

## Executive Summary

As one of the largest internet markets in the world, Russia is a territory which many western marketers have ambitions to exploit. Just like in other forms of media, many of the first “western” success stories in the Russian search market have been the bigger name international brands. These companies – with the help of Google – have been the first to take advantage of the PPC channel in Russia, using campaigns and strategies catered to Russian audiences.

However, like China, Russia carries a strong “home field” advantage. Home grown Yandex is still the search engine of choice for users here, and unlike China where Google have tapped into the higher end market – and have indeed made a significant imprint within the market – Yandex is quite simply the preferred choice in Russia for all search engine users.

Many marketers realise that Russia is still a largely untapped market however, where the majority of its adult population are not yet regular internet users. Despite this, the use of mobile internet and broadband penetration (while off to a slower start than other countries) has been increasing rapidly in the past year.

Despite these encouraging trends, the Russian search market (and the internet market overall) still has a couple of stigmas attached to it; for instance, Yandex is very catered to letting only Russian companies advertise, while the country is also known as being one of the most common locations for unethical SEO and PPC practices (even if it is no longer the top location for click fraud anymore). While it will pay to be cautious when entering this market, for the right brand, Russia could also equate to a lot of potential.

## Methodology

Reform’s International Search Review is a series of papers based on findings in various search markets around the world. Each paper summarises web-based research with the relevant sources cited, as well as Reform’s own practical experience across various local and global search marketing campaigns.

Our research looks at how search engine usage has evolved in these markets and also at how search engine marketing tactics and distribution platforms compare in these countries. Our findings are intended to help international search marketers to identify new opportunities for expansion and to plan new market strategies.



## Russia in 2010

### Introduction

With over 42 million users, Russia is the eighth largest country in terms of internet user population, and is closing in fast on the seventh biggest online market: the UK.

Public Opinion Foundation Russia (POF/FOM Russia: <http://www.fom.ru>) calculated that in the autumn of 2009 there were 42 million Internet users in Russia – 36% of the adult population, rising to as much as 60% in larger cities such as Moscow.

Despite this healthy market size, compared to some of the other Asian markets, Russia's broadband population has been much slower to move up the list, as it is currently only the 14<sup>th</sup> biggest market of broadband users, with 5 million users (in a country of 141 million people). While many Asian and ex-USSR markets have high broadband penetration, Russia is currently ranked at 46<sup>th</sup>. Estimates cite that broadband usage is in the 15-20% range of the overall internet population, and so there is much room for growth.

Like China though, mobile internet usage in Russia is growing faster than regular internet usage – and another similar trend is that just like China, many western marketers find Russia a difficult search market to break.

### Russia – Market Statistics

**Internet usage:** 42,000,000 internet users as of Jan 2010<sup>1</sup>

**Internet Penetration:** 32.3% (2009)<sup>2</sup>

**Broadband penetration:** approximately 15% (estimate)

**Search Market Share:** Yandex – 54.5% (62% when including Mail.ru), Google – 34.5%, Rambler – 1.9%  
Bing – 0.4%<sup>3</sup>

### Search engine usage in Russia

Based on Comscore stats approximately, 63% of the country's internet users (26 million users) use search in Russia. Like China, stats can be quite limited and various laws in the country give the government rights to control internet usage (including the right to block the person's internet access during what they deem an "investigation"<sup>4</sup>).

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1 <http://net.compulenta.ru/495468/>

2 ITU and Internet World Stats

3 Comscore, August 2009

4 RIA Novosti Russia News / Sept 29, 2009



Also, in late 2009, Mail.ru (who have a market share and level of influence similar to a company like AOL a decade ago in the US) were in discussions to replace Yandex search with Google. As of mid January 2010, this is set to happen with rumours citing the deciding factor being that Google would be willing to supply results for Mail.ru without re-branding the Mail.ru search pages. The agreement also allowed Mail.ru to use Google AdWords / AdSense – adding a big boost to revenue for Google Russia.

**UPDATE:** However, at this point – Mail.ru is only using Google for PPC results. Natural results are in fact from Gogo.ru, which is owned now by Mail.ru. If Google doesn't take the results from Mail.ru at some point this year, the updated search market share for 2010 might look closer to the following:

**Yandex – 54.5% / Google 34.5% / Gogo 7.5% / Rambler – 1.9% / Bing – 0.4%**

## Search engine algorithms in Russia

### Yandex

Even without Mail.ru helping the overall market share of Yandex, it is still the leading choice for users in Russia. The type of algorithm Yandex uses seems to be a cross between Google and Bing's – while the interface is somewhat similar to the Yahoo portal.

