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THE CHANGING BUSINESS MODELS OF THE INTERNET

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Moderator:

Chrystia Freeland, Editor, Thomson Reuters Digital

Panelist:

Arkady Volozh, Founder, Chief Executive Officer, Yandex

C. Freeland:

Good morning everyone. Sorry for the slight delay; there was a technology breakfast and we wanted to give everyone time to come from that to here. There was a technology delay. There you go. My name is Chrystia Freeland from Thomson Reuters. I was absolutely delighted when the organizers of the Forum asked me if I would like to moderate this conversation with Arkady Volozh. I think as those of you who are reporters on the Russian technology space will already very much know, he has done something truly remarkable, which is create a highly successful search company which is not called Google. This is really quite amazing if you look at the way that the rest of the world has really come under Google dominance, and I know that the success and the power of Yandex is both perplexing and frustrating for people in the Googleplex. I worked in Russia as a journalist and there was actually a period – Arkady, I have not told you this before – when the Googlers actually asked me to come in and have lunch with them, and they said, “What is the problem with Russia? We can control the rest of the world but these Russians insist on using Yandex.” So Arkady, how did you do it?

A. Volozh:

It is not me; it is the audience. They did it. They appreciated what we did and we have technology that is compatible and competitive. We have the knowledge and the relationships with our audience, and that is what comprises the Internet. It is technology plus media relationships and with those two components, maybe we are doing something better than anybody else here, and that is why we are popular. There are no other secrets.

C. Freeland:

No other secrets. Do you think Cyrillic helped? Do you think the Russian language was a little bit harder to penetrate? Was it easier to crush the French would-be Yandex or the Spanish would-be Yandex?

A. Volozh:

No. It is not about the language. Language technologists were available to everybody in the world, and it has been a piece of cake for the last 15 years. Before we started, yes, it was a breakthrough. We were the first to work with linguistic technologists and introduce this search, and that was back in the 1990s. Since the late 1990s everybody has it and it is not a distinguishing factor anymore, so we need to compete on all the fronts. We need to innovate in all areas of search engines. Search engines have thousands of different areas and linguistics is just one of them.

C. Freeland:

You said, Arkady, a moment ago that Yandex is competitive with Google. I have heard some great Yandex patriots actually argue that Yandex, technologically, is better than Google. Are you willing to go that far?

A. Volozh:

I would like to refrain from comparing us directly. We both are great.

C. Freeland:

He is nodding happily that you said that.

A. Volozh:

And I think it is a good advantage to the world that we have two areas of innovation in search engines, one is the west coast of the United States and the other is on the east coast of Europe. And it is just like it should be; there is a lot of innovation going on there and a lot of innovation in technology happening here. It is not only in search. Skype was developed here in Estonia, Norway has their own search engine called FAST, if you remember the name, they have their own browser as well, and Finland has Nokia and Angry Birds, of course. There are a lot of Internet companies in Russia; it is not only us. There is VKontakte and the rest, and there is also a lot of innovation going on in the south. Israel is the second largest by evaluation on NASDAQ, with maybe 2% or 3%.

C. Freeland:

Were you ever tempted to just sell to Google?

A. Volozh:

We had some discussions ten years ago, friendly discussions, but it was very early days, and actually all those discussions were mostly about how to compete against the whole dominance of Microsoft or how these two small companies could survive in this Internet world. It was many, many years ago.

C. Freeland:

Arkady, I would like to ask you a little bit about yourself and your own journey from being an engineer to being an entrepreneur. When you were studying, how did you see yourself? Chiefly as an engineer focused on the issues or did you have great entrepreneurial dreams?

A. Volozh:

I graduated in 1986. There could be no entrepreneurial dreams in 1986.

C. Freeland:

You could have sold blue jeans or something like that.

A. Volozh:

Yes, okay. Even then it was too early for blue jeans. Blue jeans came in 1987 or 1988. So in 1985 and 1986 when I was graduating, there was a clear career path for a Soviet scientist. You graduate with your masters, you get your PhD, then you are a doctor of sciences, and so on. So you need to prove some theorems, you need to write articles – a normal scientific career. And that was the obvious path for all of us.

