

[More](#)

Get to the next level of investment research

[FRONT PAGE](#)[NEWS & COMMENTARY](#)[INDUSTRY NEWS](#)[TECHNOLOGY](#)

Is Yahoo boldly regrouping, or simply sinking?

New initiatives are put in place, even as more execs leave amid makeover

By [Benjamin Pimentel](#), MarketWatch

Last update: 1:55 p.m. EDT June 21, 2008

SAN FRANCISCO (MarketWatch) -- At first blush, the initiatives Yahoo Inc. unveiled this past week, including new email product offerings and mobile deals in Asia, paint the company as a Web giant boldly regrouping for future battles.

But with insurgent shareholders waging a bruising proxy war and prominent executives heading for the exits, Yahoo's ([YHOO](#)) recent moves, including a reported major reorganization, may only amount to plugging up holes in a sinking ship, analysts say.

"Right now, the company does have an air of disarray about it," said analyst Crawford Del Prete of International Data Corp. "It's not surprising that they would reorganize to try to accelerate growth. If the growth doesn't happen, the reorganization won't matter."

Yahoo declined to comment on talk of a major overhaul of its product lines. In a statement issued on Friday, the company said, "In the year since Yahoo's newly installed management team began a top-to-bottom reexamination of its business, the company has embarked on a new strategic direction."

The company pointed to recent acquisitions such as RightMedia and Maven Networks, the expansion of its newspaper consortium and its new search outsourcing deal with Google Inc. ([GOOG](#))

Starting fresh

Yahoo's latest initiatives included an expansion of email domains it offers. Yahoo says its user base of 260 million worldwide can start fresh with an address of their choosing by setting up an account that has ymail.com or rocketmail.com domains as their new email identity.

Additionally, the company says it signed deals to be the preferred search service with five more mobile-telecommunications companies in Asia. It now has 23 such relationships, increasing its share of the market for mobile-search queries.

Meantime, a reshuffling of product organization could be unveiled in coming days. Yahoo is planning to centralize several product groups, including its mail, search and home-page units, The Wall Street Journal reported.

Analyst Rob Enderle of the Enderle Group said Yahoo's attempts to focus more on e-mail and mobility make sense because these have traditionally been among its strengths.



"That's core stuff for them," he said. Referring to the introduction of the new e-mail domains, he added, "It's one of the places where Yahoo was traditionally very strong and it looks like their focusing back on that strength."

But in the middle of the turmoil following the aborted merger talks with Microsoft Corp. ([MSFT](#)) and billionaire investor's Carl Icahn's takeover bid, he said, the changes at Yahoo may turn out to be more cosmetic.

Looking busy

"A big reorganization is often largely done to take some pressure off," Enderle said. "I always worry about reorganizations. The motivation may be just to show you're doing something. The focus is more on looking busy than actually making the company look better."

To be sure, looking good hasn't been easy for Yahoo lately, especially in the face of public attacks from Icahn, who has repeatedly accused the board of botching merger talks with Microsoft, and has vowed to replace CEO Jerry Yang if his slate wins in the upcoming board elections. Yahoo's annual meeting is scheduled for Aug. 1.

As uncertainty as loomed over the Sunnyvale, Calif., company, some senior executives have departed or announced that they're leaving, including Jeff Weiner, executive vice president of the company's network division and Flickr founders Caterina Fake and Stewart Butterfield.

This week, Microsoft showed that it sees an opportunity to win over some of the beleaguered Web portal's talent after the breakdown of their merger talks. Microsoft took out an ad in the San Jose Mercury News saying it has openings for "search jobs" in Silicon Valley.

'Next best thing'

"It's an opportunistic move on the part of Microsoft," Del Prete said. "In a business where a significant part of the assets go home every night, why wouldn't you try to recruit them? If you can't have the company, what's the next best thing?"

Several observers maintain that Yahoo's prestige as a Silicon Valley trail-blazer has been diminished as a result of the courtship by Microsoft and its recent struggles to regain a competitive edge.

"As the company twists and turns, it becomes a less attractive place to work, and some people bail out," said Roger Kay, an analyst with Endpoint Technologies Associates. "There was a time when Yahoo had all the cachet as one of the best companies in Silicon Valley. That torch has passed to Google and others."

Even before the Microsoft bid erupted in public last February, the company's reputation had been taking a beating for some years. Yahoo had been reeling from the internal battles over the troubled introduction of Panama -- the delayed technology meant to help Yahoo compete head-to-head with Google in search.

But the highly-contentious nature of fending off Microsoft appears to have exacerbated the turmoil in Sunnyvale.

Analyst Kay said Yahoo is "is certainly going through an uncomfortable transition, the outcome of which is unknown." ■

Benjamin Pimentel is a MarketWatch reporter based in San Francisco.

[Site Index](#) | [Topics](#) | [Archive](#) | [Help](#) | [Feedback](#) | [Media Archive](#) | [Premium Products](#) | [Mobile](#) | [RSS](#) | [Podcasts Solutions](#)

The Wall Street Journal Digital Network:

[WSJ.com](#) | [Barron's Online](#) | [BigCharts](#) | [Virtual Stock Exchange](#) | [All Things Digital](#) | [MarketWatch Community](#)
[RealEstateJournal.com](#) | [Financial News Online](#) | [WSJ.com Small Business](#)

MarketWatch

Copyright © 2008 MarketWatch, Inc. All rights reserved.

By using this site, you agree to the [Terms of Service](#) and [Privacy Policy](#) .

Is Yahoo regrouping or sinking? - MarketWatch

Intraday data provided by [Interactive Data Real Time](#) [terms of use](#). Historical and current end-of-day data information on [NASDAQ traded symbols](#) and the Nasdaq, and 20 minutes for other exchanges. Dc intraday data is provided by Comstock and is at 1 time last sale data provided by NASDAQ.