For example, the Yandex algorithm favours domain names on many popular searches (meaning that buying a keyword relevant domain for hosting your site can be more powerful on a Yandex SEO strategy than on most other engines). Compared to Google, Yandex is not as focused on link strength in its algorithm – favouring domain name and homepage keyword usage. As a result, many retail homepages in Russia have lots of text just tacked on to the bottom of the page.

Yandex also has a preference for local domains and hosting in its results, with .ru sites dominating most keyterms. Businesses listed on Yandex will often have their phone number and address listed below their listing. Local listings sometimes have a “click to call” phone number.

Natural results are heavily favoured here. This is partly because PPC activity is not as keenly contested in most sectors as it is in their European or US counterparts. Terms that may be heavily competitive in the western world (such as finance and insurance terms) have only a handful of bidders in Yandex and Google.ru (such as Страхование – which means “insurance”).



Россия, Москва Напечатать

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Figure 1: Example of a “click to call” option in Yandex local search.

Unlike in China, where a lot of more well educated users prefer Google, Yandex is the choice amongst the white collar users too – with a European agency citing that out of the better off users – 32.7% preferred Yandex and only 23.8% preferred Google (source: Bluerank.pl - Note: Of the remainder, it is assumed that users have no preference between the two or use and alternative solution.

## Google

After jumping from a 5% to a 30% market share during 2006 to 2007, Google has since remained at around this level, as Yandex responded aggressively. The set up of Google.ru though is very similar to that in the western world also, unlike in many other Asian countries.

Very few foreign advertisers buy PPC in Russia, in part due to “click fraud” potential; Russia is perennially known - and sometimes preconceived - as the market where many hackers and PPC fraud problems come from. Part of the problem is due to how IP addresses are set up in Russia (they are harder for outsiders to trace), along with general political restrictions, for example, it is harder for a non-Russian business to advertise on Yandex. However, the last quarter of 2009 was the first in recent history where Russia was not the leading source of click fraud according to Click Forensics, who states that Ukraine is now the leading source.<sup>5</sup>

Still, one has to look towards busier sectors such as travel (which several studies deem the most competitive sector in this market) – in which case, a handful of businesses from various European countries do bid on Russian keywords and take users to Russian language landing pages.

<sup>5</sup> <http://www.clickforensics.com/resources/click-fraud-index.html>



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Figure 2: In Google Russia, most active PPC bidders for competitive categories are from abroad. For example, the term above translates to “flights to London” – and the top four PPC listings are BMI, SAS, Lufthansa & Czech Airlines – all of whom have created Russian language landing pages (mainly for business travellers).

Яндекс

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Figure 3: While in Yandex, PPC bidders for the same term are mostly local hotel sites and travel agencies.

As for other engines, Google tried to acquire the rights to PPC on Rambler.ru, but this was blocked by the FAS, a Russian watchdog agency. As a result, this still uses partner site Begun.ru (who only rank PPC results). Google however recently signed an agreement with Live Journal (a blogging platform which is more popular in Russia than anywhere else in the world), to use AdSense on the user sites there, along with the recent Mail.ru agreement.



## Gogo / Mail.ru

While still a relatively new offering, that is still in development, Gogo looks to be trying to take the best of both worlds. It features contact info such as phone numbers in its natural results, like Yandex. Though as mentioned before, the PPC on Gogo is currently via Google AdWords.

8. [Страховая компания «АльфаСтрахование» - авто страхование, автострахование...](#)  
... 29 декабря 2009 «АльфаСтрахование» прикрывает ракетчиков Компания "АльфаСтрахование" заключила договор **страхования** гражданской ответственности при запуске ракет с Ракетными войсками стратегического назначения.  
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[www.alfastrah.ru](http://www.alfastrah.ru) — [Сохранённая копия](#) [Ещё с сайта](#)
9. [Государственная корпорация "Агентство по страхованию вкладов...](#)  
... 2010 - ООО КБ «СИНКО-БАНК» включено в систему **страхования** вкладов 18.01.2010 - О новых мерах по финансовому оздоровлению банка «Союз» 14. ....  
**+7(495) 7253141**, Москва, Таганский Верхн. туп., д. 4  
[www.asv.org.ru](http://www.asv.org.ru) — [Сохранённая копия](#) [Ещё с сайта](#)

Figure 4: Several Gogo.ru natural listings have phone numbers highlighted

## Overall search market in Russia

Yandex holds on to a strong lead in Russia, similar to that of Baidu's in China. SEO and PPC strategies are perhaps a few years behind, but foreign sites are starting to get involved with PPC strategies catered to Russian markets on Google. Yandex PPC usage from foreign markets is very limited, as is the case for Begun.