C. Freeland:

And did you like that path? Did you like that world?

A. Volozh:

Yes. I simply had no idea that something might change, and yes, it was interesting, there was a lot going on actually, a lot of life was in those technologies and mathematical knowledge. So yes, it was interesting. Then, suddenly everything changed; a lot of new opportunities appeared and we started thinking how to apply our knowledge. It was challenging, actually, not just to prove a theorem but to see how it changes something in the world. That is how it started when we started searching in the patent database in 1989.

C. Freeland:

And was that a hard transition to make just for yourself, to go from just thinking about the ideas, to thinking about how they affect the world?

A. Volozh:

No. It was the opposite. It was hard to resist for me. When you see something which could be changed so easily, it is hard to resist not to start changing it. We had a lot of knowledge which could help to change things and the whole country needed change. Everything could be improved. You just had to do something small and you could see how things changed dramatically. It was a challenge to apply all of the knowledge to real things and it was much more interesting than to prove just the theorem. So I dropped out of my PhD program.

C. Freeland:

Were you parents worried?

A. Volozh:

Yes. My parents were worried. My wife told me that I should not go outside of science. I should not do something like this; that it is dangerous and it is not how normal people behave.

C. Freeland:

Do you ever remind her of this moment?

A. Volozh:

Yes, sometimes. We did it, now we are where we are. There are still a lot of things that will change here and everything still continues to change. The change is not only in our area, but life as well continues to change. Everything is growing very fast. In our area it is doubling or increasing in double digit percentages, so this is challenging. Now we have global competition and it is also challenging and interesting to compete face-to-face with the best companies in the world. It is challenging but it is interesting and revitalizing.

C. Freeland:

So Arkady, you have described how you made this leap from pure science and ideas to thinking about how you can change the world. You had to make another leap to go from this idealistic technologist thinking about his ideas will change the world, to running an actual business. What was that transition like and how did you do it?

A. Volozh:

There was a time when I was absolutely sure that I should quit as soon as the company grows from 30 people to 100 people.

C. Freeland:

Was that because you are not a manager?

A. Volozh:

Yes. I hate all this, but now we have more than 3,000, almost 4,000 people now, and I am still here. Actually, it is not me personally who manages such a big company. Of course, we have a lot of great specialists in all these areas who actually do the work. I just sit here. Yes, the company is growing and we need to grow more because we now want to serve more than just our Russian speaking markets and to try to apply our unique knowledge to something else.

C. Freeland:

Just on this transition from being a technologist to being a manager, that is not a uniquely Russian challenge and it is quite familiar in the American experience for the technologist who invents the company to hand over to a professional manager. That has been the Google experience, for example, and now they have gone back again. Do you imagine ever doing that? Have you ever been tempted to do it? Why did you not do it?

A. Volozh:

I dream of doing that and I am sure that sooner or later it will happen. Of course, in personal dreams I dream of thinking of new areas where technology could be applied, new markets, something like this.

C. Freeland:

Being the great strategic visionary?

A. Volozh:

Yes. Actually, I am talking as though it is all boring, but it is actually very challenging and it creates a lot of energy. It has its own challenges and it is interesting.

C. Freeland:

Arkady, I would like to generalize the conversation a little bit for a moment and talk a little bit about starting a technology company in Russia. There has been a lot of talk already at the Forum about this and about how this is the future of Russia. Can it be? How good an environment, how favourable an environment is Russia for technology startups?

A. Volozh:

I think that the environment is good here when you have a lot of opportunities, a lot of growth, a lot of things to change, and we definitely have a lot of things to change here. I remember the times, maybe five or six years ago, when

everybody was saying that the Internet is done, it had been captured by three companies and nothing is going to change. It was, if you remember, it was Mail, Yandex, and Rambler at that time, and now everything is completely different. The landscape is different. There are still new companies emerging, big companies – VKontakte and others – and there are a lot of new startups, an enormous amount of new initiatives and groups going into all areas. In the last three or four years, we have seen hundreds of startups emerging, and that is a lot. There is an enormous amount of initiative going on, and some of them are growing; some of them are not – and that is normal. I think 90% of them should disappear and start something else, but 10% will survive and will be the next VKontakte and Yandex.

