

Google defends shrinking China market share

JOE McDONALD - AP Business Writer - Associated Press

Google is hiring dozens of marketing and technical employees in China to defend a shrinking market share against local rivals after closing its Chinese search engine six months ago this Wednesday in a dispute over censorship.

Mainland users usually can reach Google's Chinese-language site in Hong Kong, a Chinese territory with no Internet filtering. That has helped Google retain its rank as China's second-most-popular search engine but Hong Kong access is occasionally blocked and some users have defected to local alternatives, mostly to market leader Baidu.com.

Google Inc. has kept a research-and-development center and advertising sales offices in China and is promoting its Android operating system for mobile phones. It launched what it says is a "large-scale recruiting campaign" for at least 40 posts this summer, from national marketing manager to software designer.

"Our engineering teams in Beijing and Shanghai continue to focus on bringing a steady stream of innovation to our services in China," the company in a written response to questions.

The hiring has stirred local fans' hopes the China search engine might reopen, though Google has given no indication of that. None of its job advertisements mentions a connection to the China site, Google.cn.

"The signal that Google are on a hiring spree might suggest they are getting a little movement in talks with the government," said Edward Yu, president of Analysys International, a Beijing research firm.

Google did not immediately respond to questions about its contacts with the government and whether it hoped to reopen the Chinese search engine.

Google's January announcement that it no longer wanted to cooperate with Chinese censorship and might leave prompted an outcry by local users. The government, startled and embarrassed by Google's public defiance, didn't budge and the China search engine closed March 22. Communist leaders promote Web use for education and business but block material deemed subversive or obscene. Google objected to being required to exclude search results for banned sites.

China is the world's most populous Internet market, with more than 420 million people online, but Google has said little about its plans for this country, leaving local users and industry analysts guessing.

"I think Google will come back to China," said Qiao Fan, a 27-year-old freelance website designer. He set up the fan site www.gogoogle.com to promote Google to

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Chinese users.

"Some Google products you just can't find on other services," Qiao said, citing the company's e-mail and friend-finding features.

Qiao draws hope from the fact that Google put in the effort to renew its license to operate Google.cn in July. That site includes a button users can click to reach the Hong Kong site and links to Google services not covered by censorship.

"I think because of that, they are making preparations to come back," Qiao said.

Revenues are flowing in from Chinese advertisers that want to reach customers abroad through the company's U.S. site or mainland users of the Hong Kong site.

Google received 24.2 percent of China's search engine revenues in the second quarter of the year, though that was down from the previous quarter's 30.9 percent, according to Analysys International. Nearly all that lost business went to Baidu, which raised its market share from 64.2 percent to 70 percent.

Google declined to release sales figures. For now, China provides a small share of its revenues — an estimated \$250 million to \$600 million of this year's projected \$28 billion total. But the world's second-largest economy is expected to become more important as incomes rise and more Chinese go online.

"On the advertising side we are bullish," the company statement said. "We have a significant local sales presence in China and remain committed to helping Chinese businesses grow online and responding to the specific needs of our Chinese advertisers."

Mainland users who still turn to Google are better educated, richer and more attractive to advertisers, so revenue per user is higher than average, said Yu.

Still, the lack of a China-based site puts Google at a disadvantage as it competes with Baidu and rivals such as Sogou.com and Alibaba, a Chinese e-commerce giant that has added a search service.

"The trend (in revenues) is definitely declining because after they migrated their search engine to Hong Kong, there are periodic interruptions," Yu said. "Users who are not loyal to Google are turning their traffic to Baidu and other services."

This month, 10-year-old Baidu, long seen as a Google imitator, launched a service dubbed Box Computing Open Platform that can run games, electronic books and other applications on its search platform, beating Google's planned launch of a similar service.

David Wolf, a technology marketing consultant in Beijing, said he expects Google's market share to decline to 7 to 12 percent in two to three years — ahead of other rivals but farther behind Baidu.

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Google needs official permission to keep advertising and research operations in China and it is unclear whether it has repaired strained relations, said Wolf, president of Wolf Group Asia.

"Regardless of what changes they've made, Google has an ongoing government relations challenge here," he said. "And I don't know whether they are attending to that."

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AP researcher Bonnie Cao contributed to this report.

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