

URL: <https://stvp.stanford.edu/clips/why-google-won-desktop-search>

Chegg CEO Dan Rosensweig, formerly the COO of Yahoo!, discusses how Google supplanted Yahoo! as the leading desktop search engine during the mid-2000s. Rosensweig points out Yahoo! served many products to many people, and that in contrast, Google created one great tool for a much wider audience. He discusses Google's initial strategy to be unconcerned with search as a revenue stream, and to focus instead developing a better search product - a key to their eventual desktop search success.



## Transcript

So, a little company called Google came along.. Yeah.. And they competed with you guys in search.. By most accounts, Google won.. Why? Does this tape get edited? Well, I'd like to say they won the search business on the PC.. It's yet to see who wins the search business in the mobile environment.. And I think they and others are coming in grips with the fact that every time there's a form change, every time there's a device change, things change.. And good companies are successful in those environments.. And great companies actually accelerate their growth in those environments.. So, what Google did to Yahoo! it's now feeling from Apple and Facebook..

And every 10 years it seems like these great companies hit a bump in the road.. So, about that time Yahoo! in 10 years, Google has now hit 10 years.. What happened was we were many things to many people.. And they were one great thing to everybody.. And sometimes it's just what you believed and it's how the question gets framed.. So, when I came to Yahoo!, people were not interested in investing in search because there was no way to make money.. Right.. And then along came GoTo which became Overture, which ultimately we acquired.. And Google didn't care about making money.. They cared about improving people's ability to search..

And they were originally going to be enterprise, you know this, enterprise search.. And Yahoo! is actually using their search engine.. And then, something happened.. Somebody created a business model around search.. And then, to get around patents, Google improved on Overture's business model.. The logic that we had was you bid the most, you come up first.. So, the logic was it was sort of self-leasing, why would you bid the most to come up first if you wanted the most relevant? And Google figured something out that said, "It's not who bids the most, it's how you generate the greatest amount of value off each click." So, it's a combination of location and price and click-through.. And that enabled them to make more money on every click than we did, which allowed them to invest a lot more money in increased modernization engines and then buy distribution.. They could buy distribution at half the cost that we could or a third of the cost that we could.. And so, here we were as a public company trying to balance multiple businesses, and they were focused on one..

And they were making more money in every click.. And they were able to run the table successfully in search.. And it was fascinating, which is we were the number 2 search engine in Europe with a grand total of 11% market share.. So, a lot of the business side around the engineering of modernization really hurt us.. The flip side is Yahoo! is still doing incredibly well.. It has got half a billion, 600 million users or something like that.. It's one of the three or four sites that everybody uses.. It does phenomenally well in brand advertising.. It has got all the largest media sites.. But the money was being made in performance-based search ads..

And the yield was ridiculous.. In the algorithms that they were able to write, and we were able to write frankly, understanding the network effects of these businesses, it's really a fascinating business model.. And if anybody ever asked the question of me that I always ask, which is why the hell they have to learn math, because everything you do in engineering and technology it turns out all math.. So, I need to go back to school..