Market Watch

Internet Portals Market

June 2009

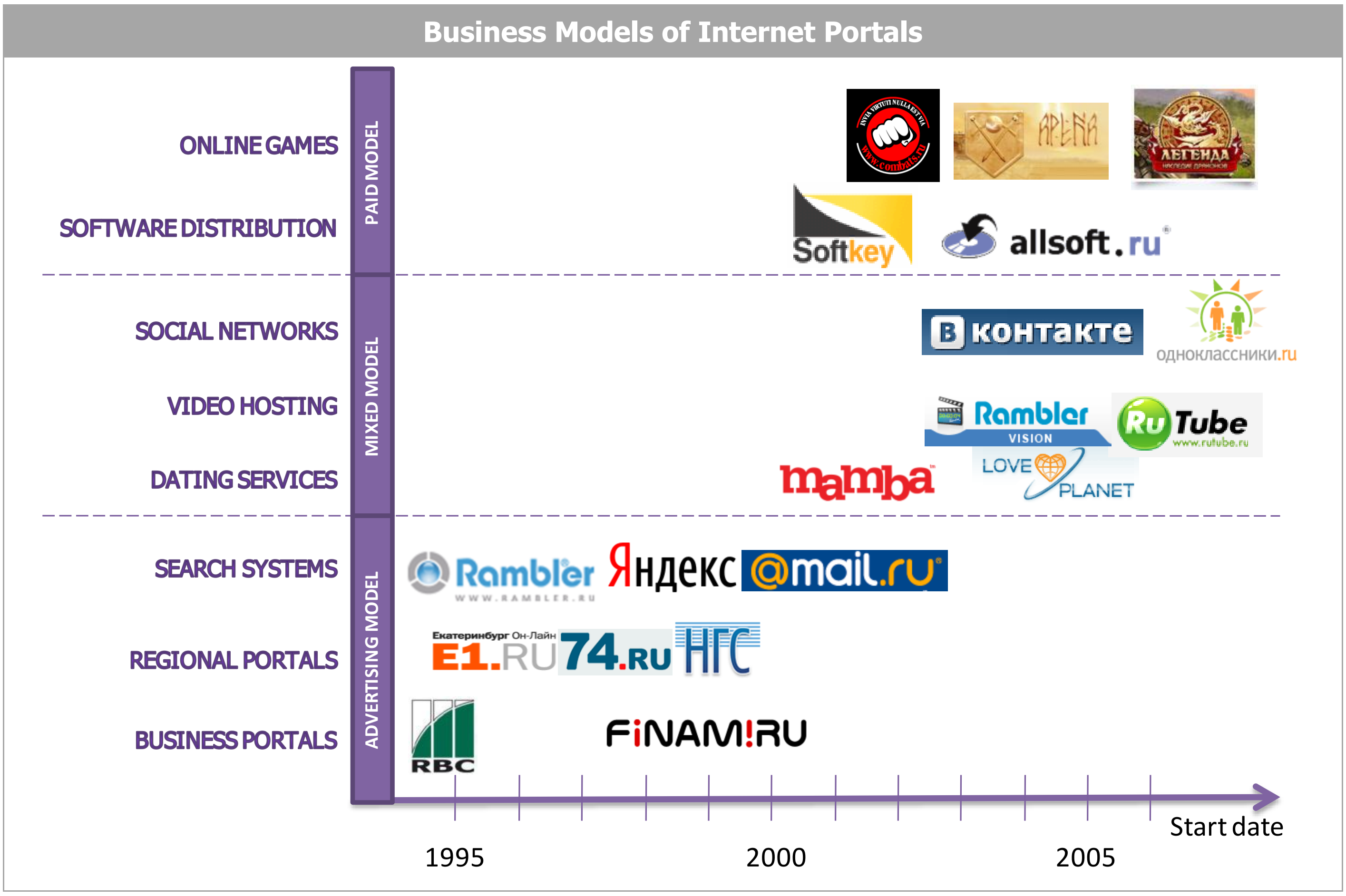
J'son and Partners Consulting presents the key results of Internet portals market research in Russia. Business models, value chains, characteristics of audience and the best practice of 8 types of portals have been analyzed within the limits of the conducted research.

Business models of Internet portals

The time of free for users Internet comes to an end, portals cease to be simply advertising platform. J'son and Partners Consulting emphasizes the web resources commercialization trend based on paid services for users.

The following types of business models can be considered:

- User pay based revenue model;
- Advertising model – advertiser pays, content is free for users;
- Mixed – free content with paid additional services for users and selling advertising space.



Source: J`son & Partners Consulting

"Old residents" of Russian Internet – the portals created in the nineties (Yandex, Rambler, RBC) – in the majority adhere to advertising model while ambitious beginners start to raise revenues directly from visitors.

There are already many alternatives of how to spend money in the Internet: from purchase of goods in online shops and downloading software to creation of an original hero of online game. It is also possible to buy an account on some online dating sites, a club card of a regional portal, and even virtual furniture. The profit from some kinds of goods/services can exceed their cost price in times.

The largest multiuser online games in Russia have absolutely refused advertising model, they receive revenues exclusively from "artefacts" and other game content sales. The absence of advertising messages is a kind of quality mark for them.

