

China's Baidu reports slower profit growth

The Associated Press

BEIJING (AP) — Baidu Inc., which operates China's most popular search engine, reported slower profit growth in its latest quarter Friday as costs rose sharply and competition for its new mobile service intensified.

Earnings rose 8.5 percent from a year earlier to 2 billion yuan (\$328.9 million) for the three months ended March 31, the Beijing-based company announced. That was down from the previous quarter's 36 percent increase.

Revenue rose 40 percent from a year earlier to 6 billion yuan (\$961 million) but expenses rose at faster rates. Research and development costs increased 82.9 percent. Sales and administration rose 77.2 percent.

Baidu dominates China's traditional desktop computer-based search market but has seen its leadership erode in mobile search as Chinese users switch to surfing the Web on mobile phones and tablets.

Baidu accounted for 78.6 percent of China's traditional search market in the first quarter, well ahead of second-place Google Inc., which had 14.4 percent, according to Analysys International, a research firm. Google closed its mainland China search service in 2010 following a dispute over censorship with the communist government.

In mobile search, Baidu's share declined from 77.4 percent in July to 66.9 percent in March, according to Analysys. Some of that lost share went to Qihoo 360, a mobile search service launched in mid-2012 that rose to second place in March with 13.4 percent of the market.

Despite the competitive pressure, Baidu chairman Robin Li said the number of daily users of its mobile service rose 25 percent over the course of the first quarter to 100 million.

"Our mobile offering is making exciting progress," said Li in a statement.

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