

# INTERVIEW

**The company that pays the most attention to and puts the most resources into India early will dominate.**

**As the opportunities for e-commerce and online advertising are growing in India, it is attracting global Internet firms like MSN and Yahoo. Given this, do you think India could emerge as a key market for the Internet business in the near future?**

India will definitely emerge as a key market. As its Internet user base, both PC and mobile device-based, grows and matures, e-commerce and online advertising will grow tremendously over the next five to ten years. The major US firms Google, Yahoo and MSN already each have an India presence, one which is bound to grow rapidly.

**Since Google's major revenues come from online advertisements, do you think that it will be going to face significant challenges from MSN and Yahoo in India?**

To understand Google's challenges, it is helpful to first recognize that their search advertising (or "keyword"-based advertising) model is the dominant online ad model, and also generates more than 95% of Google's revenues.

Google's current leadership in search advertising is because they were the first firm to indigenously assemble the three key components that this business model needs. First, they created a "search-ad" network capable of identifying keywords relevant to a large group of potential advertisers and a mechanism for pricing these keywords on a performance-basis. Second, their advanced search technology draws users to express their intent while searching, and effectively matches this intent to keywords advertisers in the search-ad network have paid for. Third, they have "organic search" traffic from a large set of users, whose intent-based attention is the key input to the search ad business model.

Google was not the pioneer in any of these, but was the first to combine each component with superior in-house technology. However, both MSN and Yahoo have these three components now. Yahoo has acquired Overture (the pioneering search ad network) and Inktomi (whose search technology precedes Google's), and MSN has developed in-house. Yes, Google starts with an advantage from its brand and its early ad-writing presence in India, but the playing field is now more level. Yahoo arguably has better content, and MSN has intent-keyword matching technology that may be better than Google's.

**What kind of challenges will the Indian companies like Rediff and Sify would be facing from the big players?**

The business models of Rediff and Sify are quite diverse. Their ideal early strategy would be to partner with the major players to leverage the attention their Web properties get from desirable demographic Indian consumers. Their existing India-based advertiser networks and expertise is also an asset, especially for Rediff. The technology and business model infrastructure that the major US players have developed can help Rediff and Sify monetize these assets much better in the near future. Mounting a challenge to be the Yahoo for India rather than partnering seems counterproductive.

**How do you foresee the competition?**

Rediff and Sify are unlikely to try to compete head-on with Google, Yahoo and MSN. These firms have different business models, scale, and capabilities. A number of Indian consumers already use Google and Yahoo for search, content and e-mail. The creator of Google News, Krishna Bharat, is based in Google Bangalore. My point is that these firms already coexist in the Indian context, and that partnering seems far more viable as a strategy for the Indian majors.

Between Google, Yahoo and MSN, I think the company that pays the most attention to and puts the most resources into India early will dominate. Relative market power in the US will not necessarily translate into India. Search advertising is a local business, and it is an open competitive field right now.

**Any other comments.**

The market potential of online advertising is driven by the vibrancy of local e-commerce, which is poised to explode in India over the next decade, as essential parts of the business infrastructure for delivery, fulfillment, settlement and reputation fall into place. I'm familiar and involved with a new marketplace design from an ISB-industry collaboration that will potentially ignite and transform Indian e-commerce in the next two years. It's going to be an exciting and high-growth time. It is critical that firms recognize that mobile phone-based Internet access and location-based services will be uniquely important to India, and part of any successful mass-market strategy. For the US portals like Yahoo and MSN, partnering with Indian incumbents seems crucial in the short-term as well.



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