

**Yahoo strategic analysis**

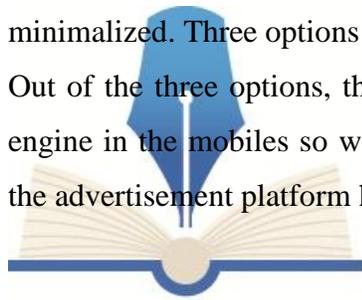


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## Executive summary

The report is based on the internal and the external analysis of Yahoo. The report also has discussed regarding the key strategic challenges that the company is facing at present. The different models such as Porter's five force analysis, SWOT analysis, Pastel analysis, VRIN framework, TOWS matrix, benchmarking, the strategic cock, and the Ansoff matrix along with the discussion regarding the SAFE criteria have been described to analyse the current situation of the company. The opportunities also have been mentioned so that the company will be able to compete in the global market with its competitors. The analysis with the help of the different models have been highlighted the issue that fundraising is the critical issue for the financial position of the company; the company only focuses as the search engine. But, it is required to create the strong platform regarding the advertisement so that it will be able to compete with the others. The strength of the company is required to be utilised so that the weakness can be minimalized. Three options have been referred to the company t deal with the strategic problems, Out of the three options, the option for the development of the new mobile apps as the search engine in the mobiles so wins the long term role. As the contingency plan, the development of the advertisement platform has been referred as the fundraising platform.



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## 1. Introduction to the company:

Yahoo Inc is the American based multinational technology company. The headquarter of the company is in California. The key product that has been offered by the company is the web portal which is the search engine widely used by the global market. The other services and the products are Yahoo Directory, Yahoo News, Yahoo Finance, Yahoo Answers. The others are advertisement, online mapping, fantasy sports, video sharing, and others. The social media service also is offered by the company. It is the most popular search engine in the United States market. The Yahoo Inc has been founded in the year 1994 by Jerry and David's Guide(Yahoo, 2016). In January 2015, it has announced to spin – off its stake in Alibaba as the separately listed company. The expansion history of the company is quite impressive. In the year 2008, the Microsoft Corporation had the unsolicited bid to acquire Yahoo, but Yahoo had rejected the bid and announced the less requirement of their shareholders. After that in the year 2011, Yahoo had the market capitalization of US\$22.24billion. Very recently, they have announced the partnership with Yelp. Inc(Yahoo, 2016). On 21<sup>st</sup> November 2014, they also have acquired Cool iris. Apart from the mentioned products and services, the other products are Geo planet, Yahoo next, Yahoo BOSS, Yahoo Meme and others. The major challenge that is being faced by the company is the latest Turnaround plan by the company. The conflicts with the CEO Marissa Mayer is another internal problem of the company as she wish to cut the 15 percent employee base to maintain the cost effectiveness of the company(Techinsider, 2016).

In the current assignment, the strategic analysis of the Yahoo will be discussed. The competitive framework and the important strategies based on the internal and the external analysis of the company are the key discussion area. After the effective strategic analysis, the proper recommendations also will be offered to the company for the maintenance of the sustainability fact in the company.

## 2. Internal environment analysis:

### 2.1 Resources and capabilities:

Resources	Capabilities
Healthy financial resources	<ul style="list-style-type: none"> <li>• Invest in other companies, e.g., Alibaba</li> <li>• Invest in new services</li> <li>• Acquire new start-ups</li> </ul>
Good brand name	<ul style="list-style-type: none"> <li>• Gives them ability to charge high prices for advertising</li> <li>• Wide coverage of the most geographical is the global market (Yahoo, 2016)</li> </ul>
Tangible resources	<ul style="list-style-type: none"> <li>• Financial cost cut by the CEO</li> <li>• Physical Cubicles</li> <li>• Strong organisation structure to maintain the transparency with the employees</li> <li>• The technological advancement in term of the Inktomi search engine, Yellow pages, Hot jobs, and others (Yahoo, 2014)</li> </ul>
Capabilities of the organisation	<ul style="list-style-type: none"> <li>• Differentiation and the focus on the need of the customers</li> <li>• Services are updated as per the need of the customers</li> <li>• Brand identity already established in the market is another capability of the company due to the wide range of the products and the services offered to the global</li> </ul>