C. Freeland:

Is the brain drain, or maybe 'startup drain', a problem if someone is a brilliant 21 or 22 year old Russian technologist, how much does he or she think: "You know what? I am just going to move to Silicon Valley and get a great job there."

A. Volozh:

The brain drain exists and it is maybe growing but it is not a problem, because we have been historically the source – and not only us, the whole world was the source – of the brain drain for the United States and California in particular, in technology, and maybe Canada for hockey. But it is not a problem we have and I think we have an infinite source of new talent growing up somewhere here from nowhere.

C. Freeland:

So tell me a little bit about this infinite source of Russian talent, because I also talk to people who are very concerned that this very powerful Russian mathematical and scientific educational tradition has decayed, and that Russia is no longer producing these extremely talented people who go on to found a Yandex.

A. Volozh:

This is just not true. It does not correspond to the facts, and the facts are that we still provide the best winning teams for all kinds of technology Olympiads: programming, mathematical, physics. Russian teams are normally among the top ten teams, and we have three or four Russian teams and that is more than the Chinese or anybody else. So we are still the source of this talent. On the education side, we still have a very good system of fundamental education. Whatever happens to education here, it still exists and people here still get educated in a very deep way in technology. We had a problem of applying this formal deep education to the new fields of computer science and other application fields. It was a challenge. So the whole system of fundamental education exists, the system of selecting the talent, which is also important, exists. This is not a challenge but the task was to train them to the level of contemporary computer science and other fields.

C. Freeland:

So what did you do about that?

A. Volozh:

Five years ago we started the Yandex School of Data Analysis, which is a two-year master's course for programmers, actually. We take people from the mathematical departments, from the physics departments of the best universities: Moscow State, Moscow Physical Technical, and the Higher School of Economics here in St. Petersburg. Now we also have one in Minsk and Kiev. So we take 100 to 150 of the best-trained students and we train them for two years to be the real specialists in the new fields of computer science, and that is how we grow the next generation.

C. Freeland:

Do they have to go and work at Yandex when they graduate?

A. Volozh:

They have an option, and maybe half of them do that but the rest go to work for other companies.

C. Freeland:

I just have a final point on the question of Russian technology space. What is the role of Skolkovo in all of this? Is it a positive factor? Does it really make a difference?

A. Volozh:

We have a lot of private initiatives in technology; so a lot of startups which are financed by private institutions. Skolkovo, the Russian Venture Company, is a good addition, and it is not only money; it is a good message. This is the right thing to do and I think this is the most added value which Skolkovo and the rest of the institutions provide. It is not just pure money. It is the way to say to the young people, to the whole country, that technology matters, that Russia has something more than just barrels of oil. We have, at least now, the second area of speciality in the world. Look at rockets, look at GLONASS, look at search engines, whatever. We have strong fields which could be applied everywhere in the world, and it is not just oil and gas. This is a strong message which Skolkovo and other institutions help to deliver, and this is very important.

C. Freeland:

Now I am going to ask Arkady a few more questions and then when we have 15 minutes to go, it is your chance to ask him questions, so please prepare yours. So Arkady, you spoke about Yandex's global ambitions and how that is the next area that Yandex has to move into. Tell us about them.

A. Volozh:

We have won in this one market, and to win in search means that you have something like two thirds of the market. You cannot own 90% of the market share when you have a choice in search. When you have several key players, the audience tends to split between different search providers. In the United

States the audience is split between Google and Bing; in China, they are split between Baidu and Google; in Korea, the Czech Republic, and in Russia, they are split between Yandex and Google. So everywhere where markets and the audience have a choice, they tend to split, but there is half of the world where choice just does not exist. There is just one choice of a search engine, just one choice of a social network and so on, and the market share there is completely different; it is 90% for one, and peanuts for all the rest.

