Stanford eCorner

Monetizing Search Capabilities

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Yahoo! President Sue Decker explains the search engine's testing of Google tools to help close the gap between user search and moneymaking ad clicks. She explains that the partnership was part of the due diligence necessary to benchmark Yahoo!'s own capability to turn search engine users into those who buy from well-targeted on-site ads.

Transcript

After we got the Microsoft offer, it was incumbent upon our board to look at alternatives. So one alternative is stand alone and generate the plan that we had talked with them and shared with them. Talked with them about three months earlier. Another alternative might be to have someone else monetize our search. Another alternative, some of these are not mutually exclusive, might be to buy AOL. Another one might be to buy MySpace. So all these things have been talked about in the press. I'm not hopefully saying anything you haven't read. Not confirming or denying any of it but you know there's a process of alternatives that were looked at. As a part of those alternatives, we conducted a limited test with Google results.

On 3% of our search queries for two weeks we used Google monetization to understand the gap. And we published the gap publicly that what we thought it was before the test. And we thought it was a 100% difference before the test. I mean before we launched Panama, which is our search platform. And we closed that by 30% last year. So it's roughly 70% left. And I would just say what I've said publicly is it confirmed roughly what we thought. And what does this mean? I don't know how close everybody follows this. But I think of - there's two forms of search. Search, there's the algorithmic results that you get back when the things you're really looking for when you use search.

And there's the sponsored results that you get back which if you're searching something that's commercial that might be a highly relevant result. Every time you click on a commercial result, Google gets paid or we get paid if you do it on our site. So the amount of queries a company generates across both algorithmic and search is what I think of as the golden goose. That's your inventory. That's the asset value. The size of the eggs she lays is how well you monetized them. How much do you generate for every single query. Every time you type in a search string for a new car, how much are we getting from an advertiser from that versus Google. Yahoo! has very publicly said a few years ago that we did not monetized as well. That we are not getting as much revenue per query as Google.

So there's a gap there and we did not have a scalable search platform. We bought it from Overture which was like a sales and marketing company. I've mentioned earlier we didn't integrate fast enough. We have great engineering talents but we didn't do that soon enough. So we were late with it. It's been out for more than a year. It's closed the gap by a third. The question upon our board and upon our management team is do we want to move quicker to close it, which is easy to do by using Google. Or do we want to continue to be a principal in search because it's a part of that broader advertising vision that I talked about earlier. And I would say we're very much aligned with that latter few.

We actually think that because we are the only company with real scale in both display inventory and search inventory we can create the same RPM advantage that they've done in RPS. So if we were to do anything with them, it would recognize that longer term that's our objective. And we'd be balancing short term with long term. And beyond that we've made no decisions and you know we've been talking to them. As Eric Schmidt said on his conference call, "Yes, we've been working with those Yahoo! people. And they're very nice." So we tried to say it. I was waiting for the moment at our conference call to say, "Yes, those Google people are really nice." But the moment didn't come up, so...