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## ‘YAHOO!’ FIASCO – A SINKING VESSEL NEEDS NO NAVIGATION

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Yahoo! – once considered as an internet giant is now struggling for its existence. Yahoo Inc., an American multinational technology company headquartered in Sunnyvale, California was founded by *Jerry Yang* and *David Filo* in January 1994 and was incorporated on March 2, 1995.<sup>1</sup> With more than 7 billion views per month, Yahoo is still ranked as the fifth most viewed website around the world by *Alexa*, a leading third-party web analytics provider.<sup>2</sup> Yahoo is globally known for its Web portal, search engine Yahoo! Search, and related services, including Yahoo! Directory, Yahoo! Mail, Yahoo! News, Yahoo! Finance, Yahoo! Groups, Yahoo! Answers, advertising, online mapping, video sharing, fantasy sports, and its social media website. However, the company which was a pioneer of early internet in 1990s and early 21<sup>st</sup> century, with so many operations and once valued over \$100 billion, is currently negotiating its sale to Verizon, an American telecommunication giant for a sum of just \$4.8 billion which is almost 10 times below the company’s current market value.



Source: <http://qz.com/741056/the-stunning-collapse-of-yahoos-valuation/>, accessed on October 18, 2016.

The reason for the downfall of the company is blamed on constant management turmoil over the years under different CEOs and the inability of the company’s business strategy to compete with its relatively younger behemoths Google and Facebook. Additionally, the company is currently in a deep scandalous situation which even threatens its present \$4.8 billion sales deal with Verizon.

To start with, on September 22, 2016, Yahoo made an official announcement that “A recent investigation by Yahoo has confirmed that a copy of certain user account information was stolen from the company’s network in late 2014 by



what it believes is a state-sponsored actor. The account information may have included names, email addresses, telephone numbers, dates of birth, hashed passwords and, in some cases, encrypted or unencrypted security questions and answers.”<sup>3</sup> The statement also revealed that “information associated with at least 500 million user accounts was stolen...”<sup>4</sup> The company had also advised its users in this statement to change their login passwords and security questions and answers.

Although Yahoo stated that the time period of the data breach was in late 2014, the company claimed to have known about the breach and started an investigation only in August 2016 after it came to light that data from 200 million Yahoo users were put on sale in the deep web by a hacker who goes by the name “Peace”.<sup>5</sup> And the statement from Yahoo was the result of this investigation. However, within a week of the release of the official statement, *Business Insider* came up with a report quoting an anonymous former executive of Yahoo that the breach could have exposed data of more than 1 billion users.<sup>6</sup> According to this former executive “all of Yahoo's products use one main user database, or UDB, to authenticate users. So people who log into products such as Yahoo Mail, Finance, or Sports all enter their usernames and passwords, which then go to this one central place to ensure they are legitimate, allowing them access.”<sup>7</sup> Therefore, this opens the possibility of the whole database

of Yahoo being breached that makes more than 1 billion users of Yahoo vulnerable.

Yahoo could have avoided such an embarrassing situation if it had been proactive in employing more security mechanisms like its contemporary Google. However, a report from *The New York Times* states that Ms. Marissa Meyer, CEO of Yahoo, had denied Yahoo's security team financial resources and put off proactive security defences, including intrusion-detection mechanisms for Yahoo production systems.<sup>8</sup> Such insensitive attitude towards the users' security has now resulted negatively on the company's profile after the revelation of the data breach.

Additionally, another scandal revealed about Yahoo has raised several questions about the company's integrity in safeguarding its users' information. An exclusive report from *Reuters* news agency dated October 04, 2016 reveals that Yahoo Inc. in 2015 had secretly built a custom software program to search all of its customers' incoming emails for specific information provided by U.S. intelligence officials. The company had complied with a classified U.S. government demand, scanning hundreds of millions of Yahoo Mail accounts at the behest of the National Security Agency (NSA) or Federal Bureau of Information (FBI).<sup>9</sup> According to some surveillance experts Yahoo's actions represent the first case to surface of a U.S. Internet company agreeing to an intelligence agency's

request by searching all arriving messages, as opposed to examining stored messages or scanning a small number of accounts in real time.<sup>10</sup>

Even PRISM, the mass surveillance programme of the US that was revealed by whistleblower Edward Snowden in 2013 was limited to scanning stored messages. It should also be noted here that Yahoo was also part of the PRISM surveillance programme since 2008 after initial fight back and gave in to the demands after being threatened by the US government with \$250,000 fine per day.

