Business Analytics Capstone
Yahoo and Ad Blockers
Strategic Analysis

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Problem Statement
Problem Statement
Key Problems Ad Blockers Present for Yahoo

- The growing usage of ad blocking software is triggering anxiety among web advertisers and publishers since it leads to considerable revenue declines. Growth of this software has provoked criticism and disparagement from companies which rely heavily on revenue from advertising.
  - Users believe ad blocking improves performance and have shown preference for ad blockers on desktops.
  - While desktop usage is rising, ad blockers on mobile devices, however, remains less well understood. Moreover many marketers have not yet optimized mobile advertising, and ad blocking on mobile has not yet become the default.

- Yahoo’s assessments of this ad blocking usage should model these high-uncertainty environments with predictive analytics studies to help model future revenue declines.
  - An appropriate model for this work is the BG/BB Model for Customer-Base Analysis (the “buy till you die” model) which is adaptable and can be utilized by Yahoo to predict future customer visits.
  - Adapting customer visits in place of purchases and ignoring the effects of randomness, customers visits will occur at steady, but different, underlying rates. At different points in time, they become inactive, or “die”.
  - Assuming that the reason behind “death” (bad customer service, a poor user experience, frustration with Yahoo user environment, etc.) is based on Yahoo’s aggressive blocking of ad blockers, then this model can be used to create a “before and after” set of data for comparison.
  - This will further quantify Yahoo’s potential additional revenue loss due to aggressive ad blocking.
Problem Statement

Key Problems Ad Blockers Present for Yahoo

- Some publishers are re-evaluating advertising models. Ad blocking may lead to a surge in sponsored or native content, or more publisher-produced paid, third-party apps. Some are considering ways to strip out or reduce traditional web display ads on both desktop and mobile sites and generate revenue through sponsorships or native advertising.
  - This could potentially put consumers at a greater disadvantage with fewer choices. If ad blocking helps make publishers more dependent on third-party platforms it could help consolidate power among those companies as “gatekeepers” putting even more pressure on smaller participants. They will be less able to get premium placement or partnerships. So without ads, the “little guys” could suffer most.
  - This requires Yahoo to evaluate risk and calculate the performance measures that can be used to compare decisions of adopting native advertising or not.
- Adding complexity for competitors (including Yahoo), Apple’s new iOS 9 release now enables app developers to create ad blocking software for Safari’s mobile browser.
  - If Apple’s strategy is to move users off browsers and into its apps, it will need to have publishers committed. One way to do that will be to compel content creators to accept the value proposition that they can make more revenue if they allow Apple to serve as the channel to their audiences.
  - Apple may accept ad blocking in Safari, but they’ve given no indication of plans to block ads in its new “News” app. This could create a scenario that makes bringing in revenue on mobile even more difficult for publishers, and helps everyone be more willing to publish directly within “News”. This scenario should be modeled in Yahoo’s simulation studies.
Problem Statement  (...continued)
Key Problems Ad Blockers Present for Yahoo

• The search for responses to ad blocking will create new models and new and effective forms of advertising. One very reliable way to help ensure ads aren’t blocked is make them so compelling, fascinating, attractive, and captivating that users don’t want to block them. Also, it seems Apple is anticipating that consumers will not only go where the best content is but also where they find the easiest, most attractive experience.

• As Yahoo considers options for regaining market leadership it must include the development of a causal business model that helps answer key questions surrounding key drivers for success, rank/weight of nonfinancial measures, appropriate performance targets, etc.
  o Analytics models can help provide models and answers that will inform and help continually refine the strategy and value proposition.
  o As it invests and adjusts to address these challenges, Yahoo will need to identify and rationalize the financial effects of reduced sales, cash flow changes, technology development, increases in SG&A, etc. for today and in the future.
Problem Statement (...continued)
Key Problems Ad Blockers Present for Yahoo

• Summary of key problems Ad Blockers present for Yahoo:

