

Yandex Considers Deal With Microsoft for Windows

By [The Moscow Times](#)

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Russia's biggest Internet search engine Yandex said it could seek a deal with Microsoft to become part of its Windows 10 platform in Russia and potentially other markets.

Such a deal would fit in with the Russian company's efforts to expand in mobile search and diversify away from the weak ruble.

Microsoft said last week it had partnered with Chinese tech giant Baidu to boost the adoption of Windows 10 in China in a deal that saw Microsoft for the first time dump its own search engine Bing as the default search tool.

Arkady Volozh, CEO and co-founder of Yandex which leads Google in Russia with a 60 percent market share, said he hoped the precedent could be spread to Russia and Turkey and potentially help it expand to new markets.

"Microsoft is merging its desktop and mobile platforms and together it will have quite a significant [market] share, 20-30 percent. It's not hostile to us and we have something to talk to them about," Volozh said in an interview for the Reuters Russia Investment Summit.

"The fact that Bing can be replaced on Windows 10 by something else, is a big deal, it's never happened before. We hope it could be extended not only to Russia but also other markets," Volozh said.

Under pressure from Google, Yandex's overall market share has dropped in the past years due to the growing use of smart-phones based on its Android operating system, which has an 81 percent market share worldwide.

Yandex recently won an antimonopoly case against Google in Russia with the regulator ruling last month that Google was abusing its market position by requiring pre-installation of its search engine as a default on Android-powered devices.

Volozh said he hoped the decision by the regulator, which has yet to say how it wants Google to make amends, will at least help restore its market share, which has fallen to 57 percent by the second quarter from 62 percent two years ago.

"Tomorrow, nobody will go and switch on devices which have already been sold, but it gives us some breathing space ... The minimum we expect is the regulator to ban Google from banning [pre-installation of Yandex's search] ... and we will rush to talk with vendors," he said.

Exchange Rate Risk

Volozh said that a tie-up with Microsoft could help Yandex expand into new markets as it seeks to diversify its revenue streams which have been hit by a drop in the ruble.

Although Yandex keeps increasing ruble revenues from online text advertising, its turnover in dollars has tumbled after the ruble lost 50 percent of its value due to weaker oil prices and Western sanctions over Moscow's role in the Ukraine conflict.

That has fueled dollar costs, including for buying servers, some office rental costs, and wages, and forced Yandex to freeze headcount growth for the first time in 15 years at a time when it needs to develop new products.

"We are fighting on par with global competitors ... I am very afraid that, God forbid, if something crashes here and we only have rubles and only are on one market, the main threat for the company is the loss of a critical mass of people," said Volozh.

"If we could build a model to become a second player in various markets — it means many different currencies and at least less dependency on oil — You don't want to depend on what does not depend on you," Volozh said.

He said Yandex was working on various projects to find new sources of revenues, including big data and predictive analytics for banks, aircraft makers and mobile operators — an area where Yandex has already built expertise.

One idea was to team up with a consortium of Germany's three premium carmakers, BMW, Audi and Mercedes , which is buying Nokia's maps business, formerly known as Navteq, to beat out high-tech rivals such as Google in the race for a lead in self-driving cars.

"We can talk with such people. This is where our skills can come in handy. We have some skills that Navteq has not. How will it compete with Google without [customer-focused] maps? We can be useful," Volozh said.

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