For the purpose of complying with the US government directive in 2015 to scan all the incoming mails, Yahoo under *Meyer* had developed a special programme/ software and it was kept a secret even from the company's security team and its Chief Security Officer *Alex Stamos*. When the company's security team finally became aware of it, they were asked to stay silent. Nevertheless, *Stamos* resigned his post and informed his team that "he had been left out of a decision that hurt users' security" and he later joined Facebook.<sup>11</sup> Therefore, the recent revelation of this scandal of such magnitude threatening the security of all its users adding on to the scar of data breach has further deteriorated the company's image and value resulting negatively on its sales bid to Verizon.

Post disclosure about the hacking and spying events in the past weeks, Verizon is now

asking Yahoo for a discount of \$1 billion in their deal.<sup>12</sup> There are also talks that suggest that Verizon might even walk away from the deal if it would have a negative impact on their company. Since the acquisition deal is supposed to close in 2017, speculating the results would not be a good idea at this moment. However, it is obvious that Yahoo has lost its negotiating power and is at the behest of Verizon.

Finally, the bottom line that all the users of Yahoo services around the world should understand is to abandon the sinking ship. All the users of Yahoo's various services could move to other similar services offered by other companies with higher security standards. Irrespective of the success or failure of the sales deal, Yahoo's services are not going to be the same anymore. Hence, it could be stated that the downfall and demise of Yahoo, if it happens in the future, would be the first biggest such event in the short history of internet.

*(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])*

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#### Notes

<sup>1</sup> Yahoo!, <https://en.wikipedia.org/wiki/Yahoo!>, accessed on October 18, 2016.

<sup>2</sup> "Yahoo site overview", <http://www.alexa.com/siteinfo/yahoo.com>, accessed on October 18, 2016.

<sup>3</sup> "An Important Message About Yahoo User Security", <https://yahoo.tumblr.com/post/150781911849/an-important-message-about-yahoo-user-security>, accessed on October 19, 2016.

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<sup>4</sup> Ibid.

<sup>5</sup> Seth Fiegerman, "Yahoo says 500 million accounts stolen", *CNN Money*, September 23, 2016, <http://money.cnn.com/2016/09/22/technology/yahoo-data-breach/>, accessed on October 19, 2016.

<sup>6</sup> Paul Szoldra, "A Yahoo insider believes the hacked database could really be over 1 billion user accounts", *Business Insider*, October 1, 2016, <http://www.businessinsider.in/A-Yahoo-insider-believes-the-hacked-database-could-really-be-over-1-billion-user-accounts/articleshow/54617873.cms>, accessed on October 19, 2016.

<sup>7</sup> Ibid.

<sup>8</sup> Nicole Perloth and Vindu Goel, "Defending Against Hackers Took a Back Seat at Yahoo, Insiders Say", *The New York Times*, September 28, 2016, <http://www.nytimes.com/2016/09/29/technology/yahoo-data-breach-hacking.html>, accessed on October 19, 2016.

<sup>9</sup> Joseph Menn, "Exclusive: Yahoo secretly scanned customer emails for U.S. intelligence – sources", *Reuters*, October 04, 2016, <http://www.reuters.com/article/us-yahoo-nsa-exclusive-idUSKCN1241YT>, accessed on October 19, 2016.

<sup>10</sup> Ibid.

<sup>11</sup> No.09, Ibid.

<sup>12</sup> Swati Khandelwal, "Verizon wants \$1 Billion Discount on Yahoo Acquisition Deal after Recent Scandals", *The Hacker News*, October 06, 2016, <http://thehackernews.com/2016/10/verizon-yahoo-acquisition-deal.html>, accessed on October 20, 2016.