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	<p>customers(Yahoo, 2016)</p> <ul style="list-style-type: none"> <li>• The high reputation of the company in the market</li> <li>• Establishment of the digital theme park is another capability of the Organisation and used as the effective resource</li> </ul>
Intangible resources	<ul style="list-style-type: none"> <li>• The continuous innovation and creativity are the important intangible resources</li> <li>• The strong research and development for the effective implementation of the market research is another resource of the company</li> <li>• In the year 2011, there were 14,100 employees of the company which has been reduced to 10,400 by the year 2015, but still, the strong workforce is capable of achieving the success year on year in an efficient manner(Statista, 2015)</li> </ul>
Human – Semel’s deal-making skill	<ul style="list-style-type: none"> <li>• The perfect acquisition and the merger using the deal making skills can increase the revenue of the company(Businessinsider, 2011)</li> </ul>

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## 2.2 VRIN framework

Capabilities	V	R	I	O
Recognised Brand Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Experienced in mergers and acquisitions eg Alibaba	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A popular search engine for research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good prices for the revenue generation and also for the customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accumulation of the large amount of Global data	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Continuous innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enough manpower for the excellent social networking experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strong advertisement values	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strong partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Accumulation of a large amount of data is the most important section of the competitive advantage of the company (Yahoo, 2014). The company also use to keep of targeting the excellent manpower so that the innovation process can be continued and the disruptive products can be offered to the customers of the global market. The company efficiently handles the transformation of the data to the most useful data. The data that is handled by the company is inimitable. On the other hand, the merger and the acquisition capability of the company also are rare feature. The advantages of the merged and the acquired companies are also getting mixed with the competencies of Yahoo. These mixed strategies are quite capable of maintaining the strong competitive advantage for the company. The partnership approach is another positive aspect of the company.

## 2.3 Strength and weaknesses

The strength and weaknesses of the company have been mentioned as below:

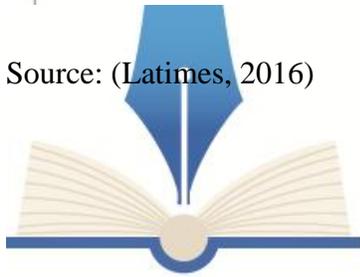
Strength	Weakness
<ul style="list-style-type: none"><li>• Strong brand name</li><li>• It famous and widely recognised</li><li>• It's a secure business(never been hacked)</li><li>• Motivated and well remunerated employees(Yahoo, 2016)</li></ul>	<ul style="list-style-type: none"><li>• Poor or weak research and development department</li><li>• Dwindling users and revenue</li><li>• Financial problems(Yahoo, 2014)</li></ul>

The key weakness of the company is the poor performance of the R & D department of the company. As a result, Google and the Bing are above in the ranking scale of the search engine in the global market. Though the reputation of the company is quite strong due to already established brand name but the company is lagging behind regarding the fulfilment of the need and demand of the customers. The financial condition of the company also is not good as it has entered into the media company and unable to raise the fund. Google and Facebook are not only the media company, but they are quite capable of selling the advertisements to raise the fund. So, it is required to make the financial condition strong. It is required by the company to create the advertisement products and a good platform for that rather than creating the content only(Fortune, 2016). So other than the media company it is required to introduce the advertisement company as well.

