

Yahoo honeymoon hits reality for Internet sweetheart Mayer

January 18 2014, by Glenn Chapman



Yahoo CEO Marissa Mayer speaks during her keynote address at the 2014 International CES in Las Vegas, Nevada, January 7, 2014

The axing this week of Yahoo's second-in-command sent a signal that reality is setting in for Silicon Valley sweetheart Marissa Mayer, who leads the struggling Internet pioneer.

Hearts soared when Mayer was wooed away from rival Google in July of 2012 to become the seventh chief of Yahoo in five years.

The cultured, stylish and smart veteran engineer promised to bring some of the Internet giant's money-making magic with her in the move from the Googleplex in Mountain View to the Yahoo campus in Sunnyvale.

While Mayer had become a high-ranking Google executive, the Yahoo post was her first time as chief executive.

Yahoo's floundering share price climbed with hopes Mayer would succeed where others failed in re-inventing the once flourishing Internet search firm left to wither in Google's shadow.

One of her first big moves was to hand-pick a lieutenant to serve as [chief operating officer](#), who makes sure the Yahoo team effectively hits goals set by Mayer.

But Mayer jettisoned her second-in-command this week, notifying US regulators in a filing. Chief operating officer Henrique de Castro walked away with a \$20 million dollar stock award and other compensation after just 15 months on the job.

"To admit you are wrong is not easy for anyone to do, and something with the magnitude and cost of this mistake had to be a serious soul-searching event for Marissa," said Creative Strategies analyst Tim Bjarin.

"But her fiduciary responsibility is to only have people in the company who are moving the company forward, and if de Castro was not in step she did not have a choice."

Mayer and de Castro worked together at Google, and she hired him away from the rival with the aim of having him boost Yahoo's sinking ad revenue.



Yahoo Global Anchor Katie Couric (L) on stage with Yahoo CEO Marissa Mayer speaks during Mayer's keynote address at the 2014 International CES in Las Vegas, Nevada, January 7, 2014

Yahoo ad revenue continued to sag, and de Castro's dismissal has financial analysts wondering whether the company will disappoint in a quarterly earnings report due out January 28.

"There is a saying that you can't recruit anyone out of Google for money; and if you do get someone out of Google, it is someone who they wanted to leave," said analyst Rob Enderle of Enderle Group in Silicon Valley.

"This could indicate there is truth in that saying."

Yahoo shares were down slightly on Friday, with after-market trades

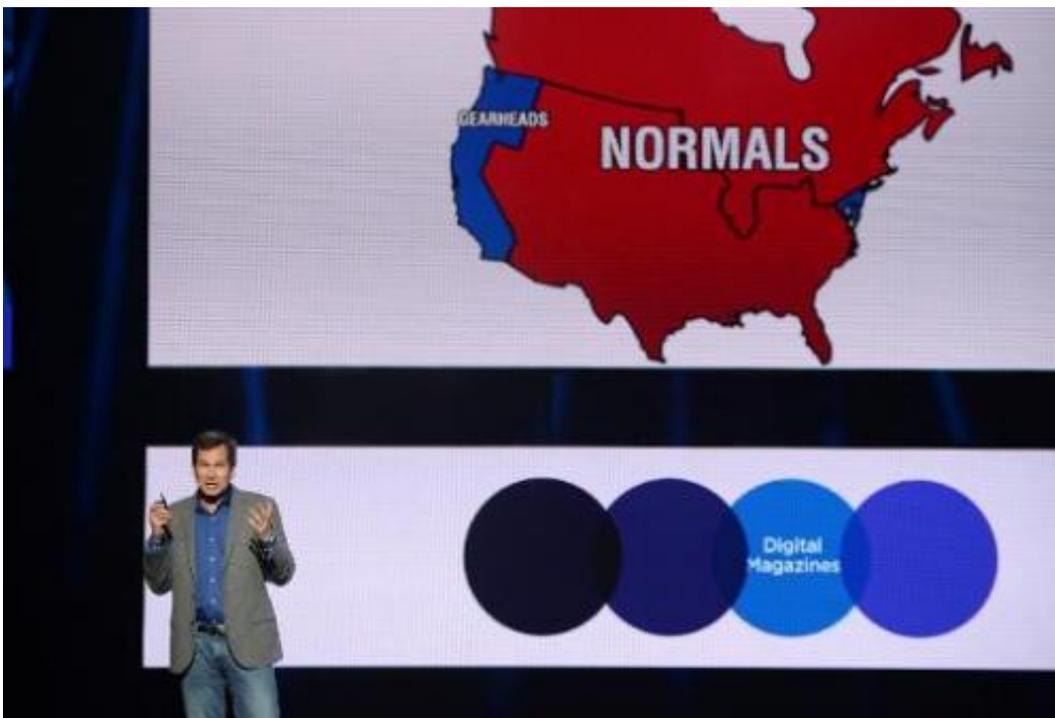
slipping to \$39.86.

In a sign of further upheaval, reports at freshly launched Re/Code technology news website and elsewhere on Friday indicated Yahoo's editor-in-chief had quit.

Mayer theatrically unveiled Yahoo digital magazines earlier this month at the Consumer Electronics Show in Las Vegas as the company dove deeper into being an Internet Age media company.

Her CES keynote production included appearances by newly-hired Yahoo Global Anchor Katie Couric and Yahoo Tech vice president David Pogue, a former New York Times reporter. But editor-in-chief Jai Singh did not appear.

Announcements included the launches of a Yahoo News digest app for smartphones, and digital magazines.



Yahoo Tech vice president David Pogue speaks during Yahoo CEO Marissa Mayer's keynote address at the 2014 International CES in Las Vegas, Nevada, January 7, 2014

Mayer has been on a buying streak since she took over Yahoo, with the biggest acquisition the \$1.1 billion takeover of blogging platform Tumblr.

Mayer has benefitted from a financial cushion afforded Yahoo thanks to an early investment in thriving Chinese e-commerce operation Alibaba.

"The Alibaba revenue is like living off a trust fund," analyst Enderle said. "Right now, from a financial perspective, she is riding on Alibaba. But she is not breaking anything."

Despite many investments, Yahoo last year lost its number two position in the US digital ad market to social networking titan Facebook, according to industry-tracker eMarketer.

Yahoo's share of global digital ad revenue slid about a half percent to 2.87 percent last year, while Facebook and Google saw their shares rise, eMarketer reported.

Both Bjarin and Enderle said that, considering this is Mayer's first time running a technology firm, early mistakes in judgment were par for the course.

"We don't see trouble in paradise," Bjarin said. "I'm not sure you can read into this trouble as much as you can that Marissa is making sure everybody is in step."

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