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<tr>
<th>Sales and Marketing</th>
<th>Operations</th>
<th>Resources</th>
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<tr>
<td>Consumers have shown preference for ad blockers, and Yahoo risks being perceived as “out of step” with consumers</td>
<td>Continued revenue decline</td>
<td>Need to address any areas where Yahoo lacks full collaboration across teams, customers, partners, etc.</td>
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<td>Yahoo needs to fully assess its competitive position especially vs. Google and Apple and how any strategic decision on ad blocking will impact that position</td>
<td>Yahoo is currently unable to fully predict demand or adoptions rates on mobile devices</td>
<td>analyze and measure reliability and validity</td>
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<td>Currently unable to fully predict customer reaction and buying behavior based on results of ad blocker experimentation</td>
<td>Operational decisions need full analytics data for forecasts, trends and seasonality, market direction and demand planning, etc.</td>
<td>Need to fully deploy people resources with Yahoo strategy and ensure hiring, retention, and performance evaluation criteria are also aligned</td>
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<td>Negative impact on customer retention</td>
<td>Unable to properly allocate resources for current and future business needs</td>
<td>Need more industry participation and specific collaboration to create new revenue models and new and effective forms of advertising</td>
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<td>Further loss of customers, market share, and further erosion of image as industry leader</td>
<td>Inability to adequately forecast for new products and to build proper cost analyses</td>
<td>Partner collaboration necessary for “native ads” adoption and ramp up</td>
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<td>Negative impact on customer satisfaction</td>
<td>Organizational model should fully reflect Yahoo value proposition and results of non-financial activities should link to financial performance</td>
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<td>Need to fully quantify risk and full impact on business performance that can be used to compare decisions of adopting native advertising since implementation of native ads could put consumers at a greater disadvantage with even fewer choices</td>
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Strategy
Strategy
Yahoo Ad Blocker Business Strategy

Yahoo faces numerous options in market selection, how to target customers, how to effectively compete to win in its chosen segments, and how best select and align seemingly conflicting objectives to optimize return to shareholders and maximize long-term value.

As it deals with industry issues, competition, and specific threats such as ad blocking, among any mutually exclusive options, Yahoo should select those that will give the greatest sustained increase to the company’s economic value. In addition, Yahoo must ensure its internal processes continuously seek those higher-value options and consider growth, profitability, risk, and reward.

Industry Perspective – Threat from Ad Blocking

- Yahoo and other companies are investigating ways of restricting access to ad blockers. Some website visitors are confronted with pop-up messages such as, “We’re committed to hosting safe ads and respecting your privacy. To keep reading, please disable your ad blocker.” In response, online fora are full of coding examples and tools that teach people how to continue reading the ad-free content they want.

- It is still too early to fully quantify the full effect the different tests will have, but ad blockers put even more pressure on Yahoo. Aggressive blocking of the ad blockers could not go as planned, causing users to walk away. With rapid advances in technology, the rise of social media, and a profusion of media choices, people have many effective approaches and multiple options against unwanted policies, including excessive and invasive ads.

Vision

Yahoo will be the leading guide to digital information focused on informing, connecting, and entertaining users with search, communications, and digital content products. Yahoo’s goal is to cultivate and create life-long users. Yahoo will accomplish this with its industry leading technology, innovative solutions, strong partnerships with advertisers and partners, and focus on continuously improving the Yahoo user experience.
**Strategy (...continued)**

**Yahoo Ad Blocker Business Strategy**

**Target Markets**

- Aligning with the consumer segment, Yahoo’s strengths will be in a simplified plan focused across seven core consumer products: Mail, Search, Tumblr, News, Sports, Finance, and Lifestyle. Over 1 billion people come to Yahoo each month, and Yahoo should be dedicated to providing them with the best experience possible.

- Yahoo’s customers in the advertiser, partner, and publisher segment need access to advanced technology and leadership marketing and communications solutions tools.

- Differentiating the approach to each target segment is a source of great advantage for Yahoo. Moreover, it should be optimized for the specific audience and context. Descriptive research studies can generate data describing the make-up and attributes of the specific audiences, and prescriptive analytics will provide insight into future behaviors.

