CPSC156a: The Internet Co-Evolution of Technology and Society

Lecture 8: September 30, 2003
Portals
“Useful” Web-Based Services

• The average user sees the Internet as an easy, fast way to access and search for “useful” information.

• **Web browsers** created a standard method for providing information services.

• Several websites became known early-on for providing these “useful” services:
  - **Blue Mountain** for online greeting cards
  - **Hotmail** for web-based e-mail
  - **MapQuest** for driving directions
  - **AltaVista** for searching

(Note: These are only examples and may not have been your favorites.)
Making Sense of the Internet

- Users often start at the same websites to find services (search engines or directories). Why not provide direct, quick links to partner companies offering services?
- Cookies and user profiles can be used to personalize web pages.
- WWW-based services can be accessed from any Internet terminal, anywhere. Users can just sign in to identify themselves.
- Solution: Provide a simple, customized gateway for users to access the services they want.
The Development of Portals

• Popular websites began to add directory, search, or links sections to connect people to services.
  - AOL built links into its welcome page.
  - Netscape put links near its browser download pages.
  - Search engines provided customized searches for news, movie show times, etc.
  - New computers came with pre-loaded bookmarks and links.

• Companies began to partner with others that provided “useful” services.
Portals Today

• Internet directories grew into Internet brand names through partnerships with and acquisition and development of Internet service websites. **Archetype: Yahoo!**

• Internet-access companies either partner with large Internet portals, *e.g.*, Yahoo!, or provide a network of comprehensive services on their own (*e.g.*, AOL, MSN).

• The goal: Users get both Internet access and information access with ease.
An Internet Portal

• Full Name: Yahoo!, Inc.
• Employees: 3,600 (worldwide, 9/26/2003)
• Stock Price (NASDAQ: YHOO):
  - $35.08 (at close 9/26/2003)
  - 52-week range: $9.01 to $38.25
• Earnings Per Share: +0.29
• A global Internet communications, commerce, and media company. “The only place anyone needs to go to find anything, communicate with anyone, or buy anything.”
Yahoo! Overview

• Founded by David Filo and Jerry Yang, two Stanford Ph.D. students, in 1994.
• Started as “Jerry’s Guide to the WWW.”
• First million-day hit in Fall 1994 from over 100,000 unique users.
• Incorporated in 1995 and funded by Sequoia Capital in 4/95 with an initial investment of nearly $2 million.
Yahoo! Overview (continued)

• Second round of funding in Fall 1995 from Reuters Ltd. and Softbank.
• IPO: 4/12/1996 at $1.08/share (adjusted for 3 stock splits). 49 employees.
• Today: Yahoo! serves over 237 million individuals each month. Yahoo! claims to be the No. 1 Internet brand globally.
Yahoo! Revenue and Income

![Graph showing Yahoo's revenue and income from 1996 to 2002. The graph displays a significant increase in revenue and income from 1999 to 2000, followed by a decline in 2001 and a recovery in 2002.](image-url)
Main Sources of Revenue

Source: Yahoo! Investors’ FAQ

• **Advertising:**
  - Banner advertising
  - Sponsorships and Key Words

• **Business (Premium) Services:**
  - Extra mail storage for Yahoo! Mail customers
  - Yahoo! Bill Pay
  - Yahoo! Auctions
  - Yahoo! Photos
  - Corporate Yahoo! services
Global Expansion

Launches of Yahoo! global sites:

• 1995: Yahoo! is incorporated.
• 1996: Japan, France, Germany, UK
• 1997: Singapore, Korea, Denmark, Norway, Sweden
• 1998: Italy, China, Spain
• 1999: Taiwan, Hong Kong, Brazil, Mexico
• 2000: India, Argentina, Canada
Feature Expansion

• 1995: Launches as web directory and search engine; starts serving ads.
• 1996: Yahooligans!, children’s website
• 1997: Chat, Mail, Travel, and Sports
• 1998:
  - Specialized Sites: Computers, Movies, Games, Small Business, Clubs
  - Portal Consumer Services: Auctions, Calendar, Employment, Real Estate, Shopping
• 1999:
  - Specialized Sites: Health, Entertainment, Pets, Radio
  - Services: Messenger, Greetings, Companion (Browser plug-in), Briefcase (Internet storage), Corporate Yahoo!


