
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 28, 2008

Yahoo! Inc.

(Exact name of registrant as specified in its charter)

Delaware

000-28018

77-0398689

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

701 First Avenue
Sunnyvale, California

94089

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (408) 349-3300

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Other Events.

On May 28, 2008, Jerry Yang and Sue Decker, Chief Executive Officer and President, respectively, of Yahoo! Inc., were interviewed during the Wall Street Journal's "D6: All Things Digital" executive conference. A transcript of the interview is filed with this Form 8-K and attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Transcript of interview of Jerry Yang and Sue Decker, Chief Executive Officer and President, respectively, of Yahoo! Inc., at the "D6: All Things Digital" Conference on May 28, 2008.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

YAHOO! INC.
(Registrant)

By: /s/ Michael J. Callahan
Name: Michael J. Callahan
Title: Executive Vice President, General Counsel and
Secretary

Date: May 29, 2008

EXHIBIT INDEX

Exhibit Number	Description
99.1	Transcript of interview of Jerry Yang and Sue Decker, Chief Executive Officer and President, respectively, of Yahoo! Inc., at the "D6: All Things Digital" Conference on May 28, 2008.

Transcript of interview of Jerry Yang and Sue Decker, Chief Executive Officer and President, respectively, of Yahoo! Inc., by Walt Mossberg at the "D6: All Things Digital" Conference on May 28, 2008

Yahoo! will be filing a definitive proxy statement and accompanying WHITE proxy card with the SEC in connection with the solicitation of proxies for its 2008 annual meeting of stockholders. Stockholders are strongly advised to read Yahoo!'s 2008 definitive proxy statement when it becomes available because it will contain important information. Stockholders will be able to obtain copies of Yahoo!'s 2008 definitive proxy statement and other documents filed by Yahoo! with the SEC in connection with its 2008 annual meeting of stockholders at the SEC's website at www.sec.gov or at the Investor Relations section of Yahoo!'s website at yhoo.client.shareholder.com. Yahoo!, its directors, and certain of its officers may be deemed participants in the solicitation of proxies from stockholders in connection with Yahoo!'s 2008 annual meeting of stockholders. Information concerning Yahoo!'s directors and officers is available in its preliminary proxy statement filed with the SEC on May 22, 2008.

1 MR. MOSSBERG: Jerry Yang and Sue Decker.
2 MR. YANG: I see the bits with Steve and
3 Bill didn't make it on the video.
4 MR. MOSSBERG: You didn't supply it to us.
5 MS. DECKER: We thought you did some fast
6 editing.
7 MR. MOSSBERG: You have got director's cut.
8 MR. YANG: You did some editor cut there.
9 MR. MOSSBERG: Obviously, I mean, it was a
10 funny film, and I certainly enjoyed it, but it shows
11 you have a lot of time on your hands to make films.
12 That's what is going on, right?
13 MR. YANG: We have a lot of friends.
14 MS. DECKER: We have a lot of people giving
15 us advice.
16 MR. MOSSBERG: Well, it has been an
17 interesting, what, month, two months, three months for
18 you?
19 MR. YANG: It all started on January 31st.
20 It is almost four months.
21 MR. MOSSBERG: Yeah. And I have to ask you,
22 where do you stand right now in terms of negotiating
23 with Microsoft and Google or whoever else you may be
24 negotiating with?
25 MS. DECKER: Didn't take you very long.

1 MR. MOSSBERG: You can delineate them.

2 Let's start with Microsoft.

3 MR. YANG: You know, first of all, it has

4 been a very interesting process, obviously. We read

5 more about it than we probably should. It has been

6 interesting in the sense that it seems like

7 The Journal knows about everything we are doing before

8 we know what we are doing.

9 MR. MOSSBERG: That is our job.

10 MR. YANG: But obviously I think it has been

11 fairly well documented that Microsoft is no longer

12 interested in buying the company, and they are

13 discussing various other partnerships or ideas with

14 us, and we are listening, as we would for everything.

15 So we are listening and trying to understand

16 and trying to see if there is something we do.

17 MR. MOSSBERG: But that's it? You are just

18 listening. You are not actually working on a possible

19 partnership?

20 MR. YANG: I think that as companies in our

21 position, we definitely have to understand more of

22 what people are proposing to us, and they clearly have

23 an interest in Yahoo! in some way, shape, or form that

24 we are doing our best to understand.

25 MR. MOSSBERG: You are at the understanding

1 stage; is that right?

2 MS. DECKER: Maybe not quite.

3 MR. MOSSBERG: I would have thought you
4 would have actually had months to understand them, you
5 know, even though maybe the terms of the discussions
6 are different.

7 MS. DECKER: It keeps changing a little bit.

8 MR. YANG: I think it is fair to say that as
9 you look at this whole time span here — and it is
10 nothing to joke about, obviously.

11 It is becoming quite a bit evolved, but it
12 is fair to say that the process started in a way that
13 is very public. None of us were sure — I'm sure they
14 knew, but we weren't, the different twists and turns
15 they were going to take. And it certainly could have
16 been a more friendly transaction. They could have
17 done a number of things.

18 They mentioned that they may lower the bid
19 at one point. They ended up dropping the bid, and now
20 they are interested in a partnership. And I think we
21 are — we have been fairly consistent.

22 MR. MOSSBERG: Instead of running a proxy
23 war, which they could have done that and all that...

24 MR. YANG: Right. There's a number of
25 things they could have done. I think in the meantime

1 we have always had dialogues in trying to understand
2 what was it they would like to do, and we obviously
3 had a point of view.

4 And I think our board and our company have
5 always had a couple things in mind. One is almost day
6 one we have said we are open to a transaction.

7 We are a public company. We have a very
8 strong view on how we feel about Yahoo! and how
9 passionate we are about what we are doing. But
10 clearly if the right terms are there and the right
11 deal was there to be done, we would do a deal. That
12 has been public and we mean that.

13 The second thing is we felt there needed to
14 be the right circumstances, not only price but deal
15 terms. This is a transaction that could have been
16 quite involved. We made that clear to them. I think
17 they wouldn't say anything that we said any different.

18 But I think over a period of time, whether
19 it is the deal dynamics or whether it's time or
20 whatever it is — and probably the reason they know
21 better than I do they have chosen not to pursue the
22 acquisition, but they have come back with some other
23 discussions.

