

The time-dependent role of portals

Espen Andersen, Norwegian School of Management

Cisco just last week (August 23, 2001) announced its restructuring from three customer-classified divisions into 11 more technology-focused units. This is, if not a departure at least somewhat of a change in strategic direction from their previous “one-stop shopping” strategy. Which lead me to think about portals.

Portals was something of a mantra on the Internet about 18 months ago. They are companies that collect together resources (links, products, services) and present them to customers as a collection the customer can pick and choose from. The most well known pure portal is probably Yahoo (www.yahoo.com), which organized knowledge about the net into a giant, theme-oriented hierarchy of web sites. There were and are many others, often one for each nation (in Norway it is www.sol.no or www.startsiden.no, for instance) or for special interest groups (see www.brint.com, for instance, for a celebrated if underrated example).

Portals are great when you don't know what you are looking for, since they provide a quick overview of services and allow you to drill down to what you are looking for in increasing detail. Many of them also provide a ranking of the content (so that you hit the best web sites fast) and a search facility, allowing you to traverse the hierarchy faster rather than going down blind alleys because you misunderstood something or the link was misclassified (much as what happens at a library).

However, as you get better at using the Internet, your use of information changes – you jump directly to the links you from experience know to be good, and you get better at searching. The need for someone to blaze ahead and sort out the confusion diminishes – and often that sorting can be done by hordes of users together, as is done on www.google.com, the premiere search engine on the Web. Google sorts hits according to the number of links to them, assuring that when you search for a company, for instance, the company's web page springs up first. Amazon's use of recommendation engines, which builds you a page of books you ought to read based on similarities with other customers, is another example of this experience effect.

I see Cisco's transformation as similar to that of a portal getting stale because the market is getting more experienced and wanting more direct and specialized access. Previously, Cisco had broken its business down into three lines: enterprise, service provider and commercial. Under the new organization, the company will focus on the following technology areas: access; aggregation; Cisco IOS technologies; Internet switching and services; Ethernet access; network management services; core routing; optical; storage; voice; and wireless. In other words, from McDonalds to a Chinese menu as the market gets more experienced.

Is there a long-term role for portals? I think it depends on 1) whether the market is growing (i.e., adding inexperienced customers,) and 2) how experienced those customers are going to be. I suspect that in most markets there will eventually be room for one portal, which is not as much a money-making machine in its own right as a provider of industry-wide nomenclature, classifications and perhaps ratings.

Yahoo, everyone, at low profit.

Cheers,

Espen Andersen