Figure 1: Financial condition of Yahoo



Source: (Latimes, 2016)

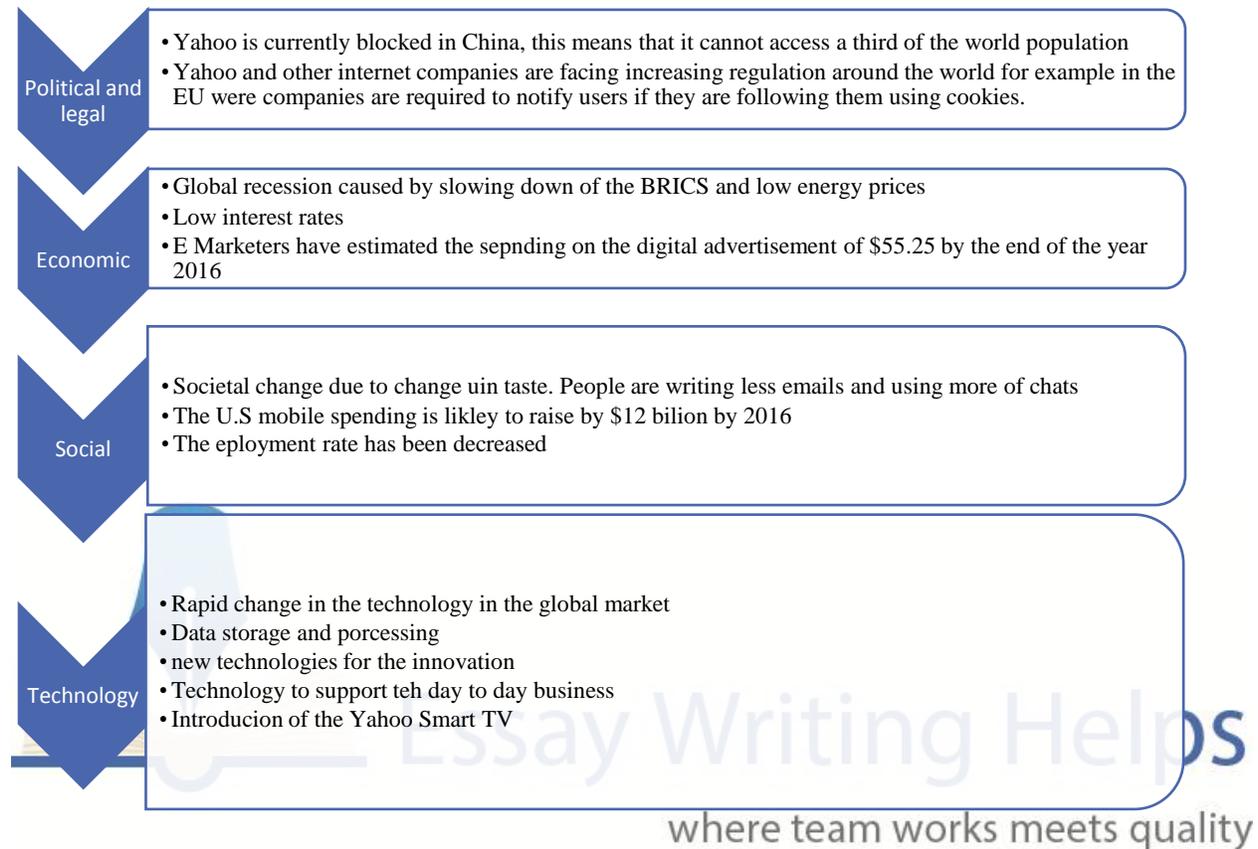


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### 3 External environment analysis

#### 3.1 Pestel Analysis



Based on the above analysis, it is evident that Yahoo can attract the more talent pool for the sustainability of the innovation. The number of the employees of the company in the year 2015 has been drastically minimized as the CEO of the company has been planned to cut the cost 15 percent by minimizing the workforce (Techinsider, 2016). But, to maintain the innovation and the proper usage of the technology as per the recent global market, it is important to recruit more people. As Yahoo is currently blocked in China due to the Geopolitical issues, they have the fewer chances to target the largest population (Yahoo, 2013). Due to the economic instability, the sales of the premium products is likely to get reduced due to the low disposal income of the population. The increase in the demand of the customers regarding the different apps also is the great opportunity of the company. In this aspect, the Yahoo smart TCV is the most important example. As a part of the CSR activities, the company is closely associated with the energy consumption policy to attract the customers.