- Coordination of the delivery and communication of Yahoo’s value at every point of interaction between Yahoo and its users will enhance Yahoo’s competitive advantage and help bridge between Yahoo and its users.

**Keys to Winning – Take Maximum Advantage of Yahoo Strengths**

- Fully develop and exploit Yahoo’s unique value proposition which combines solutions, technology, media, and insights with an extensive communications strategy to distinguish Yahoo in the eyes of its customers.
Strategy (…continued)

Yahoo Ad Blocker Business Strategy

• Leverage industry leading technology from Yahoo which includes easy, innovative, self-service tools to help reach the right customers at the appropriate level.
  
  o **Yahoo Gemini** will blend brand awareness and performance advertising into one, easy to use, affordable solution that’s effective for business of all sizes. Through the unique combination of native and search advertising formats, Yahoo Gemini delivers powerful results, lifting brand awareness by 279% and boosting brand-related searches by 3.6x. Your ads appear on desktops, tablets and smartphones, and you manage and optimize your ads in one place. Choose who sees your ads, how much you want to spend, and pay only when you get results.

  o **BrightRoll** capabilities connect advertisers to users for video, display, and native across all devices. This leverages exclusive Yahoo data and insights from one billion people and 165 billion daily data events to plan, target, and optimize campaigns.

• Utilize Yahoo’s innovative suite of advertising solutions, data, and insights to help advertisers and partners meet any marketing objective:
  
  o **Search** -- often the first place that consumers turn to inform their decisions, and Yahoo Gemini helps marketers achieve measurable results by reaching unique searchers targeting them at the moment of intent and engaging them with ads that drive action across screens. Yahoo’s reach and range is unique with 101M searchers, 30% of which can’t be found on other engines.

  o **Premium** – designed to capture attention and tell the brand story, Yahoo Premium Ads offer prominent placements within world-class content experiences, delivered at unbeatable scale.

  o **Native** – Digital environments are rapidly evolving to include native ads – 60% of publishers now offer them, and 44% of Yahoo’s own display ad impressions are native. This format is growing quickly because it engages consumers and performs for advertisers.

  o **Video** -- Every year, digital video content becomes more and more popular with consumers. In fact, time spent with digital video among 18-34 year olds increased 53% last year. From award winning original content to best-in-class partner content, with access to 198 million U.S. video viewers, Yahoo reaches more people than any other video solution.

  o **Audience** -- Effective audience targeting is built on a foundation of robust data. Yahoo Audience Ads leverage a comprehensive set of proprietary data signals to identify and engage the right users on Yahoo and across the web.
Strategy (…continued)

Yahoo Ad Blocker Business Strategy

- Feature and drive more awareness that Yahoo will work proactively with advertisers to help find the right mix to drive results.

- Yahoo Research should be featured since they are driving the pace of innovation to make Yahoo’s products even better, driving the company’s scientific efforts, functioning as Yahoo’s “eyes into the future”, and are pushing the frontiers of the consumer internet.

Insights are the foundation of great marketing, and Yahoo should leverage its advantages in its own research on consumer behavior, technology trends, vertical insights, advertising best practices, and more.

Innovative consumer experiences combined with action oriented ad formats can drive engagement growth in both mobile and PC traffic with up to 14:1 return on ad spend with formats like product ads. With visually impressive digital magazines, industry-leading coverage of major events, daily live concerts and the largest news, sports, finance, style and travel properties, Yahoo’s premium content attracts passionate, engaged audiences. Yahoo native ads, when combined with mobile search, lift top-of-mind brand awareness up to 279%.

These capabilities give Yahoo essential, unique advantages in delivering its value proposition.

As Yahoo considers options for regaining market leadership it must include the development of a causal business model that helps answer key questions surrounding key drivers for success, rank/weight of nonfinancial measures, appropriate performance targets, etc. Predictive analytics can help create an analysis to serve as a learning tool for continually refining strategy and value propositions.