However it is one of a few examples: it is comparatively difficult to find "pure" kinds of business models (advertising or paid) – the transition is carried out gradually by introduction of the mixed model. Advertising thus is not cancelled.

For example, social networks which incomes were formerly based initially on sale of advertising space, have started to offer various kinds of additional paid services for users:

- Self-advancement (raising in a rating);
- The Expanded disk space for video and image album;
- Paid gifts, estimations and so forth.

However J'son and Partners Consulting notices that there are still restrictions for paid business model development among which is a low level of penetration of payment tools – plastic cards, Internet payments and so forth. For example, 120 million plastic cards has been issued in Russia by the end of 2008, and only 8 % of them are used as a payment tool.

Currently SMS are the most convenient payment tool for users. However it leads to rise in price of services, as about a half of SMS cost is deducted into the account of the operator of cellular communication.

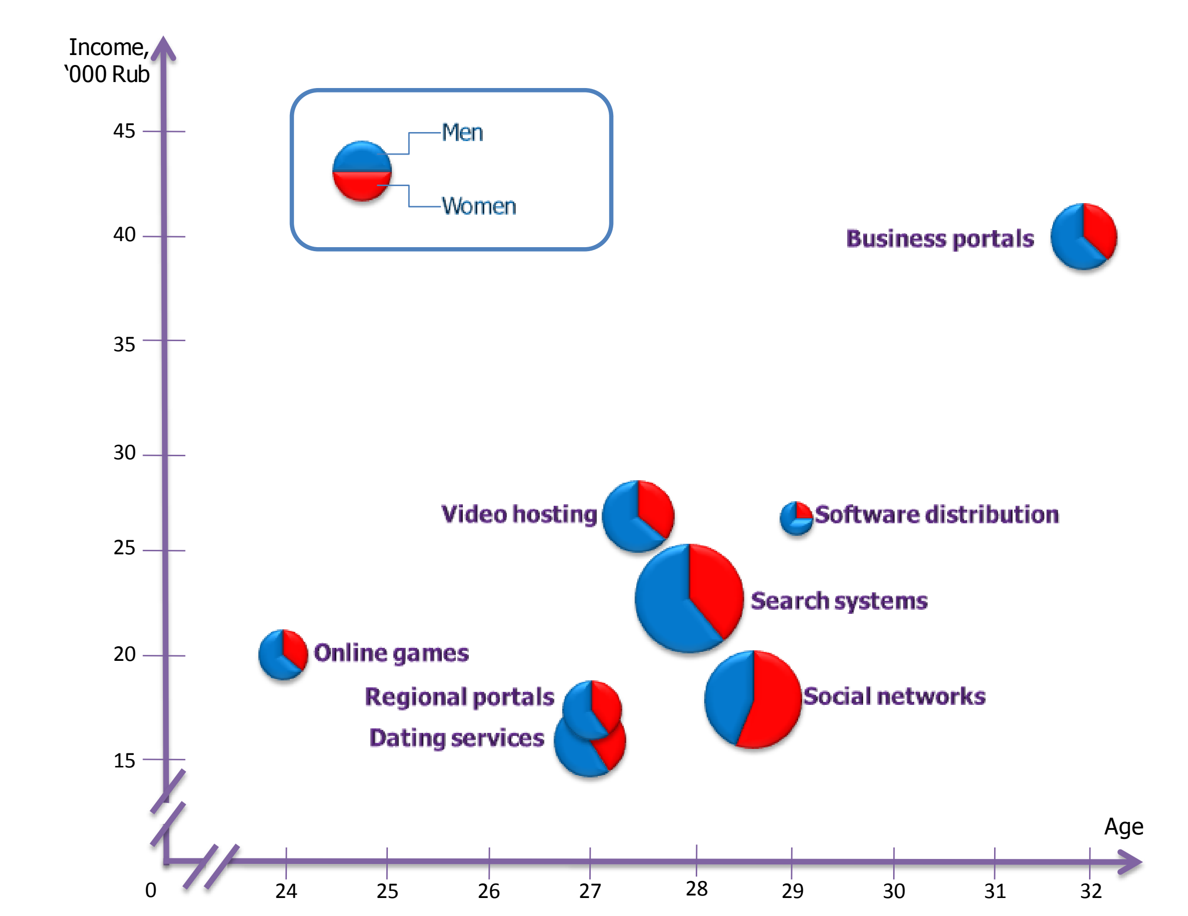
Internet Portals Auditory analysis, 1Q 2009

Men continue to remain the most active Internet users according to results of market research of typical user portraits. Male audience prevails in 7 out of 8 analyzed Internet portals. Only social networks audience tends to be more female.

The youngest Internet users actively play the multiuser online games (more than half of users are younger than 25), while senior audience prefers to use the Internet mainly for information search and reading of news in business sphere (57 % of users of business portals are older than 30).

The audience with the lowest level of income prefers online dating services (one user out of four has the income below 9 000 rbl. per month) and regional portals. Business portals, on the contrary, consolidate highly paid part of Internet audience; basically it is visitors whose professional status is manager and proprietor of business (40 % of visitors).

Internet Portals Audience Analysis



Source: J`son & Partners Consulting

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