Dean's Executive Leadership Series - 2011-2012

Transcript of Presentation with Blake Irving,
Executive Vice President & Chief Product Officer, Yahoo!

About DELS: The Dean's Executive Leadership Series at the Graziadio School of Business and Management features in-depth audio or video interviews with today's top business practitioners and thought leaders. Listen or subscribe to the podcasts to hear their views and insight on the current challenges and opportunities facing the business community.

Start

Faye McClure: Good evening everyone. We are going to do a lot together tonight. Good evening everyone.

All: Good evening.

Faye McClure: That is what I am talking about. And welcome to the Dean's Executive Leadership Series. This promises once again to be a very informative and very exciting evening for you. Our special guest will be Blake Irving. We are so excited to have Blake here. I had an opportunity to chat with him for a little bit and boy he is very engaging. So, welcome to Blake. It is my honor to introduce the dean of the Graziadio School. I want to tell you a little bit about this lady. I have known Linda now for about 10 years. I met Linda through a mutual friend, Bob Merriman. And she and another lady, Debbie Kline, we met for lunch. And it was supposed to be like a meet and greet for 30 minutes, and three hours later we were still chatting up a storm. I was an alum of Seaver College. And she shared a vision about the Dean's Executive Services where they would showcase and have very important C-level individuals that would speak to the graduate students and to alumni about their vision and what they are doing in their corporations. And they were looking for sponsorship. Well eight years later, Farmers Insurance has been a very proud sponsor of the Dean's Executive Leadership Series. I did not introduce myself. I am Faye McClure. I am the Vice President of Strategic Marketing for Farmers Insurance, and a very proud supporter of Pepperdine Graziadio School of Business Management. Dean Livingstone is a visionary. She is an inspiration. She is someone who has helped lead Campaign Finance Committee, where they have raised over $17 million over the last three years and just really has put Pepperdine on the map

when it comes to relevance and importance and how globally we are viewed. So it is my distinct honor – and I might say she is from Oklahoma. They have a basketball team that aspires to be like our Lakers, but not quite. But I root for them anyway because of my friendship with Linda. Dean Linda Livingstone everyone.

Linda Livingstone: Thank you Faye. I have enjoyed so much the friendship that Faye and I have developed over the years. We deeply appreciate the Farmers partnership. It has been wonderful. If you do not know, Farmers Insurance Group has connections to Pepperdine from years and years ago. John Tyler Drive on the Malibu Campus is named for the founder of Farmers Insurance. So it is a great legacy that Pepperdine and Farmers have. The Thunder are going to beat the Lakers in the playoffs, one of these days. You just wait.

Faye McClure: Yes, I can see it.

Linda Livingstone: Well one of the things I always like to do at these before we bring our speaker up, is to give you a bit of an update on some of the great things that are going on in the school. We know you care deeply about that as alumni and friends. It is always exciting because we have these about once a month and there are always wonderful and interesting new things that have happened since the last one. So I love telling people about it. Two things I want to mention, just real briefly. We have two of our faculty that received recognitions recently that I think indicate how significant what they are doing is not just for the school, but also nationally. Michael Crooke, who is working with Dr. Mark Mallinger. Mark kind of founded our SEER program. Then Dr. Crooke came in. He was the former president and CEO of Patagonia and he was recently named one of North America's Top 100 thought leaders in trustworthy business behavior by the Trust Across America Group, and so a wonderful recognition. People like Warren Bennis have gotten it as well as the Starbucks founder, Howard Schultz. So it is a notable group. And so we appreciate what he is doing and the leadership that Dr. Mallinger provided in developing that program. We are also proud of Dr. John Paglia, one of our finance professors, who had the vision for our Private Capital Markets Project. He was recently named the middle-market thought leader. This is awarded by the Alliance of Merger and Acquisitions Advisors. In that Private Capital Markets Project we just rolled out our 2012 economic forecast. And you actually have a brochure in your seat about a certificate program we have in that. So if that is an area you have interest, you should attend that. It is a fabulous program and really unique compared to what anybody else is doing across the country. Well some upcoming events you need to know about. We love this event but we have a lot of other things going on in the school. On Friday March 2nd on the Malibu Campus, we are hosting the Second Annual Hollywood IT Summit. It is the largest gathering of IT professionals in Hollywood. The program is being developed under the direction of an advisory board representing all major movie and television studios. It