Keys to Winning – Eliminate or Minimize Yahoo Weaknesses

- Yahoo now finds itself out of step with its competitive environment and must reverse the trend of years of diminished search/advertising revenue and traffic. The strategy must continue to anticipate the needs for renewal and improving financial performance. As it economizes, some of the resources should be freed to fund the journey back to growth.
While Yahoo faces mounting pressure to reverse the diminished revenue trend, publishers and brands contending with diminishing advertising revenues and considering are considering and experimenting with tactics such as ad blocking. Those considering these tactics must face reality. Numerous companies have suffered from backlash after attempting to make changes that don’t take their customers’ preferences into account. For example, Netflix in 2011, when it separated its streaming services from its mail-order DVD service and subjected users to a 60% price hike lost 800,000 subscribers. They suffered a 77% drop in the stock price, a 12% decline in customer satisfaction, and millions in lost revenue.

**Yahoo should not fight back and should abandon its experiments on blocking ad-blockers.** The rise in ad blocking delivers a clear message from consumers to stop the onslaught of invasive ads or “…we’ll walk”. Yahoo should listen to what customers want and give them something of value. Their focus should be on making all ads “great”.

Yahoo should drive more promotion, more awareness, and focus for advertisers and partners on specific offerings that can help with better target selection, modification of current display advertising, improving ad content, and movement to native ads, etc. In addition, Yahoo should consider “bundling” key content from its portfolio of webinars, white papers, etc., into focused offerings to help in key areas:

- **“Migration to Mobile”** – Video viewing on mobile has increased tremendously over the past year. This study explores the growing mobile video landscape, mobile advertising preferences, and the effectiveness of cross-device ads.
- **“Webinar: Make Your Mobile App Stick”** – Consumers spend 90% of their mobile time in apps, but even great apps can lose their luster as new ones emerge. Watch our webinar to learn the best practices that keep app users coming back.
- **“Cross-Device Targeting and Measurement”** – Advertisers can find their consumers no matter where they are or what device they are on using Yahoo’s cross-device graph.
- **“Webinar: Yahoo Gemini Account Basics”** -- Put search and native ads to work for your business with Yahoo Gemini. Watch our webinar to learn the best practices that will boost your results.
Strategy (...continued)
Yahoo Ad Blocker Business Strategy

- “The App Lifecycle” -- Most apps have a three-month shelf life. A Yahoo study that describes “how to make your app stick”.
- “A Day in the Life of a Media Consumer” -- Consumer attention is divided across many devices these days. Which devices are best at holding attention for advertising, and how marketers use this information to reach target audiences.
- “Webinar: Best Practices for Native Ad Creative” -- Marketers are projected to spend billions on native advertising in the coming years. Webinar describing best strategies for this fast-growing format – the top 8 tips for native ad creative.

Assisting non-native (non-Gemini) advertisers improve ads or move from traditional display ads to native ads is a key goal the strategy. Compared to traditional display, native ads lift brand-related searches up to 3.6X, and site view-through up to 3.9X.

Yahoo should highlight the ease of movement to native ads and how easy it is to take advantage of the native ad format. Advertisers provide one set of creative assets, and Yahoo automatically assembles multiple native ad executions that are served across consumers’ desktops, tablets, and smartphones. Native ads appear in content streams, Yahoo digital magazines, popular apps like Yahoo Sports, Yahoo Finance, Yahoo Mail, as well as across the web. With one billion unique users worldwide each month, Yahoo captures trillions of user signals from search, mail, digital content consumption, Smart TV, mobile app usage, registrations, offline purchases and more. This extensive data set creates the most comprehensive user profiles and the clearest signals of interest and intent.

Competitive Positioning

Adding complexity for competitors (including Yahoo), Apple’s new iOS 9 release now enables app developers to create ad blocking software for Safari’s mobile browser. If Apple’s strategy is to move users off browsers and into its apps, it will need to have publishers committed. One way to do that will be to compel content creators to accept the value proposition that they can make more revenue if they allow Apple to serve as the channel to their audiences. Apple may accept ad blocking in Safari, but they’ve given no indication of plans to block ads in its new “News” app. This could create a scenario that makes bringing in revenue on mobile even more difficult for publishers, and helps everyone be more willing to publish directly within Apple’s “News” app.
Strategy (…continued)
Yahoo Ad Blocker Business Strategy

Yahoo should further expand these issues then create a simulation regression model that helps add more definition to this problem. The scenario would specifically include the forces in control with Apple enabled ad blocking and Yahoo native ads (no Yahoo ad blocking) that would help quantify the demand potentially lost by ad blockers and how much revenue could be potentially gained by Yahoo native ads. Moreover, this prescriptive analytics approach would help Yahoo prepare for how to better model and quantify future competitive response from Apple and others.