One noticeable difference is that Yandex (while the biggest market share in SEO), does not have as much competition in their PPC results as Google or contextual ad provider Begun for that matter. But this may be due to the lack of availability in using Russian based IP's for searches.

## SEO & PPC in Russia

SEO activity in Russia is more common than PPC for businesses here. While there are some SEM agencies in Russia, there are a lot of companies that will do their own in-house search marketing, often as part of another role. "White hat" SEO strategies are very "keyword" driven, such as expanding homepage content and adding words to the homepage. As a result, SEM is still in its earlier stages here – but there is a recent surge of companies exclusively dealing with online media, and foreign company interest, bringing a good turn out at conventions such as RIW-2009 (Russia Internet Week 2009), in October 2009. At the same time, some of the stereotypes the market is trying to shed are still holding true – as it's still a very busy market for black hat SEO, such as automated spam.



Google and Yandex cost per click is relatively lower than European markets – though Google is often prone to click fraud in Russia (source: Past experience). This is partly because it can be quite easy to shield your IP address in Russia, and there are networks of bots and (hired users) that do automated or semi-automated click activity.

There is the opportunity to spend considerable budget though, as search accounted for \$200 million of search advertising here in 2007. Estimates on Google's search advertising earnings in Russia are difficult to find, though estimates cite earnings of \$10 million in 2007. Still, it looks like many of the bigger spenders are the more global companies, looking to build a presence in Russia – most of whom usually go into Google first when testing out the market.

Begun.ru is another PPC platform in Russia, which provides content match ads for several portals and sites in Russia, along with the PPC on Rambler. They have also been working on “mobile” ad targeting in the Russian market. (Source: Begun.ru press release October, 20, 2009)

## The relationship between social media and search in Russia

Social Networking in Russia - While search usage in Russia use here may be a step behind its corresponding markets in Europe and US, social networking usage is alive and kicking. Russia was declared the “most engaged social networking audience” by Comscore, via their World Metrix audience study in July 2009.

The average user in Russia spent 6.6 hours per month on social networks (highest in the world out of 38 countries that were reported), compared to a worldwide average of 3.7, 4.6 in the UK and 4.2 in the US. Average pages per visitor was also the highest, with 1,307 social networking pages visited per month in Russia (compared to 487 in UK and 477 in the US).

59% of internet users in Russia use social networks, with Vkontakte.ru the most popular one, with 14 million visitors. Odnoklassniki.ru was second with 7.8 million visitors, while Mail.ru had 6.3 million. Fotostrana.ru was 4<sup>th</sup> with 1.6 million users, while Facebook was a distant 7<sup>th</sup> with 616,000 users. MySpace was even further down the list, with only 371,000 users.<sup>6</sup>

Other places cite that almost all social networking users in Russia use their account regularly too, as a sort of one stop email / blog / communications replacement. FOM cited that 93% of users use their accounts on a regular basis.

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<sup>6</sup>[http://www.comscore.com/Press\\_Events/Press\\_Releases/2009/7/Russia\\_has\\_World\\_s\\_Most\\_Engaged\\_Social\\_Networking\\_Audience](http://www.comscore.com/Press_Events/Press_Releases/2009/7/Russia_has_World_s_Most_Engaged_Social_Networking_Audience)



Twitter usage in Russia is still relatively low, but in Sept 2009 – Yandex announced a partnership with Twitter.<sup>7</sup> The recent Twitter partnership was integrated into natural results – before Bing or Google did so in the US. Features such as “top twitter users” are part of the Yandex site now – <http://blogs.yandex.ru/top/twitter>.

## Russia 2010 search market forecast

According to several sources over the past couple of years (e.g.: <http://www accuracast.com/search-daily-news/ppc-7471/russian-online-ad-market-expected-to-sky-rocket/> and <http://www.emarketer.com>), search spend was expected to increase between 2008 and 2010. However, with claims of the market hitting \$600-650 million for 2009 and over \$1 billion for 2010 now behind pace, the market has performed below its expectations.

Google should be expected to pick away at the market share (especially if the boost from Mail.ru comes through on the natural search side too), but expect Yandex to hold the majority share. Like in China, the government will often veto any major acquisition attempts by Google (such as Begun.ru) – which will prove an obstacle. But if foreign companies continue to do their Russian market spend primarily on Google, this may help them out over the next couple of years – as users will find a relevant return on commercial searches such as consumer goods, products and services.