is a great opportunity for those folks to come together and think about how they do their work more effectively. So I talked to some of you already that are planning to be there. It is going to be an amazing event. We actually had to move it from the Drescher Campus down to the Lower Campus because it was too big this year for our facility at the Drescher. That is actually a really good problem to have. And we almost have that problem tonight. Blake, you are so popular, we have standing room only. It is excellent. Full-time students – how many full-time MBA and MS students do we have in the room? We have some. The full-time program has a group called Challenge for Charity. It is a group that kind of completes friendly with other top MBA programs on the West Coast to raise money and to volunteer time for charity. And so they are hosting on Saturday March 10th a 5K run. You can run 10K if you would like to, but it is a 5K run. I would prefer not to run 10K. But it is a 5K run. It starts at 9:00am at Zuma Beach. So if you would love a beautiful Saturday morning in Malibu – and there have been some really pretty ones recently – you should come to that and help raise some money and support our full-time students. It is a wonderful program. And at the end of the year they all go to Northern California together and play together and share their hours. So it is a great way for all of us to support that program and do a good thing for charity. Then another kind of exciting thing for us, we had for a while a campus in Pasadena and for a variety of reasons, we closed that campus. But now we are actually moving back into that area with our part-time MBA program to help serve the Pasadena area and the San Gabriel Valley. We are kicking off an MBA program out there that will kind of share classes with the Pasadena location and our West LA or Encino campuses. So we have information sessions on March 6th and April 3rd at the Sheraton Pasadena Hotel. So if you know of anyone out in that region that might be interested in a Pepperdine MBA, be sure to tell them about that. We have lots of staff in the room that can give you more details about that as well. And certainly if you know of others that might be interested in our programs, let us know. We get our best referrals from our alumni because you know the kind of people that would be good in our program. You know the value of our program. And so folks that are referred to us do an exceptional job when they go through the degrees that we have. And then the last thing I want to mention before I introduce Blake, our next Dean's Executive Leadership Series is March 15th, so not too far off, a couple of weeks. It will be on the Malibu Campus at our Drescher Auditorium. We will be featuring Jerry West, who you all know from his days as a Laker. He is a member of the NBA Hall of Fame. He is now a consultant with the Golden State Warriors. He joined us last year for Paul Hopkins' event in our last DELs of the year. It was fabulous having him there. And so Faye gets credit for this. She talked him into coming back. So that will be just an amazing event. I of course was a basketball player, so I am like in awe that he is actually coming to speak at our event. So I hope you will be there. It will be a really great opportunity for all of us. But tonight is a great opportunity as well. We are thrilled to have Blake Irving with us. He is the Executive Vice President and Chief Products Officer of Yahoo! But far more important than that is he is an alumnus of Pepperdine and the Graziadio School. We are always thrilled to bring back a member of our own family to be a part of this event and to see our alumni doing so well in very challenging circumstances, but really doing some interesting and exciting things. I am going to let him talk about the things that he is doing and the work at Yahoo! But he has had a great background at Microsoft and at Xerox. He was also at Compaq. And it

was interesting; I was reading the announcement about when he went to Yahoo! in I guess it was in April of 2010, so almost two years ago, and then he kind of wrote an announcement out to the employees at Yahoo! that I found on the Internet. And I thought it was interesting because the thing that he talked about why he was so excited about going there. It was because of the people at Yahoo! and the tremendous skill and expertise and all the passion that they brought to what they were doing. And I thought that was a really wonderful way for him to introduce himself and I think it says a lot about the kind of person he is. I know we actually have people in the audience that were students of Blake's when he taught for us for a while. And so they have wonderful things to say about him, from those experiences. So he is an extremely successful businessperson, a stellar teacher when he taught for us, and we are very proud that he is an alumnus of the Graziadio School. I welcome Blake Irving.