Opportunities for Growth and Market Leadership

Production, distribution, and consumption of digital continues to be revolutionized. If Yahoo and other publishers and brands want consumers to use their services, they must demonstrate they understand the landscape and its challenges.

Abandoning its blocking of ad blockers gives Yahoo a unique opportunity to demonstrate understanding and help regain a market leadership position. Yahoo can lead the way for a better response to ad blocking by helping validate ways to create new, more effective ads and by adding more clarity to an approach that makes ads more compelling, attractive, and captivating. In addition to these key actions for Yahoo to undertake as an industry leader, Yahoo should be outspoken on this and use its industry position to advocate for consumers in this debate.

It seems Apple is anticipating that consumers will not only go where the best content is but also where they find the easiest, most attractive experience. Yahoo should expand on this and further demonstrate its consumer advocacy position and clearly state that assuming the only way to get people to view ads is by force by interrupting them while they’re doing something else is an outdated model – one Yahoo believes must be changed.
Yahoo can achieve a competitive advantage against Apple and others that support ad blocking with its consumer advocacy position. Ads should be created and offered in such a way that users don’t want to block them. Advertising should not be invasive or interruptive but inform and provide enjoyment as an unnoticeable part of the product or platform experience.

Summary: Embrace the Customer’s View, Deliver Customer Value and be an Advocate for Consumers, Accelerate the Pace to Solutions and Technology Leadership, Abandon blocking Ad Blockers

The search for responses to ad blocking will create new business models and new, effective forms of advertising. As Yahoo considers options for regaining market leadership in this debate, it must include the development of a causal business model that helps answer key questions surrounding key drivers for success, rank/weight of nonfinancial measures, appropriate performance targets, etc. Predictive analytics can help create an analysis to serve as a learning tool for continually refining Yahoo’s strategy and value proposition elements.

Yahoo’s strategy must consider that it competes in an ecosystem of competitors that are reshaping an industry, and that is why its response to ad blocking is such a key issue for Yahoo. So, combined with its need to renew growth, Yahoo can get on a new market leadership track with the proper set of responses and actions to ad blocking.

Companies today have unlimited ways to listen and respond to their customers, and this requires companies to align their objectives to win for their brand and for the customer. Consumer-centric organizations that can respond with agility and transparency to changing needs and demands are the way of the future.
Effects and Measurement
The strategic plan is designed to yield agreement and alignment within the organization. In addition to defining the route to the vision, in Yahoo it should generate specific commitments and measurable objectives. Once the strategy is developed, the next step is to put the strategic plan into action.

Key performance measures will assess Yahoo’s progress toward achieving the desired outcome and monitor its implementation and effectiveness of the strategy. This will also establish the gap between actual and targeted performance and determine Yahoo’s effectiveness and operational efficiency. Fundamentally, this will provide an objective method to see if the strategy is working and offer a comparison evaluating the level of performance change over time.

The process and the measures selected will keep critical focus on attention to what matters most to success over time, will measure the “right things”, and concentrate measurements on real accomplishment not just the work that is performed.
While desktop usage is rising, ad blockers on mobile, however, remains less well understood. Moreover, surveys find that many marketers have not yet optimized mobile advertising.