24 MR. MOSSBERG: Well, they said —

25 MR. YANG: You heard them last night.

1 MR. MOSSBERG: Well, they said last night
2 what they have said many times, which was, you know,
3 you couldn't come to a price that you both agreed
4 upon, that that was the principle issue.

5 MR. YANG: I think that is the most public
6 issue. I would also say that in a transaction like
7 this, clearly there are other things that matter;
8 whether it is regulatory issues, whether there is — a
9 number of other things.

10 And I would say that we certainly did not
11 have enough discussions about other things to make me
12 feel like we could have had a deal, even if you agreed
13 on a price.

14 MR. MOSSBERG: Even if you agreed on a
15 price.

16 So it was not entirely the price?

17 MR. YANG: No.

18 MR. MOSSBERG: But if the price had been
19 right, you might have been able to work out some of
20 these other things? I know it is speculative.

21 MR. YANG: It is hard to say. I would say
22 that, you know, it is like when you break up with your
23 girlfriend in high school.

24 MR. MOSSBERG: Or she breaks up with you.

25 MR. YANG: Generally in the case with me is

1 she broke up with me. It pretty quickly becomes he
2 said, she said. And I obviously feel like it is not
3 constructive anymore to go backwards and say here is
4 what happened. But I know — and I think they
5 understand — both sides understand that there are
6 reasons to do the deal, and there's a lot of good
7 reasons to do the deal.

8 I am actually quite open about what happened
9 as being — I am sort of mixed about what happened.
10 Obviously I am more than happy — and I think Sue and
11 I are more than happy to push out and move forward as
12 an entity. But at the same time, I think we all felt
13 and understood that a combination like that, done
14 right, has a tremendous amount of power and leverage.

15 When you walk away like that, it is
16 definitely not something — and clearly in their case
17 they walked away because they withdrew their offer.
18 It was clear that they took the step and decided not
19 wanting to pursue this action.

20 And I would say to your point there is a
21 number of reasons. There is not one defining reason.

22 MR. MOSSBERG: That is a somewhat different
23 answer. And I am not saying they are mutually
24 exclusive, but it is a somewhat different answer than
25 we had last night where it was really focused very

1 much on price.

2 MS. DECKER: I think they are similar.

3 MR. YANG: You need to call them back and we
4 can figure out a deal.

5 MR. MOSSBERG: Steve, are you here?

6 MS. DECKER: I mean, we never got through
7 the price door. Once you are through the price door,
8 then there is a bunch of other doors to open. There
9 was a lot that was not finished.

10 MR. MOSSBERG: Right.

11 MS. DECKER: But price really was the first
12 one to agree on.

13 MR. MOSSBERG: Got it. I understand.
14 Google, you are still talking to them? If you
15 can't — if you don't want to say exactly what is
16 happening in that, what is the concept behind that?
17 Why would you want to outsource your search
18 advertising?

19 MR. YANG: Well, I will start. I think that
20 if you look at what Yahoo!'s value is and what we
21 would need to do maximize shareholder value, which is
22 our job, there are a number of ways to do that.

23 We believe, first of all, we have very
24 strong prospects as an independent company. And while
25 a lot of that has not been easily understood through

1 all the drama that has occurred around the deal, we
2 have been transforming the company since Sue and I
3 were in place less than a year ago — in fact,
4 nine months ago — a little over nine months now, but
5 that transformation continues to take place.

6 The other obvious one that I think a lot of
7 shareholders asked us even before any of this came up
8 was what happens to the search inventory and what
9 happens to the ability for us to monetize that search
10 inventory.

11 We continue to feel very strongly about the
12 way we monetize search. We gained quite a bit of RPS
13 or gained quite a bit of pricing through our systems
14 over the last year and a half. But also we have been
15 clear that there is a value gap between us and the
16 market leader in that —

17 MR. MOSSBERG: Can you say the name of the
18 market leader? This is what Ballmer did last night.
19 He kept not saying the name of the market leader.

20 MR. YANG: I like Google.

21 MR. MOSSBERG: Good. Okay.

22 MS. DECKER: You muffled that.

23 MR. MOSSBERG: It is like Voldemort. He
24 that shall not be named.

25 MR. YANG: That's a Time Warner movie, isn't

1 it?

2 MR. MOSSBERG: Yeah. That's right.

3 MS. DECKER: It is supposed —

4 MR. YANG: We are just trying to set you up
5 for the next question. It is clear to our
6 shareholders — we want to make it clear to our
7 shareholders that besides executing independently,
8 which we feel very strongly about, very good about
9 what we could be doing, there are other untapped
10 values, sources of value that should we want to do
11 those things, it could mean significant value to our
12 shareholders.

13 So we talked about the gap between us and
14 Google. We talked about our inventory, what that
15 could be worth. And I think the last public thing
16 we've said — and Sue knows this better than I do —
17 the last public thing we said we conducted tests with
18 them and we, in fact, have some understanding of what
19 they could do for us and what we could do for them.

20 What I would say about the level of
21 discussion is that we are a very uniquely positioned
22 company. We have they principle position in search.
23 We have a very competitive and increasingly
24 competitive monetization system, and that should
25 anything be done between the two companies, I think it

1 is a very unique arrangement that is probably not well
2 understood since we have not talked about it. So from
3 that perspective our goal has —

4 MR. MOSSBERG: You are welcome, by the way,
5 to talk about it here and now.

6 MR. YANG: I think from that perspective
7 Yahoo!'s goal — I am going to get in in a roundabout
8 way. But, yeah, I think the way we think about it is
9 that Yahoo! has the ability to remain very competitive
10 in the advertising space in that the level of — level
11 and weight and flexibility in which we can partner
12 with Google has not been fully understood by the
13 marketplace.

14 So we read about what everybody writes.
15 "It's a terrible thing." "It's a good thing." It
16 might be something in between. I think until we get
17 to something that we could talk about, it is all a lot
18 of speculation. When we do something, if we do
19 something, we will talk about it.

20 MR. MOSSBERG: But the facts are that you
21 have been losing share in search. So is Microsoft, of
22 course. And google continues to gain. Steve and Bill
23 last night warned us that there was a danger of Google
24 becoming a monopoly, which was —

25 MR. YANG: That is a word that they don't

1 say often.

2 MR. MOSSBERG: They don't, but they said it
3 last night, you know, and that this was a great danger
4 to the economy and the marketplace and all that.