Blake Irving: Nick and Chris, sorry if this feels like a class to you. It will not. It will be quite different. Linda, thank you so much. I am honored to be able to make the flight down from the Bay Area just a little while ago to be here speaking with you today. I am going to be a little provocative. I am not going to talk a lot about Yahoo! I am going to talk about technology and kind of where it is going, and a lot of you already know where it is going. And then I will open it up to questions. I do not suppose any of you will have questions about Yahoo! for the most part. I am sure it will just be relevant to what I am about to talk about. So not wanting to be un-provocative, I thought I would start with a quote from Jack Welch that shows tremendous insight from one of our probably busiest business leaders at the time. Well the interesting thing about the quote – and this was taken very, very seriously at the time – was like, "Wow, the Internet is real." Ten years ago, wow it is real, I ca not believe it and it is really for big business. Does anybody know that is wrong? Now, fast-forward 10 years, and there is so many technologies that have changed the nature of the way the Internet is perceived, is built upon. The way it accelerates entrepreneurialism around the planet. Let us just use a couple of examples. We all love Amazon, right? A great store for just about everything, right? They also run two programs: one called AWS, Amazon Web Services and EC2, which is a compute backend that you can actually go lease or buy compute power. They have data centers and racks of these things where you might not even know that one of your popular websites is actually running on Amazon. So it turns out that if you are in the venture capital business, you used to actually look pretty hard at a new Internet startup and say, "Okay I got to really think hard about this one because I'm going to have go buy capital; I'm going to have to put it in the data center; shine that data center up, get it running. I'm going to spend a lot of money on boxes." And now those days are absolutely gone. What little startups can do now is say, "I've got an idea. I'm going to code it up in my house." In fact, believe this or not, this is a recently quoted fact that I think was *Wall Street Journal*, fifty percent of new businesses, Internet businesses, are started in the home. Could not say that 10 years ago because it was for big business. Now, here we are. And anybody use Foursquare? A pretty popular website, AWS. So you are using AWS as well. Foursquare is actually running on the back of AWS. So there are a lot of commercial services that are servicing 20 million – 30 million people that are

- 4 -

running on somebody else's platform. It is accelerating at crazy, crazy speed. Venture capitalists do not have to spend the money anymore. They can just fund an idea and just put a couple of hundred thousand into it at a time, where it is almost like angel investing – very, very quick. I was talking to Linda about this earlier, the way that we actually conceptualize business plans and writing a detailed business plan and making sure that we have got everything buttoned up before we go ask for capital, which is pretty typical. You actually are in a position now where you can even go as far as having an idea, mocking it up, running it on top of somebody else's infrastructure without making any expensive payments on it, trying it out, get customer feedback, and actually seeing what your customers are doing because you actually put metrics into your product and you can watch people interact with it. And you can get metrics back at the end of the day to see what feature they used and what feature they did not use. If you think about the auto industry today – there is a lot of technology in automobiles today. Imagine if Ford, when they sell a new car, could actually tell exactly what features you were using in the automobile. I do not mean OnStar. I mean what buttons you pushed, what parts of the interior you touched, how many times you sat in the seat. That is sort of what the Web technology has become. You can prop up a product, prop up an idea, see how users are doing it, and then you can change it the next day. And you can change it the next day without changing stock on a shelf, without doing any kind of thing with inventory, without contacting a customer. You just introduce a new feature or you pull one down that did not exist ever. Now if you have a Facebook account, you are going to see that maybe some of those things that you thought did not exist, they turn up as soon as you do Timeline. I do not know how many of you have done that yet, but judging by the lack of giggles, nobody. So on to the next topic. So these little devices are pretty powerful. How many people are carrying a smartphone? Almost everybody in this room. Four years ago I could have asked the same question and maybe 25% of the hands in the room would have gone up. That is how fast things are moving. At Yahoo! we and other companies as well are actually developing software and developing services on top of those devices, for those devices specifically, and then moving them back to this old traditional thing called a PC. In the next slide I will say why that is actually relevant and why it matters. But if you think about engineering and you think about where some of the Web standards are going, and if you think about cloud computing because that is what we were just talking about, I can actually have a large data center somewhere on the planet, do not know where it is and actually it does not really matter. It is not relevant. Besides speed of light problems, I can have an experience on my phone. I could actually take it to another phone. I can put it on this PC that this presentation is on or in many cases even put it on my TV set. It has left the desktop. And I know that we all spend a lot of time on our PCs and we love them. There is a whole demographic and a lot of the planet that actually does not even pay attention to them hardly anymore, unless they have got to write a term paper, or they have got to go an Internet kiosk and fill out some real paperwork. So it is quite different. I will get into the bigger international picture in minute. If you think about the power of these devices, what do they know? They know where you are. They know where you are going, if you have GPS turned on. They know where you are going. The Internet quite honestly is all about big data and what you are going to do with it. If they mix that data with the data of all the things that happen to be around you, you can do amazingly, fantastic,