The market however does not possess a fast take up of technological innovations – with research showing that in human technological development, Russia was 74<sup>th</sup> out of 124 countries surveyed in 2008<sup>8</sup>, while broadband take up is also relatively slower than other markets too. Mobile internet usage though is increasing at a faster rate and should increase throughout 2010. Regardless, the Russian search market (SEO and PPC) is very much an open field. Though some might deem it a mine field – as even in 2009, even campaigns we have worked on were exposed to a somewhat frequent bout of basic level click fraud attempts. This will need to be closely watched by any business looking to make an entrance into the Russian market.

Broadband usage does look to be on the rise for 2010, with some sources citing that the take up in the past year has doubled, from 4-5 million<sup>9</sup> to 12 million in January 2010<sup>10</sup>.

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<sup>7</sup> <http://www.russianmarketer.com/yandex-adopts-twitter-in-russia>

<sup>8</sup> [www.Bluerank.pl](http://www.Bluerank.pl)

<sup>9</sup> <http://www.internetworldstats.com/europa2.htm>

<sup>10</sup> <http://www.telecoms.com/17513/fixed-broadband-subs-approach-500-mil>



## Market summary

- Yandex is the clear market leader in Russia, and is the preference amongst users.
- Google is catering to international marketers better than other local Russian search engines.
- Foreign companies are using landing pages / campaigns for Russian audiences.
- Overall, SEO is still a few years behind (though black hat SEO can be quite advanced).
- Broadband take-up is also quite slower than most large countries although mobile use and social networking have been adopted at a faster pace though.
- Mobile SEM is looking promising in Russia, with 22% of Europe's total market share in mobile usage<sup>11</sup>.
- Content match search works well and Begun is the main player in this space.
- Russian-based sites and domains have a clear advantage in PPC, especially in Yandex.
- Watch your click data and PPC spend in Russia very carefully due to click fraud.

**The next issue of the Reform International Search Review will be Issue 3: South Korea**

## About the Reform International Search Review

While information on the search engine marketing industry in the US and UK is readily available, insight into other search markets around the world can sometimes be harder to find and is often contradictory. As a result, Reform's international team of search marketing consultants is pleased to present the third of several research papers on other key and emerging search markets around the world.

With many western marketers increasingly adopting a global perspective and with internet usage, mobile usage and broadband internet access rapidly developing in several countries, having the right kinds of knowledge and information are the key to success. At the same time, many marketers within these 'unchartered' countries are only beginning to see what the benefits of search engine marketing are, with SEO and PPC both in early stages of development in some cases. As transparency in ROI is key in today's global businesses, search marketing is starting to take centre stage.

With its International Search Reviews, Reform adopts both a business and a consumer perspective in examining each local search market, so that its findings will help brands to understand local search behaviour, and to develop the most effective strategies for converting this behaviour into meaningful engagement and customer conversion through search.

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<sup>11</sup> <http://searchengineland.com/look-to-europe-for-mobile-sem-lessons-32741>



With major western search engine players such as Google and Yahoo! focusing their international strategic efforts on targeting new users in Asia, this territory seemed an appropriate starting point for Reform's international search marketing research globetrotting. Customised interfaces and applications which attempt to cater for the huge range of internet users across Asia are only the tip of the iceberg as we begin to monitor market development. User interaction and requirements with search engines are varied from market to market, and Reform uses this local knowledge to gain insight in order to shape audience planning strategies.

## About Reform

Reform is a search marketing business with offices in London and New York. We have unrivalled experience as leaders, innovators and practitioners in the search market. We design and implement practical search solutions for brands and businesses – from SEO and PPC to strategic and operational planning and auditing, product development, training, agency and technology selection, and market research.

At Reform we believe that search is an essential communications and business planning tool. Search facilitates a better understanding of target markets, consumer behaviour, and competitor strategy – insight which not only informs marketing but business-wide intelligence.

Reform delivers transformational search that drives meaningful business growth for our clients, including brands, in-house search and procurement teams, agencies, investors and trade bodies. Clients include the IPA, England 2018, the Chartered Institute of Personnel & Development, Toptable and Angel Investment Network.

Join the debate on innovation and change in the search industry with our LinkedIn group, The Reformers. We welcome discussion and comment from search practitioners and specialists, as well as questions and insights from anyone interested in learning more about how search can impact their business positively. Please contact: Amanda Davie, [amanda@reformdigital.co.uk](mailto:amanda@reformdigital.co.uk), 020 3178 3086.