### 3.2 Porter's five forces

Force	Rating	Description
Threat of entry	Medium	Many new companies are coming up in the market as people are becoming the internet associated. But, it is not easy to imitate the innovative idea that Yahoo has to compete with them(Yahoo, 2013).
Threat of substitutes	High	With the technological development, the people are using the mobile and Tablets to search any information rather than the desktop. So, it is required by the company o use the innovative idea to shift the focus to them(Yahoo, 2013).
Bargaining power of buyers	High	With the enhanced substitutes products and websites in the market offering the same information, the customers are most willing to go for the less costly products to search for the information rather than purchasing the Yahoo products. If they will buy, it is as per their wish and loyalty but, with the introduction of the new websites, the bargaining power is increasing.
Bargaining power of suppliers	Medium	With the excellent merger and acquisition with more than 67 mergers in the last five years, they can manage the great amount of the suppliers(Yahoo, 2014).

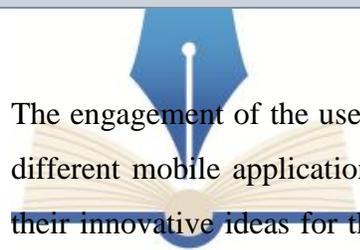
Rivalry among competitors	High	Yahoo is associated with the operations such as internet product- services and with the content. There are many players such as Google, Bing, Facebook those are closely fighting for the accumulation and the protection of the data. The market is completely under the control of Google and Facebook. Google has the highest market share of 66.7 percent in December 2012(Google, 2012).
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With the medium rated bargaining power of the suppliers and the possibility for the new entrants, the company can rise once again with the excellent hiring of the talent pool.

### 3.3 Competitor benchmarking

Companies	Yahoo	Google	Facebook	Bing
<b>Benchmarks</b>				
Unique visitors per month	750,000,000(Yahoo, 2016)	1,200,000,000	900,000,000	285,000,000
Database	MySQL, PostgreSQL(Yahoo, 2016)	Big Table, Maria DB	MySQL	Microsoft SQL
Company valuation	\$30.74bn	\$535bn	\$337bn	\$38bn

Number of members	12,500 at 2015		12,691 at 2015	
Free solutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marketing solutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Best in class service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Widely recognized brand	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
User engagement and long time spent on site	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strong mobile technologies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