wonderful things with it. Now if I use an example, on this phone I have something that is called ShopSavvy. Has anybody used it? So a few of you have. So what ShopSavvy allows you to do, you actually can walk up to a barcode – does anybody have a bottle of Aquafina or something like that? Okay, well I will not demonstrate. It is hard to do a presentation without a demo for me. Sorry. And you can actually walk up with your phone and scan the item. So you have got one there.

Woman 1: It is Arrowhead.

Blake Irving: So this is an Arrowhead. So let us find this. This is a fascinating little deal. So you scan a barcode and I will literally put the barcode in Reach. It takes a photograph of the barcode. And it will come back and tell me, "Arrowhead." This basically says, "Arrowhead Mountain Spring Water" and there are like 20 local stores within where I am standing right now that can offer me deals on it. We did something actually with a company we acquired called IntoNow. And IntoNow actually has a technology called SoundPrint that listens to the TV set and then can tell you exactly what is on the TV set, and then pull up from a corpus of data from a very large database on the backend and give you things that are happening similarly at that moment in time. It is unbelievably powerful for marketers because you can actually listen to a commercial and have the screen that is your TV and your handheld device, whether it is a tablet or a phone, give you relevant data about the commercial, throw up a coupon onto your phone, and you can walk in and redeem from your TV. And it is local. It is on the TV set, it is on the handset, and it is all using big data. So back to these little devices we were talking about earlier. Most of the planet is going to be getting on the Internet with phones, period. They will never touch a PC. In fact, if you went to Indonesia or you went into India, they are not even smartphones. They are actually feature phones. Smartphones are a little bit expensive to run. So a feature phone is one of those phones that actually does not have a full screen. It has a small screen, does not have a big operating system, and does not have a lot of memory. Yet you can still do mail. You can get on the Internet with them. And most of the people, whether they are in the demographic of being quite young or being a mother or a grandmother are getting on the Internet with wireless devices. That is what the future is. So while you might think of this little device as being the sidekick for your PC and sometimes you use it and you hate having to actually type anything on it because it is really awkward, there is a whole demographic that is not represented in this room, that believes that is just the way it is. And when I get on that old clickety-clacketly thing, it is just for school. In fact, I follow somebody in Twitter and his son, when the Macbook Air was announced and there was much to do in the Bay Area about it. His kid tweeted, "Dad, is the Macbook Air an iPad for old people?" Because it had a keyboard, right? Is anybody confounded by virtual keyboards or at least AutoCorrect? Come on, on AutoCorrect? You got to be there. Kids do not care. They just do not care. And it just is. And that is what the future is. So, the PC: start thinking of that as your sidekick because that is where we are going. Okay, mobile commerce. I just showed you an example of mobile commerce. There is a wonderful opportunity on the Internet that is basically closed loop advertising. And if you think about closed loop