• There is limited demand data for the mobile environment for ad blockers
• In order to quantify the impact on mobile, future potential growth, etc., and to be able to forecast for new products, Yahoo should perform a descriptive analytics study
• Starting with subjective methods, then evaluating the actual to forecast ratios of the historical data

As Yahoo’s transitions away from its current stance on ad blockers, and as the industry moves more to native ads and broader adoption of Yahoo technologies, some key analytics studies and measurements are essential:

• Efficiency, productivity, and cost effectiveness (e.g., turnaround time per partner application migrated to native, adoption rates of Yahoo Gemini and BrightRoll, etc.).
• Outcome or end result of whether actions and services meet proposed targets and demonstrate benefit of activities (e.g., percent increase in video and native ads, revenue yield increase).
Effects and Measurement  \textit{(…continued)}

Yahoo Ad Blocker Strategy -- Anticipated effects of Strategic Plan and Success Metrics

- Value and opportunities (e.g., improvement in customer retention, image, reliability, competence, responsiveness, customer satisfaction, etc.).

- Key would be improvement in customer retention, and Yahoo’s assessments of this ad blocking usage should model this metric with predictive analytics studies to help model future revenue declines.
  
  - An appropriate model for this work is the BG/BB Model for Customer-Base Analysis (the “buy till you die” model) which is adaptable and can be utilized by Yahoo to predict future customer visits.
  
  - Adapting customer visits for purchases in this model and ignoring the effects of randomness, customers visits will occur at steady, but different, underlying rates. At different points in time, they become inactive, or “die”.
  
  - Assuming that the reason behind “death” (bad customer service experience, a poor experience, frustration with Yahoo user environment, etc.) is based on Yahoo’s aggressive blocking of ad blockers, then this model can be used to create a “before and after” set of data for comparison.
  
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Effects and Measurement (…continued)
Yahoo Ad Blocker Strategy -- Anticipated effects of Strategic Plan and Success Metrics

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<th>Customer</th>
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<th>Finance and Accounting</th>
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</table>
| Exploratory studies for primary market research data and information, areas of market share growth/decline comparatively before and after Ad Blocker strategy implementation | Decision analysis and support from operations analytics models:  
- Identify resource allocation models and constraints resulting from Yahoo Ad Blocker strategy  
- Construct demand models from Descriptive Analytics study for forecasting for new products | Utilize predictive and accounting analytics to link non-financial performance to financial results that will inform decision-making:  
- In each project related to the Yahoo strategy, identify the key drivers of financial success and their key metrics  
- Develop explicit causal business model describing how the value drivers are linked to Yahoo’s strategy  
- In strategy deployment, ensure Yahoo’s project choices achieve maximum financial payback | Expand collaboration across teams, customers, partners, then analyze and measure reliability and validity of collaboration efforts as Yahoo ad blocker strategy is deployed. Evaluate and leverage Yahoo collaboration efforts among industry organizations in the search for a better answer for ad blockers, a better advertising model, etc. |
| Descriptive Analytics studies for:  
- Competitive Positioning especially vs. Apple, Google  
- Demand planning: Will customers buy more?, prediction of future buyer behavior after strategy implementation  
- Long-term buying habits and customer requirements studies | Predictive Analytics study with “buy till you die” model to determine loss of revenue and customer retention impact | Product/technology cost analysis -- Since Yahoo Research and Yahoo technologies are key parts of the strategy, analytics studies need to provide “best of class” scenarios in which to make them unique competitive differentiators:  
- New technology introduction/deployment  
- Cycle time for development  
- Average costs, defects | As Yahoo develops and delivers new seminars, webinars, industry events, roadshows, etc. success of these efforts must be based on effective collaboration internally at Yahoo and externally among the various participants in each event. Collaboration metrics should be utilized to success of these events alongside adoption, enablement, and deployment of Yahoo technology and native ad formats as the strategy elements and projects for Yahoo and ad blockers are deployed. |
| Exploratory studies for primary market research data and information, areas of market share growth/decline comparatively before and after Ad Blocker strategy implementation | Exploratory studies for primary market research data and information, areas of market share growth/decline comparatively before and after Ad Blocker strategy implementation | Predictive Analytics study with “buy till you die” model to determine loss of revenue and customer retention impact | Exploratory studies for primary market research data and information, areas of market share growth/decline comparatively before and after Ad Blocker strategy implementation |