

Chapter 14

Impact of Web Portal Announcements on Market Valuations: An Event Study

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ABSTRACT

Organizations providing enhanced electronic services to their customers have exponentially increased in past years. The benefits of web-portals to companies and to customers are well evident and are considered an IT artifact manifested in entry points to Internet-based information presentation and exchange by communities of common interest. Despite much research done on the benefits of web portals to companies, no research exists that focuses on impact of adoption of web-portals on a company's market valuation. In this paper, the authors look into impact of web-portal announcements on company's stock prices (market value). Using event-study methodology, they provide empirical evidence on the effect of announcements of web portals on the market valuation of the company for a sample of 25 publicly traded companies in 2008. The study examines stock data to access investors and shareholders' reactions to web portal announcements. Results indicate that web portal announcements significantly and positively influence investors' perceptions toward financial worth and future prospects of the company. The authors discuss these findings in detail and present implications for both research and practice. Findings offer insight that can be used by managers and executives in understanding the role and effect of a companies' market value.

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INTRODUCTION

It has been almost two decades since the first web portals were launched. Given their utility and functions, they have been considered a “killer application” ever since they were introduced. Web portals have hailed top have endowed businesses a platform for integrating their collective services in an attempt significantly enhance user experience and convenience (Shuler, 2002). Over years, an increasing number of companies have established Web portals to “*complement, substitute for, or extend their existing services to users*” (Van Real et al., 2002). A web portal is an Internet-based site providing a wide array of online information-related services and functions to its users including search, collaboration, syndication, information, offerings, productivity tools, channel of communication, etc (Eisenmann & Pothén, 2000; Yang et al., 2004). Web portals have come a long way and have evolved in ways that was not even conceivable a decade ago. Portals also commonly used for providing access to multiple applications and databases targeted to a community of common interests such as customers of a specific company or enterprise focused to provide access to organizational information (Mahdavi et al., 2004). Today, they are complete hubs of electronic commerce, electronic communications, online collaboration and sharing, and customized and personalized content and services and they have become the most visited sites on the web (Sieber & Volor-Sabatier, 2005). Some definitions of web portal:

“A portal is an integrated and personalized Web-based application that provides the end user with a single point of access to a wide variety of aggregated content (data, knowledge, and services) anytime and from anywhere using any Web-enabled client device.” (Polgar et al., 2004, p. 97)

“Enterprise information portals are applications that enable companies to unlock internally and externally stored information, and provide users a single gateway to personalized information needed to make informed business decisions.” (Shilakes & Tylman, 1998)

“A Web portal or public portal refers to a Web site or service that offers a broad array of resources and services, such as e-mail, forums, search engines, and online shopping malls. The first Web portals were online services, such as AOL, that provided access to the Web, but by now most of the traditional search engines have transformed themselves into Web portals to attract and keep a larger audience.” (Webopedia, 2010)

Companies can provide improved customer service quality, enhanced operational efficiencies, increased collaboration and information dissemination, improved potential for revenue generation and increased savings (Gehrke & Turban, 2000; Hamel & Sampler, 1998; Kalakota & Whinston, 1996). It has been proved that introduction of new services through web portals or introduction of new web portals will attract new customer segments while improving experiences of existing customers. There are common functions of a web-portal that a company may elect to provide to its users, customers, partners or employees, which includes (Collins, 2001): Search Capabilities, Content Management, Process and Action, Help Features, Data Points and Integration, Taxonomy, Presentation, Administration, Collaboration and Communication, Personalization, and Security. Companies have realized enormous benefits through such web portals. Such initiatives should be perceived as companies’ proactive efforts to improve customer service quality, introduce newer services and reduce costs, in an attempt to improve firm performance and profits. So, such web portal announcements in media should have positive effect on the stock price performance of the company due to investor’s positive reflection on the com-

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