C. Freeland:

And who is the 90%?

A. Volozh:

It is Google, of course, in search; in social networking it is Facebook. So after noting these differences there are two kinds of markets – competitive markets and non-competitive markets – we thought that maybe, if there is room for a second player on any competitive market, we should try it. Why not try to become competitive before the next player? Maybe we are going to win later, but first we need to become the number two before we become the number one. So we started this experiment, small experiment, which we can easily afford, with just one country now, one market, which is Turkey. We launched a little bit more than half a year ago, we gave it a time frame of a year or maybe two years to look at how it goes. It is a very interesting experiment and it is actually a startup. When I started I was competing with one of my sons, who had his own site, his own startup. We were competing to see who could get the bigger audience, me in Turkey or him with his startup.

C. Freeland:

And who is winning so far?

A. Volozh:

Initially it was him for several months. Now I am.

C. Freeland:

You do have more resources than he does.

A. Volozh:

Yes, of course. Sure.

C. Freeland:

How often do you compare?

A. Volozh:

Monthly.

C. Freeland:

Monthly. Okay.

A. Volozh:

Now we have started to grow in Turkey. When we came we actually offered a new model to see the world on the Internet. They had no choice, they did not know that a choice was possible. For them the Internet was like a plumbing system. Who chooses between two plumbing systems? You have a plumbing system in the house and that is enough. The idea that the Internet is not a plumbing system, it is more like a television or a newspaper; yes, you can choose between two or more. It is new for the market; it is new for the audience. So now they are starting to get accustomed to the idea that a choice exists, we need to build our brand there, to let them know that we exist. We came there with a set of services which were better than what they had, or had never existed. For example, maps in Turkey did not have building numbers on the streets before last October, they never saw panoramic views, street views. Now they have it. They did not have automatic traffic information collection, now they have it, and there is a lot of hype about that in Turkey. CNN Türk now transmits the traffic information, which is a new product that they did not have before. There were a lot of other services which they just did not have. So we came there with new

services, and then the task was to tell people that we had come, that we exist, and this is a normal routine task of brand building. That is what we are doing there now. Then, maybe in the autumn next winter we will see where we are going.

C. Freeland:

Okay. So let us imagine that you are extremely successful in Turkey, what is your next country going to be?

A. Volozh:

Oh, it could be anything. If the model works then we could go to any uncompetitive market.

C. Freeland:

Yes, but which one would you pick first?

A. Volozh:

Maybe the Moon or Mars.

C. Freeland:

Maybe the Moon or Mars. Okay.

A. Volozh:

You are all amused now, but we all know that by the time it happens, there will be a lot.

C. Freeland:

There will eventually. Now how about outside the consumer space? Are you thinking of doing anything there? Maybe doing something there?

A. Volozh:

Actually, we are going to announce something maybe today.

C. Freeland:

Okay. All journalists take note now.

A. Volozh:

We were only in the consumer space, and the service that we offered on the back stage had two components: algorithmic technology and big data – the ability to process huge amounts of data. We have a lot of data centres and we count the electricity that we consume by tens of megawatts. It is like an aluminium factory. The price of electricity is an issue for our economics, so not only the algorithms but also data processing. We pretty soon we realized that we have some knowledge, some understanding, of how to process huge amounts of data, and we thought that that could be applied to something else, not only for the consumer Internet. Actually, we looked at what Amazon is doing, they also reuse their data centres, but their model is to provide computational resources to a huge amount of small startups. They actually sell the service of scaling. We do not want to be in that business because we do not want to be on the consumer side of the Internet because there are thousands of different customers. But we looked at which other applications consume a lot of computations and we found several areas. One of course, is modelling, be it the modelling of planes, cars, the modelling of nuclear explosions, modelling of the weather, etc. Those areas consume a lot of computer power. Historically they have done so for the last 50 years. There is also one more area that which we, historically, all know much better than those. It is geophysics. Historically, geophysics has been one of the major consumers of computer power since the 1970s. We know that because I graduated from the Oil and Gas Institute. Our CTO, Ilya Segalovich, trained as a geophysicist; he has a degree in geophysics. Our fathers were geologists and we were born in the rural areas where they were exploring and finding the reserves.