• 2002: Primarily, improvements in existing features (e.g., maps and small business site)
Important Partnerships

• **Web Searching:** Searches on Yahoo! first go through its own human-maintained directory and then go to Google. Adds Google’s index to Yahoo!

• **Internet Services:** Provides co-branded DSL service with SBC communications. Yahoo! has already partnered with ISPs to provide start pages and with computer manufacturers to have Yahoo! shortcuts and browser plug-ins installed on machines.

• **HotJobs:** Acquired by Yahoo! in 12/2001. Online recruitment website for posting resumes and finding jobs; competitor to Monster.com.
AOL/Netscape

• AOL was founded in 1985.
• “Flagship AOL,” the ISP, has 33.2 million users, 6.2 Million of which are in Europe.
• AOL-Time Warner attempted to be the leading Internet-access company, offering not only a connection but also content:
  - News, video, audio from Time Warner
  - Broadband access through Time Warner cable
  - Browser, mail, and instant messaging software through Netscape, AIM, and ICQ
  - Music through Nullsoft (Winamp, Shoutcast)
  - Information services through Moviefone and MapQuest
• Marketing spin: Sign up with AOL, get easy access to all the information and content you want through easy-to-use software!
AOL+Time Warner

• AOL and media giant Time Warner merged in Jan 2001. The $106 B deal was the largest in history.
• With AOL’s value tanking in 2002 and the corporate leadership in turmoil, doubts are raised about the wisdom of the merger and the potential for synergy between the two companies.
• In Sept 2003, board of directors votes to drop the AOL part of their name and just call the corporation Time Warner.
Financials of AOL-Time Warner

- Current price: $15.20 at close, Sept 27, 2003
- 52 week range: $9.90 - $17.87
- Stock movement since Sept 2001:
The MSN Portal

• Started by Microsoft as an alternative to AOL.
• Now best known as a network of branded consumer services: Hotmail, classmates.com, .net Messenger, Encarta online, Slate
• Customized services are accessible by signing into an “MSN Passport,” Microsoft’s online user profile system. Passport sign-in is built into Windows XP.
• Partnership with NBC: premium media content, MSNBC (news) and CNBC (financial) cable channels and websites, including money-management tools
• MSN’s Internet-access service has gone through many marketing attempts. MSN now tries to compete as a comprehensive network of services.
• Microsoft can tie MSN services into its widely used software, giving it an advantage.
MSN History

- 1995: MSN network debuts in the US.
- 1996: MSN and NBC start partnership.
- 1998: Launches sites in UK, France, Germany.
- 2000: MSN goes to Asia.
- 2001: Partners with QWEST to provide broadband services
Similarities of the Major Portals

- Internet access
- Web-based mail
- Internet messaging
- Specialized searches and tools
- Advertising
- Partnerships for premium content
Example: Yahoo!

• Started as “the bookmarks of Filo and Yang,” who wanted “a single place to find useful web sites.”
• Launched commercially as an advertiser-supported “comprehensive, hand-built directory.”
• Now, it is
  - “A comprehensive branded network of consumer services”
    ✓ content delivery
    ✓ commerce (shopping, auctions, bill paying, etc.)
    ✓ communications (mail, messenger, photos, clubs, etc.)
    ✓ internet access (through SBC partnership)
  - Provider of online-business and enterprise services and tools
    ✓ Corporate-Yahoo!
    ✓ Portal Builder
Evolution of Business Model

• Pre-“portal”: Speculation about “online services,” “pay-per-click,” and other fee models.

• Original Yahoo: Purely advertiser-supported, focused on content for individual users.

• Current: Advertiser-supported “comprehensive services” for individual users and tools, customized portals, and services for businesses.

• Next: ?
Discussion Points

• What exactly is a “portal”?
• Is there an offline analog?
• Next step in evolution of the business model?
• Pluses and minuses of personalization?
• Role of advertising?
Reading Assignment For This Week

• “I Didn’t Buy it for Myself: Privacy and Ecommerce Personalization,” Cranor, 2003
  http://lorrie.cranor.org/pubs/wpes03.html

• “Information Economics: A Primer” Appendix D of The Digital Dilemma (NRC, 2000)