5 So you have been slipping, they have been
6 slipping. And I think Ask, which is, of course, much
7 smaller, but they were gaining for a while on a low
8 base and I think they have been slipping again.
9 Everybody is slipping except Google.

10 So when you say you have a principle
11 position in search, obviously you do have, you know,
12 some critical mass there, but it is bone, isn't it?
13 Doesn't that mean your opportunity to monetize that
14 has fallen, until you could do something to reverse
15 the trend?

16 MR. YANG: I think that — and this is
17 something that Sue and I were both very — a big part
18 of this we talked about. If you go back a couple of
19 years, we understood the dynamics of search. We made
20 the decision to invest in what became known as Panama.

21 We felt we needed to really start becoming
22 more competitive in pricing as part of that search
23 game. And over the last year or so we have closed —
24 we think we have closed the gap against Google by
25 quite a bit.

1 MR. MOSSBERG: In terms of the —

2 MR. YANG: Price.

3 MR. MOSSBERG: — efficiency of your
4 advertising platform and pricing.

5 MR. YANG: As pricing has come up, we have
6 sort of the middle of last year shifted our focus back
7 to driving query growth.

8 And on an absolute basis, our query growth
9 continues to grow in double digits, you know. I think
10 last year it was 13 percent or something like that in
11 terms of — yes, behind where Google was.

12 But we feel that refocus now going from the
13 pricing part to the volume part on the query growth
14 part is really coming up with more innovation and
15 differentiation.

16 What we have seen over the last couple of
17 months — and there is more to come here, is our
18 strategy around becoming more open as a search
19 platform and driving more disruptive kinds of
20 innovation versus the past where we basically have
21 been competing on the same basis against Google.

22 So what we like to think and we like to see
23 is that I think you will see us being a lot more
24 aggressive about how to position the query growth
25 game, not as the current game but as something that

1 changes over time. And the innovation that we started
2 to put into it literally over nine months ago is
3 starting to pay off.

4 And, look, I feel that the search game is
5 pretty early in the sense that we feel that the way
6 people find information and retrieve information and
7 index information and get it back and pass it around,
8 socialize that information, is still at an early
9 stage.

10 I am a big believer — and I still think
11 there is a lot more innovation left in that game. So
12 the short answer is we are just starting to innovate.

13 We are starting to have, I think, the kind of
14 infrastructure, the kind of technology and kind of
15 scalability that allows us to not just follow but
16 follow at the right scale but start a differentiation.

17 MR. MOSSBERG: In order to innovate you need
18 the right people; developers, engineers, marketing
19 people, whatever you need. And I don't — what I am
20 about to say — I don't know the details of this or
21 the numbers. So feel free to say that if you think it
22 is wrong, that it is just wrong. But you have been
23 going through this sort of turmoil, not necessarily of
24 your own causing, but it is happening, and the word is
25 you have been losing some of those people.

1 Doesn't that actually make your task harder?
2 Aren't you a little bit wounded in the process of
3 going through these deals and negotiations? Doesn't
4 it take your own — I mean, you are two really smart
5 people, but you have to have had an enormous amount of
6 your mental and physical energy zapped away or
7 directed toward this takeover stuff.

8 We have not even said the words "Carl
9 Icahn." I mean, that is still going on. So if you're
10 really — if you've got Google continuing to gain
11 share and everyone else including you losing it, you
12 are feeling good about your advertising platform, that
13 is good, but you need to innovate the query side. And
14 you're dealing with Wall Street stuff and, you know,
15 takeover stuff and efforts to throw out your board and
16 all that stuff, and you are losing some people; how
17 can you do it?

18 Well, I'm sorry. I am not trying to be
19 mean.

20 MR. YANG: She gets this. You lost me at
21 "losing." So I don't even know what the question was.

22 MS. DECKER: I would say we have had
23 turnover over the years, new people coming in, other
24 people leaving, and the right athletes in the right
25 positions at the right time changes, since the company

1 evolves.

2 Our turnover rate really hasn't changed
3 throughout this process. So it's gotten a little bit
4 harder to hire because people are wondering what is
5 the next thing. But we hired more than 600 people in
6 the first quarter. So we have been — all during this
7 public issue.

8 And I would say that one of the things that
9 we are really excited about and our people are really
10 proud of is that when Jerry and I came together last
11 summer and set out the strategy and decided the
12 priorities, we planted a lot of seeds at that time.

13 We have an incredible product out now that's
14 launching right now. It would be a very different
15 situation if we didn't have that and — whether it's
16 Search Monkey, which opens up search on the
17 algorithmic side.

18 As Jerry said, we spent a few years just
19 trying to get to the size and scale of crawling and
20 indexing to meet the market leader, Google.

21 Starting last fall we started launching
22 things again; Search Assist, now Search Monkey. There
23 is more to come very, very soon. So it is a really,
24 really galvanizing and interesting time for our
25 people. They kind of feel like they want to show what

1 they can do.

2 We have a brand new ad platform and display
3 coming out; in “friends and family” right now, and
4 broader, general release by the end of Q3. We made
5 some major decisions in the last year to be in this
6 position. So I think naturally there are questions and
7 some concerns on the one hand, but on the other hand
8 it has been a really uniting force for the employees
9 to show what they can do.

10 We feel like we have a chance of a lifetime
11 to show what Yahoo! can do with unbelievable assets
12 that can be brought together in a way on the consumer
13 side to narrow our focus around starting points and
14 open them up and make them more social at a scale no
15 one has ever done and on the advertising side to bring
16 together the insights that we have across search and
17 display. We have the largest owned and operating
18 positions in both, and to change the game and buying
19 display advertising, which is much, much, much more
20 complicated in many ways. We are really excited.

21 MR. YANG: I think there is — I went to a
22 board meeting, an excellent board meeting recently —
23 not mine, another company’s. I walked in 10 minutes
24 late. It was like walking into my own wake because
25 everybody said, “Oh my god, Jerry, are you okay? Oh,

1 my God, the world must be falling part.”

2 You know, there’s a lot going on. I am not
3 going to deny that, but I think that the perception of
4 us being a company under siege is just not accurate.

5 I think, you know, I would like to have
6 clarity moving on and build a business going forward
7 which is — we are doing that and we are going to keep
8 doing that. But I think the process, as Sue said,
9 really has in many ways pulled Yahoo! together as a
10 company and has pulled our leadership team together as
11 a company. Because this is a real-life exercise of
12 crisis management, dealing with different parties,
13 corporations in its essence are being debated at
14 Yahoo! every day.

