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High-Tech Investors Say Accounting Rules Slow Them Down

By Lena Smirnova

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Overly bureaucratic accounting rules are one of the biggest hurdles that Internet companies face when they try to start doing business in Russia, executives of new market entrants said at Moscow's fourth TechCrunch conference on Monday.

"Launching fully in Russia involved a lot of accounting. You need to generate huge amounts of paperwork, which is really challenging," said Vsevolod Leonov, head of partnerships at Google Central and Eastern Europe. "We now have a lot of colleagues in Mountain View, California who know how to do this work."

Executives from the web-based survey solutions provider SurveyMonkey and Kayak travel search engine said that they did not have many dealings with the Russian government, but agreed that local accounting regulations were a nuisance.

This situation is not expected to improve anytime soon, despite official statements about

trying to reduce impediments to doing business.

"The expectation is that it is going to be status quo for awhile," said Damon Cronkey, vice president of SurveyMonkey. "Even with a lot of efforts to create efficiency in the buying and accounting processes, these will not impact the actual activity online for some time."

On the upside, Cronkey said there was little competition in Russia, which has helped their localized website to quadruple visitors in the two years since its launch.

Kayak launched in Russia last year and is growing 100 percent per quarter, said Andrei Verbitsky, the firm's managing director for Russia. Next year's growth is projected to be even better.

The main competition that the Kayak branch here faces is not from similar locally offered services, but rather from other emerging markets, as headquarters has to make decisions about which market to invest in more, Verbitsky added.

Russia's market is considered to be one of the most attractive both for its large size and growing Internet use. Internet penetration is at 76 percent in Moscow, 70 percent in large Russian cities and 52 percent in cities with a population of 100,000 or less, according to TNS research presented at TechCrunch.

Growth in Internet use is occurring mostly due to increasing connectivity in these smaller cities and among the older population.

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