C. Freeland:

Are you in fact a failed geologist, Arkady?

A. Volozh:

In a sense, yes. So we know the field. This is a compensation of that failure. We realize that there is a field which consumes a lot of computations, so we looked at what technologies were being used there and we were amazed at how far behind they are. They are still somewhere in the 1990s in terms of the technologies they are using.

C. Freeland:

So all these rich, smart oil guys do not have good technology?

A. Volozh:

Maybe they have so much money they do not have to bother about it. Of course, I am exaggerating. They are very advanced in their methods and in their algorithms, but on the pure computational part, the Internet for the last 10 or 15 years has advanced so far ahead of everything else that we really have the methods of data processing which could be applied in areas which do not exist yet. We tried it. We knew a company called Seismotech. They were famous for their methods, and we asked them to try to apply our parallel cluster computations to their methods and their processing workflow was that they were working, taking the data throughout the summer and then calculating throughout the winter, because each round of computations took weeks or months. So we invited them to run it on parallel clusters and instead of 26 or 28 days in half a year of fine-tuning, they got four hours, and that is a big difference.

C. Freeland:

Wow. So they were not using parallel clusters?

A. Volozh:

Not the way we do it. It was parallel computations but in a different way, and we actually allowed them to use our methods and they showed amazing results. So we thought, well, maybe we should do something about it. We have our network of data centres which are always underutilized by definition. We need to have

spare resources, and we also find that we always have 20–30% of resources underutilized. So why not try to run something there to generate added value in that field, and at almost no cost to us? And it could work. So today is maybe the time to announce that we are making a small investment into this small research group; it is not a big company, it is 20 or 30 people now.

C. Freeland:
And how big will your investment be?

A. Volozh:
It is just USD 1 million.

C. Freeland:
Just USD 1 million. Yes, we do that before breakfast, all of us.

A. Volozh:
Yes. We have a fund in the Yandex Factory which does this kind of investment many times a year, so it is just a small investment into the growth of a customer. If they grow, and if this model works for them and they become so much more effective, we hope we are not going to work with a large number of customers, we are going to work only with them to give them access to our data centres. They process data for a lot of Russian oil companies.

C. Freeland:
So give us an example of who their clients are.

A. Volozh:
One of international client of theirs is Statoil, which is the Gazprom of the North Sea. There is the joint venture of Lukoil in Belarus, and several other big clients who have a lot of data to process, and they started processing data for them. If the model works then we will have a small addition to our business model. Of

course, this business model is not as big as search advertising, but it is a nice addition and it means some reutilizing of the resources we have.

C. Freeland:

If it works, could you imagine yourself going into the oil service business?

A. Volozh:

No. We are servicing those who service oil.

C. Freeland:

Okay. I am going to throw it open now to questions. We have about ten minutes. We will go a little bit longer because we started late. Please.

From the audience:

Arkady, your search engine was an innovation and you built on that success. What is the next innovation you are looking for in your area?

A. Volozh:

After search we had a lot of innovation, first of all search means innovation every day. The search which you have today is different from what you had a year ago, completely different from what it was ten years ago. So search keeps reinventing itself every day, it is a work in progress. We had a lot of other innovations. We innovated in mail, we started fighting spam ten years ago, we launched data processing in traffic applications through processing the GPS tracks of motorists, we launched a product which is now the most popular maps application in the country and we have applied that elsewhere – that was an innovation. We like the services which are on the verge of pure Internet and real life, like traffic jams for example. Last year we launched Yandex Taxi, which is a project I like because it is also on the verge, something that you have an application for on your iPhone and you can use it from the web. No, it does not work in St. Petersburg yet, but the added value there is when you aggregate a lot of taxi parks. The taxi industry is very diversified and when you call one taxi company

they have, I do not know, maybe one thousand cars, and you could wait for half an hour for one of them to come. When you have 30 parks and 10,000 cars, you are guaranteed to get a car ten minutes after you ordered it. It is not as much about the technology but a good innovation on the verge of the Internet and real life. So these are examples of other innovations which continue to happen.