15 What we do matters. And I think in a way
16 the morale and the culture at Yahoo! now is all about,
17 gosh, we are, for good reasons or bad reasons, at the
18 center of attention for a reason. The reason is can
19 we continue to build great products, and we keep the
20 move forward?

21 This is important to me because I think
22 there is a sense that Yahoo! is getting weaker, that
23 there is vulnerability. These guys, you know, can’t
24 be independent anymore.

25 I think we can’t be more clear that Yahoo!

1 was going through a period of time where we were going
2 to transition the business from a place, you know —
3 sort of last year we weren't ready for some of the
4 challenges going forward into a place where we think
5 we definitely can meet the challenges of growth going
6 forward, some of the stuff Sue talked.

7 But the essence of Yahoo! is being defined
8 together and over the last four months in a way that I
9 think makes us a lot stronger. And I think that's
10 been lost because obviously I live within the four
11 walls of Yahoo!, but the people who are there now who
12 are joining us today are joining us for the right
13 reasons because they think we can be a much better
14 company going forward.

15 MR. MOSSBERG: Well, I have to tell you
16 that — and I don't think I am alone in this — there
17 are a lot of people in the industry who, at the very
18 same time, admire your products. I mean, you have
19 seen me say that you have the best Web mail. A couple
20 of times I have written that, and I think it is true.

21 I think you actually do very good Web
22 applications, in many cases better than Google's.
23 They have some good things, but you also have some
24 very good things. I'm talking besides search.

25 But at the very same time I have to confess

1 that I am not exactly sure what you guys think Yahoo!
2 is. We had Terry Semmel here twice. He is a very
3 smart guy who did some very smart things, but when he
4 was asked that question, he never could answer it in a
5 way that was especially clear, at least to me, and I
6 think to a lot of folks in the room.

7 So what, you know, we know what kind of —
8 what the business of General Motors is. We know what
9 the business of Microsoft is. We know what the
10 business of Apple is.

11 What is the business of Yahoo!? Are you an
12 applications company? Are you a search company? Are
13 you an advertising sales company? Are you sort of a
14 content aggregator, which is another thing you do a
15 lot of? Are you an e-mail, an IM kind of
16 communication company? And don't say "yes" or "all."
17 What is it?

18 Seriously, what is it? I think it is fair
19 to say that Google is overwhelmingly a search and
20 advertising company. Although they have — I guess
21 you could list 200 other products they have. What is
22 Yahoo!?

23 MR. YANG: I think of Yahoo! as we have to
24 be incredibly relevant and meaningful to consumers.
25 We have defined that around the starting point mission.

1 We want you to start your day at Yahoo!. All right.

2 That is home page. That is mail. That is
3 search. That is mobile. But we want people to come
4 to Yahoo! first thing of the day and multiple times a
5 day.

6 That is an incredibly powerful position.
7 That happens to be a position that we occupied for a
8 lot of our history. So it is consistent with your
9 roots, but also it is right for innovation, meaning
10 that we can't be all things to all people.

11 In fact, we've — our new definition with
12 Yahoo! strategy goes — we have actually become more
13 focused. And one of our challenges in the past is how
14 do you keep developing every vertical area or every
15 channel in a way that is — that was never going to
16 keep up with the growth of the web?

17 So the starting point focus of becoming your
18 everyday place where people go to get the most out of
19 the web, that is our consumer goal, dream, aspiration.

20 MS. DECKER: It's a little bit of a change.
21 Because we still do hundreds of things, but we are
22 really focusing on those four areas and defining
23 Yahoo! as part of the journey, not necessarily part of
24 the home page, search, mail, and mobile.

25 MR. MOSSBERG: Home page, search, mail, and

1 mobile.

2 MS. DECKER: These are the places people
3 come multiple times per day.

4 MR. MOSSBERG: By “home page” do you mean
5 Yahoo!.com, or do you mean Yahoo!News? Or do you mean
6 My Yahoo!?

7 MR. YANG: Yahoo!.com. There are many
8 anchors that will go to the home page to go to
9 finance, news and sports if finance, news and sports’
10 value is as a support for the home page.

11 But it has become a way to prioritize around
12 the things that we do best, the starting points of the
13 Web where 70, 80 percent of all the value accrues to
14 those few properties. That is a big change.

15 That is where we get our insights. That
16 drives the advertising strategy, which Jerry is about
17 to articulate. So that is a change. It’s what we
18 have always done, but we have diluted our focus over
19 the last few years to do so many things. So we are
20 really trying to pull it back into those core areas
21 and differentiation by opening them up and making them
22 more social.

23 MR. MOSSBERG: Who — you can’t be all
24 things to all people, but what people are you focused
25 on? Who do you want to start your day, Yahoo! through

1 those things?

2 MR. YANG: We already reached 70 percent of
3 the Internet. So we do have a fairly large reach.
4 Again, I think sometimes people need to be reminded
5 that Yahoo! touches over half a billion people every
6 month. So it is an incredible.

7 MR. MOSSBERG: The Justice Department would
8 have figured that out if you do any one of these
9 deals, but — yeah.

10 MR. YANG: Okay.

11 MR. MOSSBERG: I am not saying they are
12 going to deny the deal, but they will look at it
13 first.

14 MR. YANG: I think Yahoo! is a very powerful
15 company. There is no question about it. So I agree
16 with you.

17 I think they know that, and I think other
18 people know that. But if you look at that base of
19 people, we need to continue to be relevant to them as
20 they grow up on the Web and on the Internet. This is
21 why mobile is such an incredible focus for us.

22 We really do believe the link between mobile
23 and the desktop is going to be much more fluid over
24 time, dynamically over time, but also less — the
25 modality is going to be a lot more similar to your

1 conversations with some of the other guests here.

2 But I think one point that Sue talked about
3 was that we really do believe that — and this is a
4 part of a strategy we announced last month probably
5 four headlines down from where all the deal
6 speculation stuff was, but we talked about this Yahoo!
7 open system strategy, open social strategy where we
8 are rebuilding Yahoo! from a platform perspective to
9 be a lot more open. So imagine being able to have a
10 developer's program on Yahoo! as a canvass.