advertising, you are on the Internet and you see some really wonky advertisement that does not have any relevance to you. I do not know how many advanced degrees are represented in the room, but I guarantee you that you have been marketed for an advanced degree, regardless if you have one or not. Because targeting technology is not quite up to snuff. There is a big third-party arbitrage business going on and advertising on the Web today, which degrades quality of advertising. There is a trend and it is just starting to emerge that is about closed loop advertising where you are going to see an advertisement that is actually targeted to you because you have signed the Terms of Service because you are in love with what they do for you. And you say, "Yeah, you can advertise to me and you can make it relevant." Now most folks that actually subscribe to magazines spend as much time on the advertisements as they do on the content. Why? Because you asked for it. I subscribe to AutoWeek. I subscribe to Motor Trend. I subscribe to Golf Digest. I subscribe to all this stuff that are about my personal passions. Now if you knew that about me, you could produce an advertisement to me that ended up on this device. I saw Golf Digest on the Web. I was given an advertisement. I was in a logged in state, you know who I am. I have an advertisement on this device because I have logged in on Golf Digest as well. I walk into a store. I say, "Scan this coupon." I execute it. I have advertised on the Web. I have actually gone all the way to the purchase of the good or the service. And I love it as a consumer. So the controversy right now sort of if you are a Web user and you are getting free services like the Web is free, right? Not really, it is monetized, makes a lot of money. Google, Facebook, Yahoo!, they all make a pretty good amount of money and there is an entire emergence of folks that do and are all going to be moving into what I would call real commerce. Has anybody heard of a company called Square? Is anybody using Square as a merchant? There is one person in the room. This little device that you see at the bottom of this iPhone, and I have got both their apps, I have their merchant app and their consumer wallet on this device. This little guy actually allows you to put that little cube into your iPhone and scan cards. So if you have got your phone with you, you are in your store. And if you think about the power of trying to create commerce for some little startups who are a little bit intimidated by how do I become a store or how do I actually start marketing goods and services? All you need to do is register on the site. They will send this to you free of charge. You upload your data, you accumulate and attach your bank account to the software that is on your iPhone or your droid, and off you go. Not only that, if you have the wallet software on your phone, you can actually walk up to somebody who is running their software at point of purchase and it knows that you have an account or a relationship with them. And if you imagine the coffee scenario, which is the one that they like to use on their website, it would actually know that I am coming up. It would know, "Hi Blake, here's your latte" before I got to the counter. It would debit me. I would pick it up and say, "Thank you very much." And off I go. What does the business get in return? Data, tons of data. And it is all about this amazing amount of metricized information you can get about me that makes my experience better, forms a relationship between me and the business, and makes the business so much more powerful. And it is just simple. Super-simple scenarios that are so darn practical, you just say, "Well is that really technology?" I do not know. So let us talk about social for a minute. Just to completely morph to a completely different subject. I know again this is not a demographic that is on Facebook 24/7, but the

trend and what VCs are funding right now in the Bay is about real social relationships. And it is central to kind of the most meaningful experiences you can have online. So give you an example. So who has a Facebook account here? Look at that. The demographic is wide and deep. Who has more than 200 people in their Facebook group? Come on. Be honest. 500? A lot of you. All right. So I am up to 1300 or some stupid number. There is a pretty well known scientist at Yahoo! named Duncan Watson. Duncan published a paper that its premise was: between 0 and 500, you are going to choose 0. And his premise was about if you are going to do a broadcast of something that is highly personal, you are going to think about it. You are going to think twice about it and then you are not going to right anything. Now that theory starts to erode when you move down in age. Right. But it does not go away. I will give you two examples. I have two kids, one is a senior in high school and one is a freshman. Go back a year. The 8th grader gets a Facebook account. For 8th grade, he is in 8th grade; he gets a Facebook account as long as Dad is on his Facebook list. So he starts using his Facebook account and he changes his relationship status to "in a relationship." So I post something on his wall about being in a relationship and like, huh? And then I watch as all his buddies like just start beating him up, just giving him a hard time about this girl or is it a guy, you know? Pretty funny stuff. And my son is so like embarrassed he changes his relationship status to single again and inadvertently breaks up with his girlfriend because she learns on Facebook that he has broken up with her. The Facebook guys have been good friends of mine for a long time and I was actually at a wedding for the guy who runs Facebook Mobile in Monterey. And I live in San Luis Obispo, so I am about 100 miles away from home. And I am at a table at the reception and there are some eBay guys and a couple of ex-Microsoftees and some VCs and a couple of Facebook people. And we are sitting there and I get a status update on my phone. It says, "Epic party at Parker's house." Well my wife and I have left town the day before with, "This is your first time to show that you're a responsible guy. We're going to leave you and your brother home. You're 17. It's all good." Parker is my son. As it turns out, of course, there is a raging party apparently going on at his house. And his buddy forgot that it would be really cool to add Parker's techno-dad to his Facebook group. So he sends out a status update to all his high school friends and forgets that he copied Parker's father, right? So it starts at a pretty young age, right? And the way that people actually interact is in small groups around stuff that you really care about. And if you think about your life in general, you might have people that you go dancing with, you might have people that you talk politics with, you might have people that are in your religious group, whatever it is. But it is not everybody. So the broadcast social mechanism that we have today – and everybody will tell you, "Social is done. It's called Facebook" – starts to ring untrue over time and starts to turn into small groups of people that are passionate about things that they have in common. It is just emulating life, right? And that is what people really want the Web to do. They want it to create meaning, which they find in life. I like to use a statement that like the Internet is all about relevance and it is not about meaning, and nobody is really done a good job doing it. You know? And yogis do not go to mountaintops looking for relevance. They go looking for meaning. And the Internet has not delivered it, not yet. Right? None of us have. Frankly it is my mantra for my group at the company is to bring personal meaning to the Web. And nobody has delivered on it because nobody has that trust relationship with you.

