

# 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.

# YAHOO!: 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!, Inc.

## Stock Quotes (YHOO)

YAHOO INC  
as of 26-Sep-2003

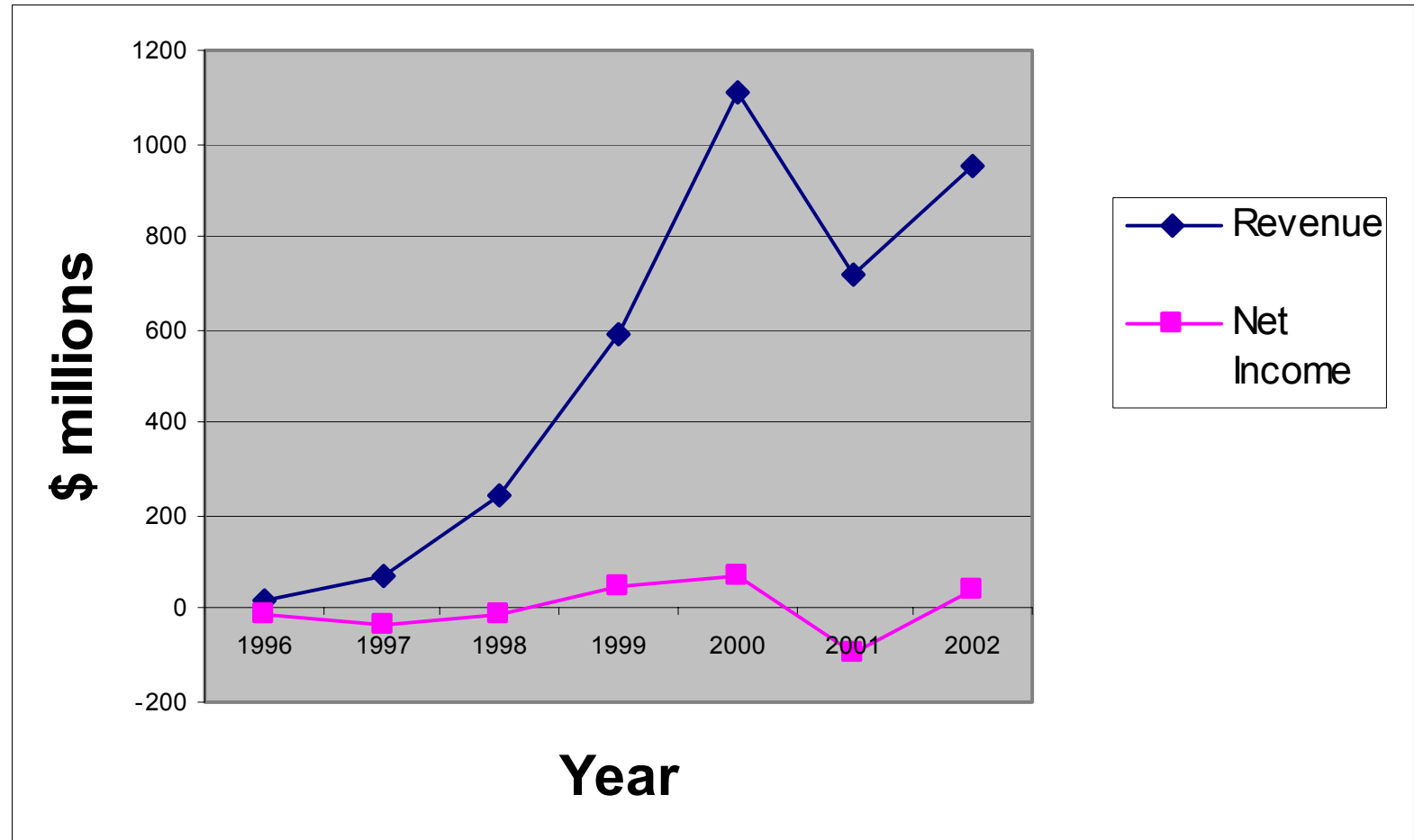
Splits:▲



Copyright 2003 Yahoo! Inc.

<http://finance.yahoo.com/>

# Yahoo! Revenue and Income



# 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: Yahoooligans!, 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

# Feature Expansion *(continued)*

- 1999:
  - Specialized Sites: Health, Entertainment, Pets, Radio
  - Services: Messenger, Greetings, Companion (Browser plug-in), Briefcase (Internet storage), Corporate Yahoo!
- 2000-01: Invites, Groups, Photos, FinanceVision, PayDirect, Education, Shopping Network and Shopping Bargains
- 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.
- 1997: Purchases Hotmail.com, gets 8 M new subscribers.
- 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)  
[http://books.nap.edu/html/digital\\_dilemma/appD.html](http://books.nap.edu/html/digital_dilemma/appD.html)