11 That is something that, done right, is a
12 hugely attractive thing for developers, because Yahoo!
13 has five hundred million plus that they can —

14 MR. MOSSBERG: This is similar to what
15 Facebook did, and MySpace is doing, you know, creating
16 these APIs and saying, "Hey, put your —

17 MR. YANG: But the applications on Yahoo!
18 are very different, because we are —

19 MR. MOSSBERG: You're not going to have
20 Scrabulous? I am going if you are not.

21 MR. YANG: For you maybe we will write one.
22 But, you know, if you think about what you can do
23 within Yahoo! mail — you like Yahoo! Web mail. But
24 if Yahoo! mail had a group of developers that are
25 producing mail apps that are an extension and making

1 Yahoo! mail more powerful, that is a very different
2 route that you can imagine.

3 Yahoo! home page, you could have social apps
4 or you could have apps that are not suitable for home
5 page and it would not work. People come to the Yahoo!
6 home page to get content, to get communications, with
7 some respect to try to just understand what is going
8 on. If the apps there are targeted for the Yahoo!
9 user, it's a very different dynamic.

10 So I understand conceptually it is similar
11 to what other people are doing, but the output of what
12 people will have the opportunity to program the Yahoo!
13 calendar is so much more rich and powerful.

14 This really takes the notion that Sue talked
15 about of we are more interested in providing the
16 starting point, but we don't really care where people
17 take their journey once they start on Yahoo! and go
18 elsewhere. The more open we can be —

19 MR. MOSSBERG: Just by being a starting
20 point that gives you the opportunity to monetize your
21 part of this — whatever I do during my day.

22 MS. DECKER: The search metaphor, you go to
23 search to go someplace else, but the economics accrue
24 to the place you go back to each time. So that is how
25 these starting points work.

1 It's different. We have 10 billion social
2 connections on Yahoo!. We have not made it easy for
3 people to unlock that in an easy way as Facebook has.
4 The idea here is take all the profiles and unify them.
5 Put the social graph together and then be able to
6 search the best of the Web that is relevant. One of
7 the ways we think we can add value, aside from the
8 scale, which is very different from anything that
9 exists today, is there is context around where you
10 are.

11 So if you have a — if you are in sports and
12 I see that Jerry has just picked a new — traded a new
13 fantasy player, and I am in the regular sports side,
14 that is going to influence my own choice of who I
15 might want to pick.

16 So we have these areas of contextually
17 relevant places that the social graph can be ignited.
18 And that is very different. We think that that will
19 create more relevance of — create a better ad model
20 but also in some ways the social model, the larger it
21 gets the less relevant the streams you get and the
22 people knocking on your door are.

23 But if we can wrap it back into the context
24 of the sites on Yahoo!, we think we can create both
25 relevance and social connectivity. That is the —

1 MR. MOSSBERG: So it's a way of leveraging
2 the fact that you have always had all this content on
3 Yahoo!.

4 MS. DECKER: The relationships, we just had
5 to tie them together.

6 MR. MOSSBERG: And you have all these people
7 visiting, but you have not been able to — you tried.
8 You had Yahoo!360. You have had a number — I have
9 been briefed on — I can't remember how many things —
10 they were trying to do this and then none of them
11 work.

12 MS. DECKER: What we didn't do and what we
13 are hoping to do is we have 250 million users with
14 mail. Think about that address book. Think about
15 groups. Think about Flickr. Think about all the
16 social connections as you log in. If we can surface
17 that immediately and ignite that graph, that is
18 usually the path, and we have never done that. That
19 is the rewiring of Yahoo!.

20 MR. MOSSBERG: One of the things we are
21 doing a little differently this year at D is we are
22 inviting people to submit questions, who are not here
23 in the hall, either in writing or optionally on video.

24 There is this one woman who has been bugging
25 me about asking a question. She just obsesses about

1 Yahoo!. The only way I could get her off my back was
2 to let her ask a question.

3 So can we bring up this obsessive woman on
4 the screen.

5 MR. YANG: You didn't warn us about this.

6 MS. SWISHER: Hello, Jerry and Sue. How are
7 you doing?

8 MS. DECKER: Hi, Kara.

9 MR. YANG: Hi, Kara.

10 MS. SWISHER: You didn't imagine you could
11 get away with it, being here at D and not seeing me,
12 did you? Good to see you. I have a couple of
13 questions. Two I think are very important. I have 53
14 questions, actually.

15 MS. DECKER: You locked her up somewhere.

16 MR. YANG: She is wearing chains.

17 MS. SWISHER: I am wearing chains and
18 sunglasses. I am trying to avoid intimacy with the
19 glasses with you because you melt me.

20 MS. DECKER: You are doing a good job.

21 MS. SWISHER: Here is the deal. I have one
22 critically important question I think the entire room
23 is probably thinking of right now, and that is exactly
24 when, Jerry Yang, are you going to have lunch with me?

25 Jerry refuses after many years to have lunch with me.

1 MR. YANG: That is not true.
2 MS. SWISHER: I want a date and a time.
3 MR. YANG: All right. Can I explain my side
4 of the story.
5 MS. SWISHER: It's a he said, she said
6 situation.
7 MR. YANG: I understand. We are raising
8 money for Donors Choose, a fabulous nonprofit which
9 really connects. It's a social — it the best social
10 network I know for connecting teachers, students, and
11 parents and their projects. You were not even — you
12 were somewhat behind the other bidders.
13 MS. SWISHER: No. I was No. 2.
14 MR. YANG: You were No. 3. If you would
15 agree to donate \$500 to Donors Choose, I will have
16 lunch any time you want.
17 MS. SWISHER: Done, done, done.
18 MR. YANG: Done.
19 MR. MOSSBERG: See; is that right? Right?
20 You know, we could —
21 MR. YANG: Deals can happen.
22 MR. MOSSBERG: Deals can happen.
23 MS. SWISHER: I am first going to get them
24 to write that check. So, second question is actually
25 a very serious question. Because you guys are talking

1 a lot about, you know, things are changing, things are
2 rewiring.

3 You talked about diluting the social graph,
4 not doing this. I want to know why — you were there
5 for a lot of this decline. You were not a new team
6 here at Yahoo!. First with Sue — because you have
7 been a little too quiet over there, Sue.

8 Why are you the leaders to take Yahoo!
9 forward if you became an independent company? And
10 what has been your biggest mistake, each of you, over
11 the last year from a leadership perspective?

12 I really want you to define why you are —
13 you know, why you should have this office besides
14 being the cofounder and big, large shareholder?