The one that you have with yourself or your psychotherapist or whoever you tell everything to. Usually, it is only you. Crowd source content. If you are on Facebook, you are a publisher. You ever thought about that? You might have small viewership or small readership but you are a publisher. My 16 year old, now my 17 year old and my 14 year old, they are publishers and they have a readership. My oldest son has got a readership of about 1000 people. And that is what they are in. If you have a Twitter feed, you are a publisher. We actually purchased a company called Associated Content that has roughly 500,000 enthusiast writers some of which are unbelievably good and domain experts. They write because they love it. Now what we actually found was that some of these guys when you start publishing their articles, their articles actually monetize really well. So we bought this company, Associated Content, that has the mechanics of actually determining how somebody scores on a monetization perspective and how much they should be paid by the stuff that they are writing. So if you start thinking about crowd sourced, and crowd sourced just means anybody in this room could be an author. It is the Internet. You do not have to have a publisher. You do not have to have a relationship with Penguin Books to go get your ideas published. You can just do it. And people will find you. They will read you, if they are interested in your stuff. And if you are smart in the way that you actually develop. Most of the blogging platforms do this already, they are search engine optimized so you can be found. You will be read by a lot more people than you thought. And so if you think about that and start applying it to business, it is not about just authorship. When I have spoken at small business events and I did one in the Central Coast, I impressed upon the folks in the room, who were all small business people brick and mortar for the most part, that every person in their company is a marketer, every one of them: the service person, the salesperson, the person at the cash register, the person who is taking out the garbage, whatever it happens to be. Because if anybody in that store in your brick and mortar facility has a bad experience, they are a publisher. What they are going to do is they are going to go up and they are either going to go to Yelp, they are going to go to Facebook, they are going to go to Twitter, they are going to go to Foursquare, they will go to, I do not know, throw out another one.

Man 1: Reddit.

Blake Irving: Reddit. There are so many places for you to actually get your idea out. And if your idea is about somebody's business and a bad experience, it goes like wild fire. Because we all know that negative news travels, I do not know, how much faster than positive news? Lots. Right? So think about that. And think about the power of every customer being a publisher when they come into your business. They are going to be able to transmit a wonderful story or a pretty tough story. Even if you are a service provider and maybe more so if you are a service provider. So, that is the truth. Entrepreneur over big business. Yes, Jack was right 10 years ago. It was mostly big business that could afford it because it took a lot of money and a lot of capex, a lot of capital expenditure, to actually stand up an Internet service. You had to know exactly what you were going to do. You do not anymore. You can experiment. You can have

an idea. You can actually form that idea, do a good job with it, experiment, get feedback from your customers, and go like crazy. And for those of you who are in school, for those of you who are freshly out of school, for those of you who are thinking about doing something else, for those of you who are thinking about taking your small business and making it bigger or taking a little tiny business and making it look giant because nobody knows how big you are on the Web. There is nothing like it. It is a pretty fun place to experiment and a great place to work actually. So thanks.

Linda Livingstone: A little bit with Blake for a few minutes. I am just going to start with a couple of questions, and then we will open it to the audience because I am sure they have lots and lots of things they would like to ask you about. But I am going to tie what you just said back to Yahoo! so we can have that conversation. So as you think about all the things you talked about here kind of in charge of product development and product innovation at Yahoo!, how are you trying to leverage the kinds of things you just talked about here to move Yahoo! forward?

