

# Yahoo's holiday trimming cuts work force 4 pct

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In this Dec. 1, 2010 photo, a sign outside Yahoo Inc. headquarters in Sunnyvale, Calif. is shown. Yahoo is preparing to lay off between 600 and 700 workers in the latest shake-up triggered by the Internet company's lackluster growth. Employees could be notified of the job cuts as early as Tuesday, Dec. 14, 2010, according to a person familiar with Yahoo's plans. (AP Photo/Paul Sakuma)

(AP) -- Yahoo Inc. is reducing its work force 4 percent as it hands out 600 layoff notices for the holidays.

The job cuts announced Tuesday follow weeks of speculation about whether a long-running financial funk would spur Yahoo to trim its payroll before the new year. Reports of Yahoo's layoff plans surfaced a month ago on two popular technology blogs, TechCrunch and All Things Digital.

This marks the fourth time in three years that Yahoo has resorted to

mass firings to boost its earnings.

The company is under pressure to cut costs because its revenue has risen by less than 2 percent so far this year and CEO Carol Bartz has promised to increase Yahoo's operating profit margin to as much as 24 percent by 2013. The margin stood at about 12 percent through the first nine months of this year.

"Today's personnel changes are part of our ongoing strategy to best position Yahoo for revenue growth and margin expansion and to support our strategy to deliver differentiated products to the marketplace," the company said in a statement.

Although Yahoo clearly needed to tighten its belt to widen its profit margin, the timing of the layoffs was horrible, said Gleacher & Co. analyst Yun Kim. "I don't think this is going to score them any PR points," he said.

Yahoo's recurring layoffs haven't been enough to lift its stock price, which has been sagging since the company balked at a takeover bid from Microsoft Corp. in 2008. Microsoft's final offer was valued at \$47.5 billion, or \$33 per share. The company's shares fell 7 cents to close Tuesday at \$16.63, slightly below their \$17.30 price at the end of September 2008 when Yahoo's payroll peaked at 15,200 employees. Yahoo employed 14,100 people before the latest layoffs.

This round of reductions is concentrated in Yahoo's U.S. consumer products group, which has been undergoing an overhaul since Bartz brought in former Microsoft Corp. executive Blake Irving to run the division. Since his arrival seven months ago, Irving has pledged to bring "cool back to Yahoo" while steering changes that have tied Yahoo's e-mail and other parts of its website to two of the Internet's hottest services, Facebook and Twitter.

Yahoo's struggles have raised questions about whether Bartz, Yahoo's CEO for the past two years, might lose her job before her contract expires in January 2013. The doubts about Bartz have been heightened by a wave of defections among Yahoo's top executives and her lack of previous experience in online advertising - Yahoo's main source of income.

Bartz, 62, has repeatedly said it's too early to judge her turnaround efforts because she inherited such a mess from her predecessor, Yahoo co-founder Jerry Yang. Yahoo's 10-member board, which includes Yang and Bartz, has given no indication so far that it's disappointed in Bartz's performance.

Yahoo's problems stem mostly from its inability to keep pace with Facebook, Twitter and other younger, often more innovative rivals.

Although Yahoo's website still attracts more than 600 million worldwide visitors, many of those people are staying for shorter periods as they increasingly hang out on Facebook and broadcast their thoughts, activities and recommendations through Twitter.

That competition compounded the challenges already facing Yahoo after getting trounced by Google Inc. in the Internet's lucrative search market. Although the pendulum shifted several years ago, Yahoo was once far larger than Google and even toyed with the idea of buying its then-smaller rival, just as it once did with Facebook.

Unable to pull off those deals, Yahoo now finds itself lagging behind the growth of Google and Facebook as advertisers spend more of their marketing budgets on the Internet.

Google's revenue during the first nine months of the year climbed 23 percent to nearly \$21 billion, more than quadrupling Yahoo's revenue of

\$4.8 billion during the same period. Privately held Facebook doesn't disclose its results but it is growing so fast that it had to move into larger headquarters earlier this year. Facebook also has been luring advertisers away from Yahoo, based on U.S. market share figures compiled by eMarketer. Bartz recently described Facebook as Yahoo's biggest rival.

Bartz abandoned the Google chase last year when she decided to farm out the responsibility for running Yahoo's search engine to Microsoft Corp. That 10-year partnership is designed to boost Yahoo's earnings by lowering its expenses and allowing the company to focus on serving up more content that will attract visitors and help sell more ads.

After some of its past layoffs, Yahoo gradually expanded its payroll despite its lackluster financial performance. There's a chance that could happen again because Yahoo said Tuesday that it's still in hiring mode, particularly for jobs for its mobile and location services.

The holiday-season layoffs further magnify the contrasting fortunes of Yahoo and its rivals.

Google, for instance, added nearly 3,500 employees to its work force so for this year and promised everyone raises of at least 10 percent next year. The company, based just a few miles away from Yahoo's Sunnyvale, Calif., headquarters, also gave all 23,300 of its workers an after-tax holiday bonus of \$1,000.

Yahoo's laid-off workers will get severance packages. The company declined to provide further details.

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