15 MR. MOSSBERG: Thank you, obsessive woman.

16 MS. SWISHER: Anytime.

17 MR. MOSSBERG: But it's a good question, the
18 leadership question.

19 MS. DECKER: She hinted on you, cofounder
20 and big, large shareholder.

21 MS. SWISHER: You too, Sue.

22 MS. DECKER: First — me first. So, yes, we
23 both have been here in various roles over the years
24 and, you know, without looking too much in the past, I
25 think as a company we have made a few mistakes.

1 I think that Jerry and I are really excited
2 to focus on — I am looking at the screen, where is
3 she — excited to try to address them.

4 I would say as a company I think — without
5 being specific about who, or where, or why, one of the
6 things that we did is — I think we started — during
7 David's dream and — started as a place that people
8 went to Web to find what they are looking for. We
9 were really close in those early years to the users.

10 Over time as we got bigger we started
11 organizing around products; around mail and around
12 search and around finance and sports, et cetera, and
13 on the advertising side around display and search,
14 advertising each with separate sales forces and
15 separate go-to-market strategies.

16 And I think what was lost in that is the
17 core focus around the key ecosystem, which is the
18 user, the advertiser, and the publisher, and the
19 developers that drive that.

20 So what Jerry and I have been trying to do
21 in the last year is really rewire the company in that
22 way that if we are focused on the user, then we should
23 be focusing on the socially horizontal applications
24 and Web services that are developing and opening up
25 Yahoo instead on focusing on mail or search or any one

1 app.

2 On the advertiser side, if you are focused
3 on selling display or search, you may not be focusing
4 on the fact that the advertiser does not care how they
5 reach their target consumer. They want something that
6 is easy to target. They want something that's easy to
7 buy and sell. They want to find their target, whether
8 they are on Yahoo! or whether they are anywhere else.

9 So by reorganizing the company in that way
10 and rethinking everything we do in that way, we have
11 been in a position to launch a lot of products this
12 year that we never could have done.

13 So we are pretty — pretty excited about
14 that, and I think that was a mistake of the past.

15 MR. YANG: You know, I have made no bones
16 about it. I am a cofounder. I have been involved in
17 the company the whole time. I am probably not going
18 to be CEO of any other company unless I start another
19 company. So I am not somebody that, you know — I
20 have not gotten a lot of headhunting calls to go run
21 GM or anything else. But I don't want an answer —
22 okay, I think you are right.

23 I do think I am the best person to lead
24 Yahoo!, not only because I bleed purple and bleed
25 Yahoo!, but also I think there is a big opportunity

1 for Yahoo! to fulfill. It was not lightly that I came
2 to a decision I want to be CEO.

3 I understand the challenges. I understand
4 that I don't necessarily have all the experience,
5 although I have admired Terry, and Tim Koogle before
6 him and some just great leaders that helped us run the
7 company. But I also felt it is my time to really take
8 Yahoo! to the next level.

9 The dream that we are talking about here of
10 really creating Yahoo! in a way that allows our
11 audience to truly do what they can't do anywhere else
12 other than Yahoo! — and we haven't spent a lot of
13 time talking about our advertising strategy.

14 But our advertising strategy is beyond the
15 current discussion of search and display. It really,
16 I think, takes this notion of online advertising to
17 the next level in terms of truly creating a broader,
18 more choice-driven ecosystem. That is what I want to
19 do.

20 I feel in so many ways that with the
21 leadership team, I partnered with Sue, and follow our
22 technology and our product and our sales, we can
23 achieve that dream. I really think that is necessary,
24 if not required, for us to lead the company into the
25 next step.

1 I feel like I am most passionate and have
2 the most vision about where we want to be. I know
3 that people want to see results, and I think in this
4 day and age a lot of people are more short-term
5 oriented. But I think we are starting to show that
6 Yahoo! can be on this path of being a very different
7 entity in terms of what we do, how we do for users.

8 MR. MOSSBERG: But do you really think that
9 is evident to users and, by the way, to your major
10 shareholders?

11 MR. YANG: I think so. Look —

12 MR. MOSSBERG: I am not making a joke.

13 MR. YANG: No. Look, my view is this,
14 right. I think that we made this clear, certainly
15 with our employees, our leadership team and our board,
16 is that we need to make some investments in order to
17 make this happen.

18 We have been clear that we think sort of,
19 you know, we came into this in the back half of '07,
20 so the back half of '07 and through the first part of
21 '08 and — you know, most of '08 was going to be a
22 period in which you were going to start seeing some
23 harvesting and some results, but there's still a lot
24 of work to be done.

25 I never want people to think or expect that

1 this is a very quick thing. But at the same time —
2 first of all, the size of Yahoo! and the way in which
3 we can really change the Yahoo! experience is real.

4 It is really powerful if we do it, and it
5 needs to be done. I just — I can't feel stronger
6 about that, and it needs to be done right.

7 Secondly, I think the financial results will
8 follow if and when we are able to transform that
9 experience and build the right advertising platform,
10 which we are well on our way.

11 The friends and family program, as Sue
12 talked about with our amp project, is starting to
13 really ramp and definitely shows that — what we are
14 talking about where we can partner with publishers,
15 partner with sales forces, and partner across each
16 other's network for better price discovery.

17 These are fundamental market-making types of
18 moves that Yahoo! is doing right now. It is not being
19 written about because of all the other dramas going
20 on. But we really do think — we really do think that
21 this is the beginning of a new Yahoo! that has got
22 tremendous amount of potential.

23 MR. MOSSBERG: But if — Kara points out you
24 have been there. You are now saying, "Okay, now, even
25 though we have been here a long time, we have looked

1 at the situation. We have this idea for a new Yahoo!.

2 Give us some time and you'll see the financial
3 results."

4 You have shareholders ranging from people
5 with one share to — I don't know, Carl Icahn, or
6 whoever it is, who are saying, "Hey, we met these guys
7 up in Seattle who will only pay you \$33 now and maybe
8 you could have gotten, you know, you wanted \$37 or
9 whatever it was, maybe you could have gotten them up
10 another buck. That is a lot of money you have, you
11 know. You can't catch Google anyway. So why should
12 we wait all this time?"

13 MR. YANG: Look, I understand the situation
14 that I think people are feeling and definitely there
15 are shareholders that have that similar type of
16 question.

17 But at the same time I think — first of
18 all, we did not walk away from that proposal.
19 Microsoft did.

20 I have always said that we are willing to do
21 a deal under the right terms and history will somehow
22 rewrite — you know, people will figure out whether,
23 you know, they were there at the table or not at the
24 table.