C. Freeland:

Okay. Are there any more questions for Arkady? Please.

From the audience:

You mentioned that you had shared your technology with one small company. Do you yourself use technologies developed externally? And how do you feel about the open innovation approach?

A. Volozh:

A fairly large number of our projects are developed not only in-house, but are also outsourced.

So the question: was do we use outside developers or only in-house? All the key technologies are, of course, in-house, but a lot of projects which you all use have been developed by outsourcers, and we have dozens of different companies working for us. For any mobile application you need to support half a dozen different platforms. You do the kernel work in-house then you outsource to all the platforms – that is a good example of outsourcing. So yes, we do outsource a lot.

From the audience:

Arkady, it was said that the future lies with platforms like Android and iOS, that platforms now define the way in which information is consumed. Will Yandex one day show up in the list of Safari results by default?

A. Volozh:

I would like to believe that it will. I do not have any announcements to make about this right now, but given the way in which the situation is developing, this is bound to happen.

From the audience:

And how will this happen? The platform determines what the strategy is. For instance, Apple decided that it will not use Google, and substituted its own maps for Google Maps. Does Yandex feel threatened by such a strategy? Soon searches will be done on mobile devices, and not via Explorer.

A. Volozh:

This is not a threat, it is a new fact of life. Under any circumstances, the best product wins out. It is true that the product delivery conditions are becoming more difficult. But we are just as important to the distribution channels as the distribution channels are to us. The distribution channels compete amongst themselves, and it is important for them to provide the best possible service.

From the audience:

Do I understand correctly that it is profitable for Google on Android to also have your search engine on there?

A. Volozh:

I think that it is definitely profitable. But they have different view. Perhaps you have heard of the Open Handset Alliance. Well, it is only truly ‘open’ if you use Google on such devices.

C. Freeland:

Great, let us have some more questions.

D. Fonov:

Dmitri Fonov, RIA Novosti.

A few days ago we found out that Vladimir Dolgov has left Google Russia. In your opinion, what impact will his departure have on Google's market position in Russia?

A. Volozh:

That is a question for Google. I do not know whether Yandex will be better or worse off because of this, we are not directly involved in these events.

C. Freeland:

Okay. Are there any more questions? We probably have time for one or two more. Yes, please.

From the audience:

It is good to hear that Yandex is expanding its business in Turkey. I was wondering, you just spoke about putting your brand on the Turkish market, but how did you do that exactly? Did you do that by using the advertising of the local online search engines? It must be difficult to put your brand in a new market.

A. Volozh:

No. I do not think it is difficult to put a brand in a new market. It is a more or less a mechanical effort. I mean, we are not the first brand to be introduced into a new market, and Turkey is not the first market where new brands are introduced. So we are just a new brand on a new market and there are more or less standard ways to build a brand, and that is what we are doing. We are using offline advertising, we use phone line advertising, we use PR, we work with audiences directly through universities, and so on. These are just the usual ways to get people to know you, and it is not a miracle. It works, but it is not a miracle.

From the audience:

True, true. I truly understand that. This morning I was at the breakfast about the globalization of the Russian IT industry and I think you are a perfect example of that. The thing is there is a lot of potential out there. I work for the Dutch Government and we highlighted Russia as one of the potential partners for our nation to further develop our top sectors worldwide, and today there is a seminar also about this. But I found in Holland, there is no understanding about where the Russian IT industry is and it is very difficult for Russian companies to tap into the market. Do you have any suggestions for them maybe?

