



Stanford eCorner

An Unscalable Ecosystem

Sue Decker, *Yahoo! Inc.*

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When Yahoo! was a small company sorting through websites, says President Sue Decker, it was easy to stay close to the customer through the three legs of their business; advertisers, users, and content publishers. But as they began their upward scale to 500 million users, the systems they had in place could not hold. Their size and focus, Decker reflects, blinded them to the needs of their customer for many years.



Transcript

So just thinking about what is important about customers. That in our world we have three groups that we consider our constituents. Now, only one is a paying customer. That's the one in the middle. These are the advertisers who bring to you free internet services. But on the left are the users all over the world. We have 500 million people that come to Yahoo! every month. If we were a country, we would be the third largest country. Five hundred million is a lot of people. And publishers and developers.

So what a publisher is, is Yahoo! is a publisher. I just want to get the language straight and then we'll go from there. But a publisher is any company that has inventory. Inventory are web pages. You guys generate them, consumers all over the world. But it's inventory that we can sell to advertisers. And hang on a second. So those are the three groups in what we call our ecosystem and I'll come back to that. But publishers, advertisers and users. Then of course developers are third party developers that might develop apps on the site.

Very similar to what Facebook did recently where they opened up and attracted third party apps to innovate on top of their platforms. So this is our little ecosystem. And I guess going back to the beginning, Yahoo! focused on creating some really, really cool products. And everyone who worked at Yahoo! when we were small was very engaged in all parts of that process. They were very close to the customers. We tried to create something. David and Jerry started creating helping people find what they're looking for. Organizing the web at a time that the web was not organized. And at the time they were organizing porn site as you guys know at Stanford. But it went into something much larger than that when they left.

So in the beginning it was very, very easy to do that. And we focused on developing the very best email service, best mail, finance, sports, news, groups. We got into search a little late. We outsourced early on to a number of providers. Ultimately Google - helped them build the brand. That was one of our biggest mistakes in hindsight. But as you look at the landscape there, we developed a lot of different products. And then as you get bigger and bigger and you're tracking audiences all over the world in order to organize and prioritize and make decisions. We set up sort of P&Ls around each of these products. And that make a lot of sense but as you get larger it causes you to lose what's important to the user as a whole who's looking at integrated experience across many of them.