25 But all I can tell you — and I think we

1 have been consistent in that it was not clear to me
2 that they want to finish the deal. So I am not going
3 to go second guess their decision or not.
4 We are moving on. These things are moving on. We are
5 having, you know, fun discussions about other things,
6 great. But it is not something that I can go revisit
7 and take or not take. I understand our obligation to
8 stockholders. Believe me, I get in friendly
9 conversations with a number of them.

10 But I also think that the focus for us is
11 how do we recognize more value for the company sooner
12 if we can do it right?

13 But strategically I want to position Yahoo!
14 to be in a much more successful position in the long
15 term. Because I do think that when you are dealing
16 with assets like Yahoo!, there are a lot of different
17 ways to monetize the assets.

18 But at the end of the day, we have to do it
19 for the right long-term reasons. If there is a way to
20 do it — we talked about other alternatives, and those
21 are things that we are obviously looking at.

22 But we are not going to go do something
23 that, you know, forgoes our long-term prospects and
24 favor something short-term. That, I don't think, real
25 stockholders, in terms of long-term perspective, want

1 us to do.

2 MS. DECKER: The only thing I would add is,
3 one of the things our board considered is, we start
4 from this position of a huge, huge amount of inventory
5 created by those 5-, 600 million people who come to us
6 every month, whether they spent time or consumed page
7 views, and we think that inventory — and our board
8 thinks that inventory, is undervalued, period, by a
9 lot.

10 We know how much it's undervalued in search.
11 We have publicly published that we felt that we had
12 closed the gap with Google by 30 percent. We thought
13 the gap when we first launched Panama was 100 percent.

14 So there is still 60, 70 percent of upside.
15 We ran a test to confirm what we thought, you know.
16 We know how much value there is on the search side,
17 either through Panama or through other means.

18 We also know that 90 percent of the Web's
19 inventory is non-search, and it is growing faster than
20 search. We are really good at that. We are about to
21 launch a system that makes it easier to buy and sell
22 display and target more effectively in the way that
23 search is. There is probably a 10 to 100X difference
24 in pricing in display versus search because of the
25 friction in display.

1 So when we put this all together, we think
2 about what the value is there from the board's
3 perspective regardless of the, you know, back and
4 forth of what could have happened or should have
5 happened or will happen in the future. There is an
6 enormous asset there. There is a reason why there is
7 a lot of interest. And it is not a six-month job to
8 turn it around based on where we were. Our scale is
9 working against us. We are trying to move our scale
10 to work for us, both in terms of the consumer side and
11 on the advertiser side. You know, that is a question.
12 Where is the value today versus what is the value in
13 two years? That is a judgment call that boards have
14 to make.

15 MR. MOSSBERG: Thanks. Questions from the
16 audience? No one wants to ask a question? Oh, yeah,
17 okay.

18 AUDIENCE MEMBER: Hi, this is Crawford from
19 IDC. Quick question for you. You talked about your
20 display ad strategy. I am just curious, as Web 2.0
21 continues to take hold, people are participating a lot
22 more, how do you see that changing in sort of as
23 people lean forward and interact with their PC as
24 opposed to lean back and consume content?

25 How does that change the display advertising

1 strategy? How do you see display advertising changing
2 on the Web as a function of that?

3 MS. DECKER: When we call — when we say
4 “display advertising,” what we mean is any inventory
5 other than search. It could be any kind of Web, app,
6 anything, any form of inventory that could run an ad.
7 It could be a text ad. It could be a written display
8 ad. It could be a video ad.

9 So fundamentally, what we see happening is
10 the advertising becoming increasingly relevant as we
11 have more and more insights on what you’re looking
12 for.

13 You could take the extreme case where the
14 advertising is the content if you’re looking for, you
15 know, real estate or houses or jobs, kind of the
16 classic categories.

17 But the ambition here is to be able to serve
18 ads as relevant as the content based on what the user
19 is looking for and what we know about the user. So
20 you could imagine the right format changing depending
21 on the context in which the user is engaging. That is
22 ultimately the ambition.

23 AUDIENCE MEMBER: Hi, Josh Auerbach. I was
24 wondering if beyond search and display, you could talk
25 a little about your thoughts on Yahoo! getting into

1 advertising on television and other platforms.

2 MR. YANG: Yeah. I think clearly our
3 current focus is really around making sure the
4 Web-based advertising infrastructure works and mobile
5 is the main focus off of PC. There are a lot of
6 things that we are currently doing, especially around
7 video advertising, that could easily work over any IP
8 network, especially after TV.

9 So those markets are small. But we are
10 positioning our technology as well as product base to
11 be easily transferable. We are probably not going to
12 go in, rebuild AP systems for cable, you know, sort of
13 non-IP infrastructure. But the goal here is to
14 really — to the extent IP runs, our systems will run.

15 AUDIENCE MEMBER: Alison Sheridan from
16 Ratheon. I would like you to elaborate a little bit
17 on your mobile strategy. I was really excited to hear
18 that you were going to be focusing on that.

19 So I went out and tried to go to yahoo.com
20 on my iPhone, and it did not give me a mobile version.
21 Okay.

22 So I went to mobile.yahoo.com, and it gave
23 me a nonmobile version, but it offered to let me put
24 in my phone number so I could be emailed a link. But
25 it didn't work on the iPhone.

1 So then we went to pda.yahoo.com where we
2 were allowed to enter our phone number and our — what
3 device it was, but the iPhone was not on the list. So
4 then I went over on my BlackBerry to pda.yahoo.com,
5 and there I was allowed to download an application and
6 it got a connection error. So what is the strategy?
7 I mean, obviously that is not what you want the
8 experience to be.

9 MR. YANG: No, no. Of all the questions I
10 have been getting the last four months, I am glad to
11 get a tech support question.

12 AUDIENCE MEMBER: I didn't even say
13 Microsoft once.

14 MR. YANG: I — believe me, it should not be
15 that hard, and I use my iPhone and I use Yahoo! all
16 the time. So maybe use a mobile — did you have an
17 iPhone?

18
19 MR. YANG: Yeah. See, we have an
20 iPhone-friendly version. Maybe it is m.yahoo — I
21 will give the URL. We could try — we should not make
22 it that hard for you not to find it.