Blake Irving: Yes, a bunch of different ways. Yahoo! builds massive data systems. So, this will come as a shock to you because you think of Yahoo! as a cute little homepage. Yahoo! has 720 million customers worldwide. In some places like Hong Kong or Taiwan, we have 98% reach. It is truly a global brand. We have one single platform that powers most of those 720 million users. It is a giant technology called Hadoop, which is an open source database architecture that is huge and scalable and can bring up all of that data. It allows you to run scientific experiments and algorithmic experiments on top of it and do things that are incredibly informative to the folks that are actually using the service. The Hadoop grid actually blends advertising data, end user data, and can actually do what we call data enrichment by taking Experian data and doing an overlay, and actually doing really interesting personal, meaningful things for folks. Some of the meaningful things that we do on top of that are about doing one to few social. So we are starting to introduce some capabilities that are just starting to show up. And all the things I talked about in terms of how we deliver. We have a big idea and then you increment. You deliver a little bit of it, see how it is being used, then you deliver the rest, and then you deliver a little bit more. The notion of version control or versions really does not have meaning in the business anymore. You do not know when there is a new version because a feature just shows up. And there it is. And let me try that and see how it works and if you like it. It is interesting. The other thing that we are doing in a huge way is focusing on mobile devices first. So, most of the innovation that we have been doing are on mobile platforms. We introduced a technology called and this is no joke, Cocktails. There are two forms. There is Mojito and Manhattan, for those of you who do not like mojitos. It is basically a technology that is HTML 5, CSS 3, Javascript, and something called Node.js, which allows you to do unbelievably rich experiences on top of, not just a phone which people are expecting now with applications, but across your TV, your PC, and any device. And because it is HTML, it does not have to be an application that is specifically for Apple or specifically for Android. We introduced something called Livestand in November, which is the first

Cocktails application. It is a very rich experience that feels more like a magazine or in some cases a magazine with a video inside it or a magazine with a DVD that you can touch and you can move through the video inside it. It is just a very different way that makes a vastly more meaningful experience than the notion of web pages. If you think about just the word web pages, not a whole lot inspirational about page and web pages. But when you start actually getting experiential and start making things rich and beautiful, and it us not just flat, which most web pages are. I would say Yahoo! is flat, generally. When you go to Yahoo!, it feels like 2000, still flat, scales hugely, but most of the innovation that we will do would not show up on those pages. It will show up in what I guess I will call a parallel universe that is mobile devices, TVs, and yes, PCs as well, but kind of think of it as in the background or adjacent to. I was telling the orderly, I have shown this experience to the CEOs of most agency holding companies and marketers at Proctor and Gamble and Unilever, bunch of folks, just to get their feedback to see what they think because they have to advertise in this environment. And it is very different. It actually takes the best of TV, so the things that they've got in print, and it combine them into one. And it's interactive. And they just kind of sit back and go absolutely amazing. I want to be in early, but I don't even know what to think yet. I don't know how to even conceptualize this because it's such a departure from what we've been doing with Internet ads, which are little tiny squares that sit on a page and are meant to have somebody dancing around up on a loan application to get your attention, which has to go away. Really long answer.

Linda Livingstone: One of the other things you talked about, as all this technology evolves, is that one of the important pieces of it for the provider of it is the information that they get about the customer or the consumer. So, issues of privacy start to come into play there. That is a big discussion going on in how much information should you get? How long should you keep it? What do you do with it? You were talking about the car and I had this vision of getting into my car and it going, "Linda, I think you've put on a little weight since you sat in this seat last time." So, how do you think about those kinds of issues?

Blake Irving: I think that is going too far. I am just saying.

Linda Livingstone: I would agree with that. A company like Yahoo!, how do you manage it? I do think that people's idea of what privacy means are shifting pretty dramatically. Our children will have a completely different concept of privacy than we did, than our parents did. But how do you deal with that as you try to figure out how to use these technologies in appropriate ways?

