahoo!'s position and helped increase its user base. This enabled the company further to explore user empowering, experience enhancing and network growing services. It could be said that, in this sense, Yahoo!'s end 90's acquisitions prepare the company to transition from web 1.0 to web 2.0 and make it a path opener of both social media and social networking. To reflect its expansion Yahoo!'s upgraded and changed their terms of service after every acquisition made.

### **Getting ready for web 2.0: 2000 – present**

In the early years of 2000, Yahoo! concentrated on closing partnerships with telecommunications and Internet providers. Also, in June 2000 Google became Yahoo's default search engine promising thus increased accuracy and rapid return of high-quality results. The deal lasted until 2004 when Yahoo! returned to use its own technology, taking thus advantage of its latest search engines acquisitions, [AltaVista](#) and [AlltheWeb](#), the subsidiaries of Overture Services, Inc. being among them.

In 2005, as a result of joint efforts of Yahoo! and Microsoft the messenger services of the two companies, Yahoo! Messenger and MSN Messenger, became interoperable allowing users of both service to add people to their lists registered with the other service. This enabled the two competing services to maintain their user base and increase user satisfaction.

During 2005-2006 Yahoo! made a series of tactical moves and acquisitions marking its transitions to web 2.0 specialized services. It rebrands its music service to Yahoo! Music, purchased photo sharing service Flickr, blo.gs, a Real Simple Syndication (RSS) aggregation service, social bookmarking service del.icio.us, and social event calendar upcoming.org and playlist sharing community Webjay. The company also launches its own social networking service Yahoo! 360° taking advantage of all the sharing features it recently acquired. The service was abandoned in 2008 in favor of

experimenting with a universal profile. In 2007, Yahoo! offered unlimited storage to its users. Finally, in July 2009 Yahoo! announced a 10-year deal with Microsoft . The deal encompassed allowing Microsoft full access and permission to use Yahoo!'s search engine in future projects for Microsoft's own search engine, Bing.

During its almost two decades of existence Yahoo! has achieved a tremendous growth and incredible expansion. The company's most notable contributions to the online business environment are perhaps its prototype search engine, its revenue-making model and its experimentation with adjacent services that supported its core business and hence helped generate more revenue.