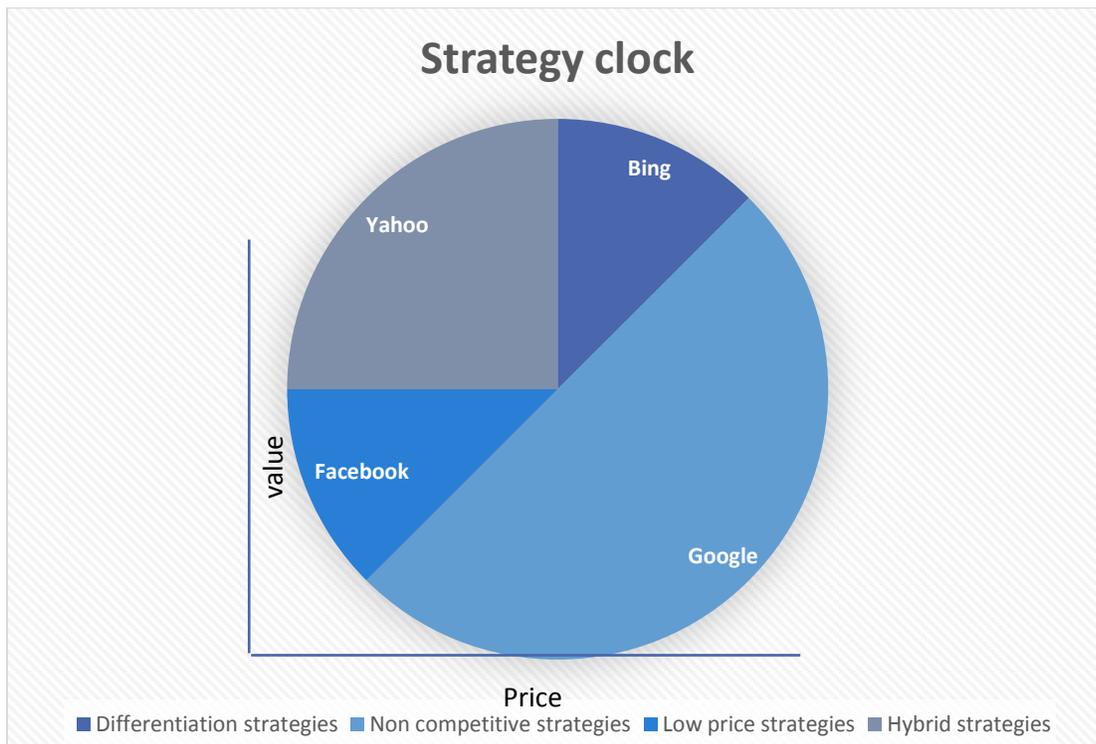


The engagement of the users is not strong for the company as the customers use to move to the different mobile application for the user friendliness. So, it is required by the company to use their innovative ideas for the introduction of the new product and the new service so that more customers will be attracted towards them.

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### 3.4 strategy clock



As per the strategy clock, Yahoo is at the 12 o'clock position. They are widely using the differentiation strategy as Bing. But, Bing is the new player in the market. To sustain in the market, Yahoo is required to use the innovation process so that they will be able to deliver the required product as per the need of the customer rather than using the premium products for the company. At the same time, the advertisement platform is required to be established through Yahoo to maintain the sustainability fact in the global market.

### 4. Strategic challenges for the firm

After the proper internal and the external analysis, the following strategic challenges can be highlighted:

- It is the great challenge for the company to bring the innovation. To take the step, it is required to attract and recruit more talent tool so that innovation process can be continued.

- The threat of the substitute products and the threat from the competitors are also the key challenge that the company face(Yahoo, 2013).
- Increasing the number of the employees to bring the success is another great challenge as the company is focusing on the cost cutting with the help of the reduction in number of employees
- Raising the fund with the existing products also is the great challenge that Yahoo is facing at present
- Expansion of the business in the China market is also important challenge that the company is facing for the government rules and regulations.

## 5. Evaluation of future strategic options

### 5.1 SWOT analysis

Strength	Weaknesses
<ul style="list-style-type: none"> <li>• strong brand name the global market</li> <li>• Powerful partnership in business with MLB, VISA, and NFL(Yahoo, 2013)</li> <li>• International presence in business</li> <li>• The large capability to accumulate the data required</li> <li>• The efficient E – commerce enterprise</li> <li>• Easily accessible</li> <li>• Widerange of products and services as per the need and demand of the</li> </ul>	<ul style="list-style-type: none"> <li>• The image search of the company is declining each and every year by 3 percent(Yahoo, 2013).</li> <li>• The company is not focusing on the advertisement concept so that the revenue is reducing.</li> <li>• Less focus on the vertical integration so that they will be able to control the suppliers for the coordination of the operation.</li> <li>• The company has the low market share for the mobile application.</li> </ul>

customers in the market	
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Opportunity for the establishment of the mobile application.</li> <li>• Opportunity for the advertisement platform.</li> <li>• Diversification in its services to penetrate the new market by satisfying the customers.</li> <li>• The broadband extension is another important opportunity that the company has.</li> <li>• The strategic alliances are another important opportunity that the company has.</li> </ul>	<ul style="list-style-type: none"> <li>• The threat from the competitors</li> <li>• The threat from the political barrier so that the company has been restricted to enter China.</li> <li>• Large range of the substitutes is another set of threat factor to the company.</li> <li>• The key competitor is Google(Yahoo, 2013).</li> <li>• The reduction in the number of the employees is not supporting the continuous innovation as per the demand of the market.</li> </ul>