Blake Irving: Yahoo! is actually very active in the capital and have taken, I would say, a very pro-consumer position on privacy. Quite a few companies have kind of breached that. Maybe you can think of the names. But they kind of take a position where they go one step forward and then pull back, one step

forward, pull back, to find out where the public is. We have never done that. So, we actually believe that the consumer should be in control of all their data, that we do not get to say we own these photographs. These are ours. They are yours. You should be able to take them down and when you take them down, they do not exist. We do not have them anymore. Sorry about that. And that is what the consumer wants. The consumer wants to be in control and wants to have a trust relationship with the provider. But that means I want full transparency into what you know about me. I want to be able to monitor and change what you know about me. And I want it to benefit my experience, not just my ads. There is actually a couple of laws that have been and one in Europe that has already been made but will not go into effect until 2015. I do not know if you have ever been on a website and you have an advertisement and then you go to another website and you notice that the advertisement is either the same or similar. There is technology that rests in the cookie. There is actually something called a cookie that every website has and there are pixels on the website. The whole page is made of pixels. One pixel on that website can actually tell a cookie, "This is the exact same person that was on that site." There are companies that are in that business. You did not sign the terms of service. They can actually do a data overlay and actually get pretty precise on who you are. They are not going to find your mail address, but they certainly will know your general area of where you are. And frankly, the European Union said that is not okay and outlawed it. And so, in 2015, if any of that activity goes on, a customer, a consumer has to explicitly sign a terms of service saying that is okay. The web today is not like that as you know. And so, I think the government is going to push in a way that I think is very, very appropriate because frankly, I am a big pro-business guy, but I do believe in this case that some companies opportunistically have gone a little too far. And it is only benefited advertising and has not done anything for the consumer experience. So our position is we are going to do things for the consumer experience in a big way and make sure that we take data, let the consumer control it, and then tailor their actual content and media experience around that. So it is mostly about them and their content, and then yes the ads come along with it. But it is not primarily about advertisement, which is the way the Internet has been actually grown over the last 15 years, frankly.

Linda Livingstone: Well, I am going to go to the audience. What questions do you have for Blake? Start here. Yes?

M1: Thank you, Linda. Thank you, Blake for a wonderful presentation. I'm from Jet Propulsion Laboratories. So my question is can you talk a little bit about the software startups that Yahoo! is interested in acquiring in the future or some of the spaces that they are playing in?

Blake Irving: Sure. I will not give you names. Yes, so we like companies that I guess I would say are consumer facing business that we can actually use the platform to expand other businesses. So I kn that is incredibly general, but I cannot even throw a name about because then it just raises the price.

Linda Livingstone: Only if it is somebody in the room that owns the company, then you can think.

Blake Irving: It is surprising where some of these videos and webcasts end up going. So, we love companies that actually increase engagement. Mobile companies are very interesting to us, so folks are iterating on mobile. If I use a couple companies that we have purchases recently, one was Citize Sports. Citizen's Sports is primarily a mobile play. But it is a mobile play that actually attaches itself t social. So it actually allows you to do things on a mobile device and then broadcast out to your socia network, and then allows you to bring value back. It allows an advertiser to get earned credit from be on this application and then broadcast out to a social network, which accrues value at a rate that is greater than what they actually paid for it. There is this notion of purchased value and then earned va which is how good was your program and your campaign and then where did it go. Another one is IntoNow, which I talked about a little while ago, which is a great end user facing application, really pushing the bounds. We do not think it is going to be a billion dollar business soon. And you said littl companies, so I am focusing there. But we do think the technology is so important and they were so ahead and they had patented it, which is very important. If a small company is actually patented and protected their intellectual property that matters a whole lot to us as well. And then just being able to that capability and IntoNow, I can use as an example. They did not have an iPad app. They only had phone. We gave them some more resources to do an iPad app. We threw some data scientists onto problem and basically now they can go do a TV show. Go download IntoNow if you have got an iPad iPhone and go listen to a TV show. It will tell you what you are watching. It will actually pull data out that big Hadoop grid that I talked about that Yahoo! runs. It will pull data that is relevant to what is happening on the TV, right then. And then if you are watching the presidential debates back in, I thin was when ABC was doing the presidential debates pretty early on. IntoNow was actually being used form questions for the candidates. It was making suggestions and pulling data out. It was wicked coc that is the kind of type of company that we like to acquire and then big things too.

Linda Livingstone: How do you make a determination about kind of in terms of your focus and time acquisition for kind of new products and growth versus internal development through the patents tha have and using the kind of expertise you have in house?