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Yandex Takes On Google in Emerging Markets

By The Moscow Times

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Internet search engine Yandex will take the fight to Google in emerging markets like Turkey in a bid to offset the inroads made by the U.S. giant in its home market.

Yandex founder and chief executive Arkady Volozh said Friday that the firm was likely to use its own experts to expand into new countries but would not rule out acquisitions or partnership deals.

"We are focusing on the markets with Google dominance in search ... where they have 90-plus percent market share," Volozh said, adding that Yandex would stress to consumers the dangers of one firm dominating the Internet.

Yandex is focusing on Turkey, where it has eked out a 1 percent market share since it entered the market last year.

It describes this as a base for a significant expansion and says it will look to other large markets where it sees no real competition from Google, though Volozh refused to name them.

Yandex, which raised $1.4 billion in an initial public offering in New York last year, has seen its share of the Russian search market fall to 60 percent in the second quarter from 64 percent a year earlier, according to LiveInternet.

That is partly due to inroads made by Google.

"We'll be growing 30 percent or something next year, but it's not doubling every year as we used to have four or five years ago," Volozh said. "We need to find some new markets, new opportunities. ... That could improve our revenues dramatically."

Yandex posted revenues of 20 billion rubles ($648 million) last year and has a market capitalization of $7.2 billion.

Google is also under pressure because of slowing revenue. It shocked analysts Thursday by reporting quarterly revenue growth of 17 percent year on year, the first time its growth has fallen below 20 percent since 2009.

Despite the drive to expand abroad, Yandex will defend its market share at home against rivals like Google and Microsoft, which use proprietary browser and operating systems to encourage users to use their search products, Volozh said.

Last month, Yandex launched a browser to compete with Google's Chrome. Norwegian mobile Internet browser-maker Opera has signed a licensing deal with Yandex to share its browser technology.

The Russian search engine has no plans to follow Google into the hardware market, where it builds mobile phones and tablets, but it would consider that if necessary.

"We will see where we need to go," Volozh said. "Whatever we need to preserve our market share we will do."

While Yandex is building a platform of applications to work on its browser, it expects most revenue to continue to come from search rather than display ads or paid-for services.

Apple has blazed a trail selling applications, music and video through its iTunes store. But that market is only a fraction of the size of the tens of billions earned every year in search, Volozh said.

Yandex would not rule out deals to help its expansion abroad, he added.

"That may be one of the models to buy somebody or partner with someone or just to build something from scratch," he said.

The key is to convince consumers of the importance of maintaining choice and competition.

"We have ended up with these platforms where you are fenced in. ... You can't step out of it," Volozh said. "This is completely contrary to the initial idea of the Internet."

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