## 5.2 Ansoff Matrix

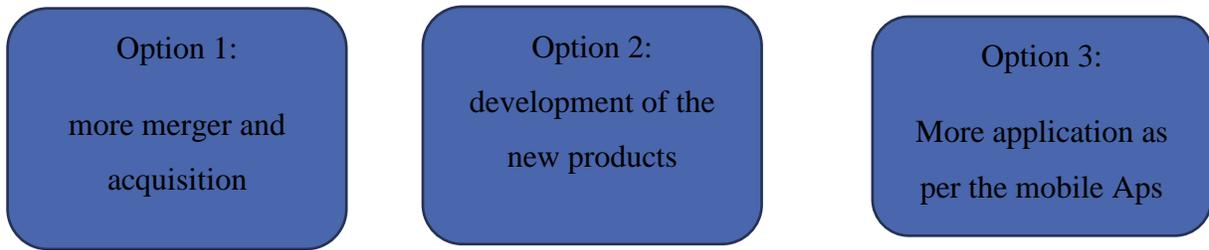
Market penetration	New products and services
<p>The increase in the promotional activities with the drop down menu in DHTML and other category tabs have helped the company to slowly reran its position in a broad manner. It also has improved the engagement of the users with the website due to the user-friendly approach.</p>	<p>The introduction of the new products in the product category to the company is the added advantage for Yahoo. In the year 2014, CEO of the company has newly introduced few new products which are likely to compare with the predictive search technology of Google for the smartphones(Yahoo, 2014). With the help of this approach, the company can sustain in the existing market.</p>
Market development	Conglomerate diversification
<p>With the help of the new mobile developer the company is likely to expand more in another untouched area, and also to penetrate the China market where the were restricted by the political barrier.It has been estimated that the U.S mobile advertisement will reach by \$40 billion by the end of the year 2019 (Forbes, 2015).</p>	<p>The merger and acquisition are likely to help the company to get the large talent pool for the continuous innovation process. So that they will be able to compete with the competitors in the new market.</p>

To capitalize on the trend of the mobile advertisement, Yahoo has launched the unique market place for the effective mobile search and also for the efficient display advertisement. Yahoo is expecting to increase the display ad revenues to the limit of \$1.8 billion and at the same time the search to increase by the amount of \$1.6 billion by the end of the year 2010 (Forbes, 2015). Also,

the strong merger and acquisition with the strong partnership are likely to attract the new talent pool for the continuation of the innovation process to increase the base of the loyal customers.

### 5.3 Strategic Options

There are three options that the company uses to focus on the strategic options. They are as below:



These are the three options that have been offered to Yahoo so that they will be able to meet the strategic challenges faced by the company. With the help of the merger and acquisition, the company will be able to attract more talent pool for the continuous innovation process. The approach of the development of the new products as they are focusing currently, they will be able to compete with their key competitors such as Google, Facebook, and others. On the other hand, with the help of the introduction of more mobile applications, the company will be able to expand in the new market as per the Ansoff Matrix. The approach of the market development has been focused here other than the market penetration for the better return by targeting the diversified market.

### 5.4 SAFe criteria

	Option 1	Option 2	Option 3
<b>Suitability</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Acceptability</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Feasibility</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As per the SAFE criteria, the option 1, is suitable, feasible, but not acceptable. The rate of return or the profit amount is likely to be less as the maintenance of the addition of the manpower is likely to increase the cost to the company. The option 2 is suitable and acceptable for the stakeholders but not feasible as the demand for the mobile application is higher in the global market. Option 3 is likely to meet all the criteria regarding the suitability, acceptability, and the feasibility. All the requirement and the need of the stakeholders are likely to be met with the help of the introduction of the new mobile application. The requirement of the customers will get fulfilled, and as well the need of the other shareholders with the increase in the revenue also is going to be met.

## **6. Recommendation**

### **6.1 Strategic direction**

It is recommended that Yahoo should focus on the development of the new mobile apps like Google and Facebook so that they will be able to gain the popularity of them. The loyal customer base also will be increased with this new step of the company. With the short term win, the company also will be able to gain the long term win.

### **6.2 Contingency Plan**

If the company will face the cost related problem regarding the development of the new mobile applications as the effective search engine, then it is required by the company for the establishment of the advertisement platform as well. So, the fund will be raised in this activity will be used for the development of the mobile applications for the long term win.



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