23 MR. MOSSBERG: What she just said is right.
24 You should — there are other people who look at what
25 browser it is. They see it is the iPhone or the

1 BlackBerry or whatever, and they give the version that
2 works well on that device.

3 MS. DECKER: I am not sure why it was so
4 hard, but we should meet afterwards. One of the
5 things that we have been working on is — that prior
6 question to this question is we are really focusing on
7 on the mobile first experience and search mail,
8 experiences that take advantage of the form factor and
9 the phone. They don't like exactly they way they are
10 on the PC.

11 And opening it up in the same way we talked
12 about opening up our starting points to third party
13 developer's widgets, et cetera, we are actually kind
14 of proud of our carousel and the Yahoo! Go and the
15 various mobile apps.

16 We now are at 600 million homes past in a
17 sense that can't have access. There is Marco.

18 MR. YANG: The leader of our mobile. Can
19 you take care of her, please, Marco. You are killing
20 me here.

21 AUDIENCE MEMBER: Thank you very much.

22 MS. DECKER: While we were praising our
23 mail, Brad is out there somewhere.

24 MR. YANG: Hi, Brad. If we get a mail
25 question, you are answering it.

1 MR. MOSSBERG: I am going to go to you and
2 you are going to be the last question in the room, but
3 I have to read the actual question submitted from the
4 Internet from Jeff Schneider of Philadelphia. This is
5 two weeks ago or whatever. He wanted us to ask you,
6 Jerry.

7 He says, "I have been a Yahoo! user for a
8 decade and used many of your premium products.
9 Yahoo!'s deplorable customer service caused me to
10 cancel them all. Is Yahoo! serious about premium
11 offerings, or do you not regard them as critical to
12 Yahoo!'s success?"

13 MR. YANG: Well, not knowing what the user
14 canceled —

15 MR. MOSSBERG: I gave you all the
16 information I had on the question.

17 MR. YANG: I understand. Look, I think — I
18 will give you a bit of philosophy. And I know Sue and
19 I both strongly believe in this. Whatever we are
20 going to offer our customers, we better be serious
21 about it.

22 There are transitional products that —
23 products that we are phasing out from some of the
24 changes that Sue and I have been making. I know
25 premium music is one of those things that is being

1 phased out.

2 When you are phasing out projects like we
3 are in terms of changing and focus in the company, we
4 understand that there are people unhappy if that —
5 for example, if that is a product that he is using, I
6 can understand the frustration.

7 MS. DECKER: No, and I don't know when he
8 did it or when he came in.

9 MR. YANG: Can I get his email address?

10 MS. DECKER: I would say our top three
11 priorities — one is what we call get the basics
12 right. We were starting on that. I will come back to
13 that. No. 2 is transforming display advertising, and
14 No. 3 is making Yahoo! more open and social. So we
15 talked about No. 2 and 3, but getting the basics right
16 is all about — if we can't have kickass products, we
17 shouldn't be in it.

18 And the telltale signs we feel are pretty
19 good. We have the best customer service stats in Q1
20 that we have ever had. We are getting really good
21 external staff measures. We are — we still have a
22 lot of work to do, though. I think there have been
23 historical problems, and that is a huge area of focus.
24 And I think we are making progress, but I agree with
25 his position. If he is not getting a good experience,

1 he should cancel, and we need to fix that and that is
2 what we are doing.

3 MR. MOSSBERG: Last question.

4 AUDIENCE MEMBER: When people talk about the
5 popular topic of what is the market cap of Yahoo!
6 supposed to be, it seems like they over obsess about
7 what is the market cap of Yahoo! as it relates to
8 search.

9 It seems like there is a huge amount of
10 value in the display market and in the vertical
11 markets and community that you are in.

12 What percentage of the market cap are people
13 applying to that?

14 MR. YANG: I totally understand the
15 question. In fact, I think of the stories that we
16 have not told well is the display business, as we
17 envision it, beyond just a search type of dynamic but
18 really looking at the inventory and looking at the way
19 in which we monetize inventory in a highly liquid,
20 highly efficient marketplace.

21 Because we are in many ways doing a very
22 large business that is reinventing itself from a point
23 in time last year to next — hopefully this year and
24 next year a totally different business, we think it is
25 a huge business.

1 Others don't think it is so huge because
2 they obviously haven't valued us that way. There is a
3 very broad spectrum of people believing in what this
4 could be.

5 I happen to be a strong believer that the
6 display business could be bigger than anything we have
7 seen before on the Internet so far, and I have been
8 around for a long time in the Internet terms. That is
9 why I am so excited about it.

10 To your point, I think more value for Yahoo!
11 over time is going to be in that business than search.

12 But search is growing and so is display. It is hard
13 to sort of say, okay, one versus the other because
14 they are all related at the end on the technology
15 level.

16 But from a market and from a valuation and
17 from a growth rate, we certainly think display is as
18 exciting a marketplace we have seen in Yahoo!'s
19 history as anything we have ever seen.

20 MS. DECKER: Just to add and put some
21 numbers on it, the market as a whole is more than
22 40 billion dollars of online advertising. A little
23 more of that is in display than in search today.

24 And the growth rates going forward are
25 relatively comparable projected as the market is

1 projected to double in the next three years. Only
2 10 percent of the industry's volume is search but
3 close to half of its revenue is search. And the
4 reason that is true is because it is relatively easy
5 to buy and sell. The inventory is very concentrated
6 with Google with north of 50 percent and Yahoo! with
7 north of 20 percent, on a global basis 27 percent.

8 You only have to go two places to buy search
9 inventory. There is very little friction in that
10 process, pricing is transparent. That's an auction.
11 It is very easy.

12 Display — the pricing structure is so much
13 lower because it is so hard to buy and sell. We have
14 the largest amount of inventory. We have 8 percent of
15 the inventory, and it is getting more and more
16 fragmented.

17 So imagine if there could be a Web based
18 hosted app that advertisers could come in and they
19 could buy any user they are looking for across any
20 publisher and where publishers who have their in-house
21 sales forces on display could actually bundle their
22 inventory with other inventory that is similar in an
23 easy to do way.

24 Today it takes two weeks to try to find your
25 audiences across multiple publishers and faxes. This

1 is the opportunity. We think pricing and display is a
2 few bucks per thousand and search is \$40, \$50.

3 Imagine if the entire pricing curve came up
4 because you can reduce the friction and add the
5 targetability of search, that is our opportunity. We
6 are totally excited about that.

7 MR. MOSSBERG: Thank you so much. Thank you
8 all.

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