A. Volozh:

I think it will change. Ten years ago nobody could imagine that Russia would have its own technology companies on the Internet and it would not be the same as in Europe. Now we have it. It is a fact. I think the new challenge for the next 5 or 10 years will be to prove to the world, to deliver the message that Russian technology exists, and to explain what we are doing, how we are doing it, and what could be achieved. The Internet is not the first to deliver this message. We gave the example that if you have the iPhone 4S today or a new Nokia phone, you have a dual chip which supports two geo positioning systems and you have much better coverage or much better precision for geo positioning, and it became possible through GLONASS, the second system launched after GPS. In Russia, it is the second to launch, in Europe, maybe it will be several years after, and in China, maybe five more years. Yes, we are technology strong. You can see these examples which could be used in devices for the entire world. Even in the Netherlands GLONASS is available and this is direct usage of Russian technology.

C. Freeland:

I think that was an excellent question. I would just ask you, Arkady, maybe to elaborate in one small way. Do you agree with the central point that Russian technology and the Russian technology sector is still not that well known outside of Russia?

A. Volozh:

I absolutely agree with this, I see it as a challenge, and this is a real task to solve. I think it is going to change, it will take time, but sooner or later I think the world should know that this is one of the areas of technology innovations like it was 50 years ago.

C. Freeland:

Okay, we have time for one last question, if someone has a very brief one? Otherwise we are going to have to wrap it up. Yes? A very short one though.

From the audience:

Yes, just a very short one. The topic of the session is new business models for the Internet, right? There was a lot of hype about the monetization of services online and that was the driver for Facebook's IPO, etc. Do you see any new business models for Yandex apart from search advertising?

A. Volozh:

Today we live on search advertising, which has been a very good business model, a stable business model. We have many, many customers there, so it is stable by the number of customers. But, of course, it is just one business model. Display advertising is growing but it is not growing as fast as search now in Russia. There is also a business model of selling intangibles online but it is also very small. So we do not see anything which is comparable in size to search advertising right now, but we are experimenting with a lot of other models. These include geosearch – a kind of yellow pages business directory, these are intangibles. There is also display, of course, and we work a lot on display advertising targeting in our network. But so far, the models are not as big as search advertising and if you look at the world, at other examples, all search advertising today accounts for more than half of all advertising online, and it is growing. Also, it is ten times larger than selling anything intangible online – iTunes, the stores, and so on.

C. Freeland:

Okay. And now, Arkady, just by way of conclusion, I am going to ask you two snap questions you have to answer them very, very briefly. Okay? So the first one is, what keeps you up at night? What is the really big worry?

A. Volozh:

I have actually two simple tasks. One is to protect our market share here, not to lose our market, and to find something new. The new for us today maybe is to try to apply our technologies on other markets, and the last thing which woke me up

was that we were starting an online campaign in Turkey and it was not in the football finals there. Now it is, of course.

C. Freeland:

Okay. And then a final blitz question. What is the new thing that excites you the most? Not necessarily in your business, but out there in the world. What is the new cutting edge innovation that you are most excited about?

A. Volozh:

That is a good question. I do not know what excites me. I had a presentation in Turkey and I was asked, how can you surprise us, and what new thing can you bring to us? And I was thinking indeed, what is new, it is just search, it is just mail, it is just maps, it is just news, it is just what we had, or it is just the new devices. Who cares about the new Apple? It is just Apple. Or Android? It has been there for ages. I think it is impossible to predict anything in technology. The only thing you can predict is that it is going to be changing and there will be new news every month, and when I replied to that question in Turkey, I said that the innovation that we bring to Turkey is that we bring choice. You cannot explain what new thing you fine-tuned in search last month, but you can easily explain that now you have choice. So Yandex now brings choice to the people of the earth – that is the new innovation.

C. Freeland:

Okay. Choice to the prisoners of the Google Gulag, how is that? So thank you very much, Arkady. I hope that everyone will join me in thanking Arkady for a really fascinating conversation about a fascinating personal journey and really a fabulous company.

A. Volozh:

Thank you.